SCRATCH TICKET MANUFACTURING AND SERVICES

SUBMITTED TO THE

TEXAS LOTTERY COMMISSION

Attn: Angela Zgabay-Zgarba CTCD, CTCM
Contracts & Facilities Manager
611 East 6th Street
Austin, Texas 78701

SUBMITTED BY

Scientific Games International, Inc.

1500 Bluegrass Lakes Parkway, Alpharetta, Georgia 30004

CONTACT PERSON

Jeff Shoumaker

Regional Vice President, Sales

Tel: 210-240-0619/**Fax:** 678-393-3477/**Email:** jeff.shoumaker@scientificgames.com

TECHNICAL PROPOSAL

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For more information, please contact:
Scientific Games International, Inc.
1500 Bluegrass Lakes Parkway
Alpharetta, GA 30004 USA

Dena Rosenzweig
Senior Vice President, Deputy General Counsel
Phone: 470-550-7364
Fax: 678-297-5118

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8-2 through 8-15	8.1	Overview of Ticket Manufacturing Methods	This confidential section contains information relating to our internal operations and processes involving our proprietary game programming methodology. Disclosing this information and know-how would provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

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8-16	8.1	Overview of Ticket Manufacturing Methods	This confidential section contains our proprietary game programming methodology. Disclosing this information and know-how would provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
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8-57	8.1	Overview of Ticket Manufacturing Methods	This confidential section contains our proprietary manufacturing methodology. Disclosing this information and know-how would provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-59 through 8-78	8.1	Overview of Ticket Manufacturing Methods	This confidential section contains our detailed quality control procedures and business model. Disclosing this information would provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

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8-81 through 8-82	8.3	Ticket Stock	This confidential section identifies new ticket features. Disclosing this information would provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-94	8.3.3	Ticket and Pack Sizes	This confidential section contains our press equipment capabilities. This information would give competitors knowledge of the equipment used in our manufacturing process and enable them to duplicate our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-96 through 8-97	8.3.5	Perforations	This confidential section contains our perforation capabilities. This information would give competitors knowledge of the equipment used in our manufacturing process and enable them to duplicate our operations and know- how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-102 through 8-104	8.3.7	Imaged Data	The confidential section contains game programming methodology and validation process details. This information is considered confidential as it relates to the security of our products, data, and lottery-specific information regarding the integrity of the Texas Lottery and the design, operation and defense of a computer network that gives them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information, and also contains scientific and technological information in which Scientific Games has a proprietary interest. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Confidential Table

Page No.	Section	Content	Reason for Confidentiality
8-106	8.3.10	Validation Number	The confidential section includes game programming methodology and validation process details. This information is considered confidential as it relates to the security of our products, data, and lottery-specific information regarding the integrity of the Texas Lottery and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information, and also contains scientific and technological information in which Scientific Games has a proprietary interest. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-110 through 8-111	8.3.17	Protective Coating/Seal Coat	This confidential section details our proprietary production methodology and equipment used. Disclosing this information would provide our competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-113 through 8-115	8.3.18	Display Printing	This confidential section details our press equipment capabilities. Disclosing this information could give competitors knowledge of the equipment used in our manufacturing process and provide our competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-116	8.3.19	Overprint	This confidential section details our press equipment capabilities. Disclosing this information could give competitors knowledge of the equipment used in our manufacturing process and enable them to duplicate our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
Separately printed inserts (pages 1-4)	8.3.22	Security Tint or Primer	This confidential section details our proprietary production methodology and equipment used. Disclosing this information would provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-121	8.4.1	Omitted Packs	This confidential section contains our technological quality control and production security information in which Scientific Games has a proprietary interest. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-123 through 8-127	8.5.2	Minimize Possibility of Tampering	This confidential section contains our scientific and technological quality control and production security information in which Scientific Games has a proprietary interest. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-128 through 8-129	8.6.1	Odds of Winning	The confidential section includes game programming methodology and validation process details. This information is considered confidential as it relates to the security of our products, data, and lottery-specific information regarding the integrity of the Texas Lottery. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Confidential Table

Page No.	Section	Content	Reason for Confidentiality
8-131	8.7	Guaranteed Low End Prize Structure (GLEPS)	The confidential section includes game programming methodology and validation process details. This information is considered confidential as it relates to the security of our products, data, and lottery-specific information regarding the integrity of the Texas Lottery. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information, and also contains scientific and technological information in which Scientific Games has a proprietary interest. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-132	8.8	Prize Guarantees	The confidential section includes game programming methodology and validation process details. This information is considered confidential as it relates to the security of our products, data, and lottery-specific information regarding the integrity of the Texas Lottery. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-137 through 8-141	8.12.1	Ticket Reconstruction Process	The confidential section includes game programming methodology and validation process details. This information is considered confidential as it relates to the security of our products, data, and lottery-specific information regarding the integrity of the Texas Lottery. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-142 through 8-143	8.13	Employee Security	This confidential section contains information concerning Scientific Games' employees and staffing that may be considered private, personally identifying information and give competitors an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential information.
8-144	8.15	Production and Transfer of Game Production Data	This confidential section contains our information relating to our internal operations and processes and the manner in which we produce and transfer game production data in which Scientific Games has a proprietary interest. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
Separately printed inserts (pages 1-3)	8.16	Section Overview for Security Plan	This confidential section contains our security plan and game programming methodology, along with details on our current security measures and game programming methods, as well as business continuity planning and the design, operation and defense of a computer network. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-148 through 8-156	8.16.1	Importance of Security	This confidential section contains our security plan and game programming methodology, along with details on our current security measures and game programming methods, as well as business continuity planning and the design, operation and defense of a computer network. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-165 through 8-166	8.16.1	Importance of Security	This confidential section contains our security plan and game programming methodology, along with details on our current security measures and game programming methods, as well as business continuity planning and the design, operation and defense of a computer network. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-167	8.16.2.2	Visitors' Log	This confidential section contains our plant security, vendor accountability and interface with Lottery security personnel processes, along with details on the current security measures and give competitors an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-171	8.16.7	Business Continuity Plan	This confidential section contains our business continuity methodology. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
Separately printed inserts (pages 1-15)	8.16.7	Business Continuity Plan	This confidential section contains our business continuity methodology. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-177 through 8-178	8.17.5	Color Proof	This confidential section contains our proofing system capabilities. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-181	8.20	End of Production Prize Structure	This confidential section contains our End of Production Prize Structure (EOPPS) procedures and methodology and give competitors an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and that would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-189 through 8-192	8.27.1	Guidelines for Scratch Ticket Testing	The confidential section contains ticket production security testing methodology. This information is considered confidential as it relates to the security and quality assurance of our products and data, that gives competitors an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information, and also contains scientific and technological testing information in which Scientific Games has a proprietary interest. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-193 through 8-196	8.27.2	Current Tests	The confidential section contains current ticket production security testing methodology and procedures. This information is considered confidential as it relates to the security and quality assurance of our products and data, that gives competitors an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information, and also contains scientific and technological testing information in which Scientific Games has a proprietary interest. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Confidential Table

Page No.	Section	Content	Reason for Confidentiality
Separately printed inserts (pages 1-2)	8.33	Section Overview for Specified Options	This confidential section includes descriptions of our proprietary products and services for a variety of innovative programs in manufacturing, promotions and branded, proprietary or Licensed Games. Disclosing this information could be damaging to our customers and provide competitors with insight into our business model, operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.
8-223 through 8-226	8.33.2	Internet Entry Promotional Second-Chance Drawings	This confidential section contains detailed description of Scientific Games' drawing process as it relates to Internet Entry Promotional Second-Chance Drawings. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
Separately printed insert (pages 1-2)	8.33.2	Internet Entry Promotional Second-Chance Drawings	This confidential section contains detailed description of a specific customer second Chance Promotion case study. Disclosing this information could be damaging to our customer and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-245 through 8-255	8.33.6	Automated Scratch Sales Solution	This confidential section includes a description of our proprietary products and services for innovative retailer inventory management. Disclosing this information could be damaging to our customers and provide competitors with insight into our business model, operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.

Confidential Table

Page No.	Section	Content	Reason for Confidentiality
8-280	8.35	Offered Options	This confidential section identifies new product innovations and features that have not been released in the market and are confidential trade secrets. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed.
8-365 through 8-371	8.35	Offered Options	This confidential section includes a description of our proprietary products and services for the collection, compilation and organization of business intelligence. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-372 through 8-377	8.35	Offered Options Destruction of Tickets for Closed Games	This confidential section includes a description of lottery-specific information regarding the integrity of the Texas Lottery. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.
		SalesMaker	This confidential section details the methodology in place for proprietary Scientific Games' retailer improvement program. Disclosing this information could be damaging to our customers and provide competitors with insight into our business model, operations and know- how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-382 through 8-385	8.35	Offered Options	This confidential section includes a description of our proprietary products and services related to self-service sales devices. Disclosing this information could be damaging to our customers and provide competitors with insight into our business model, operations and know- how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.
8-387 through 8-392	8.35	Offered Options	This confidential section includes a description of our proprietary products and services that may have proprietary information impact on Scientific Games pricing and service offerings. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-398	8.35	Offered Options	This confidential section includes a description of our proprietary products and services that may have proprietary information impact on Scientific Games pricing and service offerings. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.
8-399 through 8-400	8.35	Offered Options	This confidential section includes a description of our proprietary products and services that may have proprietary information impact on Scientific Games pricing and service offerings. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.

Page No.	Section	Content	Reason for Confidentiality
8-402 through 8-410	8.35	Offered Options	This confidential section includes a description of our proprietary products and services that may have proprietary information impact on Scientific Games pricing and service offerings. Disclosing this information could be damaging to our customers and provide competitors with insight into our operations and know-how and give them an advantage in this and other competitive bidding procurements. This information is Scientific Games' confidential, trade secret information. Scientific Games takes measures to keep this information confidential and proprietary and the information derives independent economic value, actual or potential, from not being known to a competitor and would cause substantial competitive harm if disclosed and would cause substantial competitive harm if disclosed.

SCIENTIFIC GAMES

March 23, 2022

Ms. Angela Zgabay-Zgarba
Texas Lottery Commission
P.O. Box 16630
Austin, Texas 78761

Dear Ms. Zgabay-Zgarba,

Scientific Games International, Inc. ("Scientific Games") is honored to submit our response to the Texas Lottery Commission's Request for Proposal for Scratch Ticket Manufacturing and Services. By submission of this Proposal, Scientific Games commits to provide the goods and services required in this RFP to the Texas Lottery. We confirm that our proposal is valid for one hundred and eighty (180) days from the day after the deadline for submitting proposals. Scientific Games acknowledges receipt of Amendments 1, 2 and 3 issued by the Texas Lottery regarding this RFP.

As your committed partner for nearly 30 years, we have watched the Texas Lottery's game sales grow in a competitive environment. This growth is particularly exciting given the important role played by scratch games—a product we have proudly provided to your organization since 1992—and one that continues to lead the way to increased sales levels. As outlined below, Scientific Games is confident that we are the most qualified company to provide the goods and services required by the Texas Lottery in this RFP.

With a history spanning nearly 50 years, Scientific Games is the most experienced supplier of lottery products and services in the industry. We provide product support from start to finish with instant game design, programming, and complete security of both process and product, including secure delivery of the tickets to your warehouse. As the Texas Lottery strives to increase revenue, you can be assured of continuing with a partner who has an established record of innovation and a demonstrated ability to grow sales based on a thorough understanding and commitment to marketing and research. Over the last decade, we have invested millions of dollars in technology and security to ensure that our customers receive the very best products and services available in the lottery industry.

More than an instant ticket provider, our role is to support the Lottery's mission of creating and selling games that are held to the highest standards of integrity, entertainment and efficiency to maximize proceeds which support what matters to Texans. We are uniquely positioned to also provide a proven automated in-lane solution for scratch sales. SCiQ® is the lottery industry's first comprehensive, in-store technology system to inventory, secure, track and manage accounting for lottery products. Integrating SCiQ into the Texas Lottery's ecosystem will enable a new level of advanced intelligence—transforming how you can manage every area of your scratch products business.

As announced on October 27, 2021, Scientific Games Corporation, our ultimate corporate parent, entered into a definitive agreement for the proposed sale of its entire lottery business to Brookfield Business Partners, LLP (NYSE:BBU)(TSX:BBU.UN), the flagship listed business services and industrials company of Brookfield Asset Management, one of the largest alternative asset managers in the world with over $625 billion of assets under its management. The transaction is expected to close in the second quarter of 2022, subject to applicable regulatory approvals and customary closing conditions. As the proposed transaction proceeds to closing, we will continue to update the Texas Lottery as required under Section 4.6.5 of the RFP. This is exciting news for the continued evolution of Scientific Games' lottery business as we will be 100% focused on innovation and growth for our lottery customers. The Scientific Games name, all existing lottery operations—including all the company's iLottery assets (which were previously shared with the company's Digital Group) and lottery sports betting platforms—and our global lottery team will remain together with this transition. Our lottery team will continue to deliver as it does today across all product lines and we do not expect the proposed transaction to have any impact on the Texas Lottery's Request For Proposal process or Scientific Games' ability to provide the Texas Lottery with the best possible service. Please see **Section 4.6.2** in our proposal for more information.

Scientific Games has read and understands the terms and conditions set forth in Part 3 of this RFP which will be included in the Contract. As required in Section 2.7.2, we accept the terms and conditions set forth in Part 3 of this RFP with the following exceptions:

Section 3.24.3, Ownership of Prior Rights by the Successful Proposer
Scientific Games takes exception to this provision subject to the parties negotiating terms of the use of such intellectual property on commercial terms consistent with the intended use as agreed by the parties. This exception is based on Scientific Games' position that the proposed language in this provision exceed the intentions of the TLC as described on January 27, 2022, in Responses to Proposers' Questions nos. 15 and 16 exposing the Successful Vendor to excessive liability and potential loss of value of its intellectual property without due compensation. We propose that this provision should include terms that limit such use to the term of the Contract and any post-term usage by the TLC be subject to commercially reasonable terms as may be agreed by the parties, including reasonable geographic and duration provisions.

Section 3.25, Pre-Existing and Third Party Rights
Scientific Games takes exception to this provision subject to the parties negotiating terms of the use of certain of Scientific Games' proprietary intellectual property on commercial terms consistent with the intended use as agreed by the parties. This exception is not intended to apply to intellectual property created by Scientific Games specifically for the TLC pursuant to an instant ticket supply agreement and is meant only to prevent Scientific Games' inadvertent loss of rights to its own property. This exception is based on Scientific Games' position that the proposed language in this provision exceed the intentions of the TLC as described on January 27, 2022, in Responses to Proposers' Question no. 18 exposing the Successful Vendor to excessive liability and potential loss of value of its intellectual property without due compensation. Further, it appears to require the Proposer to make a commitment regarding third party rights over which it may have no control. We propose that this provision should include terms that limit such use of the affected proprietary property of Scientific Games to the term of the Contract and any post-term usage by the TLC be subject to commercially reasonable terms as may be agreed by the parties, including reasonable geographic and duration provisions.

Section 3.31.2, Indemnification
Scientific Games takes exception to the obligations set forth in this provision subject to the parties negotiating terms of indemnification terms as agreed by the parties. This exception is based on Scientific Games' position that it is commercially unreasonable to require indemnification by the Successful Vendor while denying the Successful Vendor opportunity to limit or otherwise mitigate its obligation by controlling the defense of the claim or consenting or even participating in negotiation of a settlement. We propose revisions to this provision should include terms allowing meaningful participating and opportunity to mitigate liability in favor of the Successful Vendor.

Section 3.32, Insurance
Scientific Games takes exception to the obligations set forth in this provision subject to the parties negotiating terms of the provision of insurance to the extent it requires the Successful Vendor to furnish Professional Liability (Cyber/Errors and Omissions) insurance issued by a company duly licensed, admitted and authorized to do business in Texas. This exception is based on the potential lack of availability in the market of coverages meeting those requirements.

Section 3.33, Self-Insurance
Scientific Games takes exception to this provision subject to the negotiation of the parties to the extent that any deductible exceeds 6% of the face amount of the policy is deemed "self-insurance". The amount of the deductible for certain policies when viewed as a percentage of available funds to pay the deductible is negligible and should not be considered a failure to comply with the requirements of the RFP.

Section 3.39, Performance Bond
Scientific Games takes exception to this provision subject to the negotiation of the parties to the extent that the TLC requires inclusion of forfeiture rights in the performance bond under the conditions set forth in this section of the RFP. This exception is based on the prevailing industry standard that a bond may be annually renewed and not include forfeiture language.

The person authorized by Scientific Games to address matters related to our proposal is Jeff Shoumaker, Vice President, Sales. He can be reached at jeff.shoumaker@scientificgames.com or at 210-240-0619.

We appreciate the opportunity to submit our proposal to the Texas Lottery Commission. As an officer of Scientific Games International, Inc., I am legally authorized to bind the company to the representations in the proposal. We look forward to hearing from you soon.

Sincerely,

John Schulz
Senior Vice President, Instant Products
Mobile: 678.662.3781
Email: john.schulz@scientificgames.com

EXECUTIVE SUMMARY

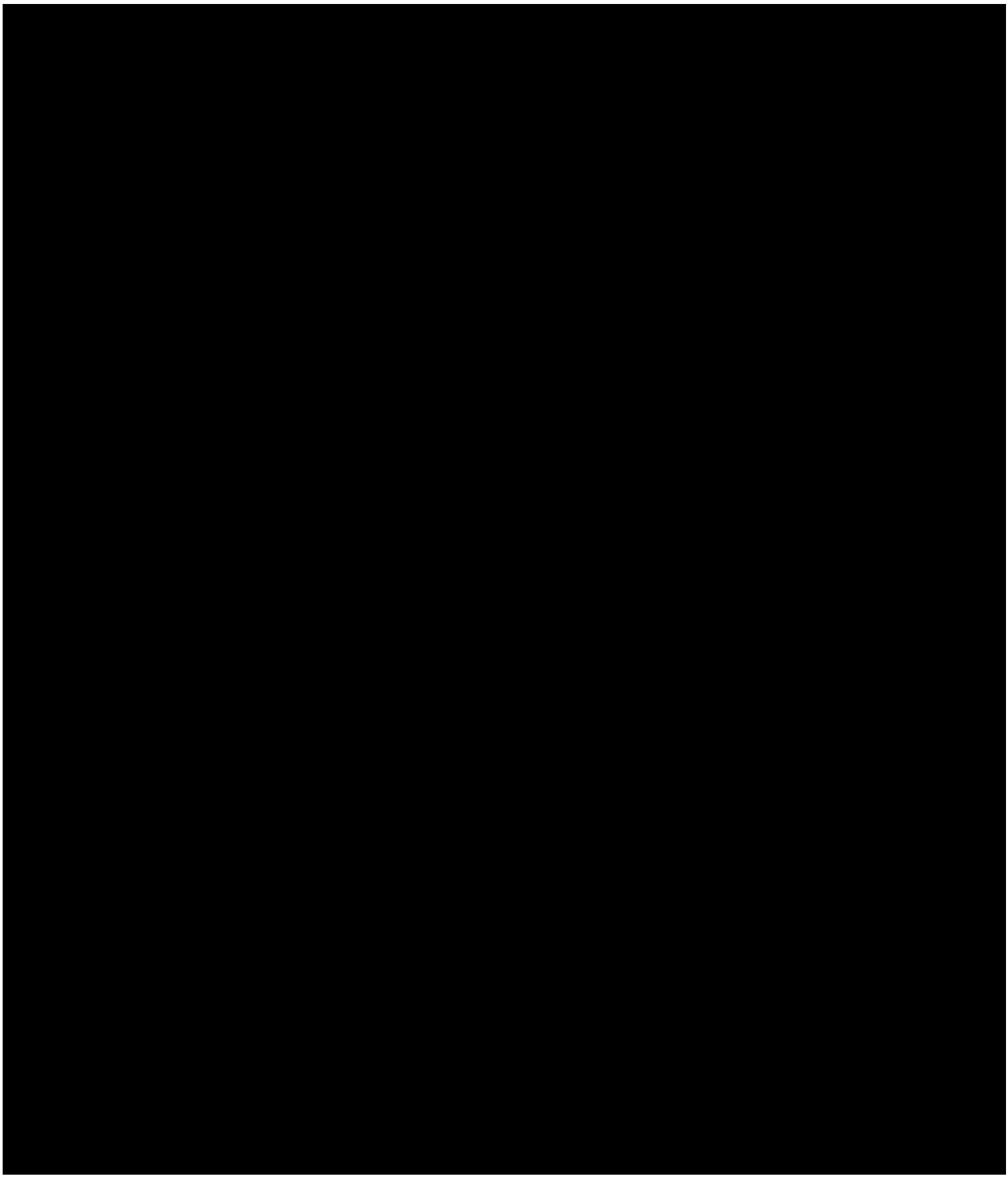
SUBMITTED TO THE

TEXAS LOTTERY COMMISSION

SCIENTIFIC GAMES

SCRATCH TICKET MANUFACTURING AND SERVICES

RFP No.: 362-2022-0005 ■ March 2022



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SCIENTIFIC GAMES

1. | General Information

Scientific Games acknowledges and accepts the requirements of Part 1, General Information.

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2. | Proposal Process

Scientific Games acknowledges and accepts the requirements of Part 2, Proposal Process.

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3. Contractual Terms and Conditions

Scientific Games has read and understands the terms and conditions set forth in Part 3 of this RFP which will be included in the Contract. Scientific Games further acknowledges that the Texas Lottery reserves the right to incorporate additional provisions in the Contract in the best interest of the Texas Lottery.

As required in Section 2.7.2, Scientific Games accepts the terms and conditions set forth in Part 3 of this RFP with the following exceptions.

Section 3.24.3, Ownership of Prior Rights by the Successful Proposer

Scientific Games takes exception to this provision subject to the parties negotiating terms of the use of such intellectual property on commercial terms consistent with the intended use as agreed by the parties. This exception is based on Scientific Games' position that the proposed language in this provision exceed the intentions of the TLC as described on January 27, 2022 in Responses to Proposers' Questions nos. 15 and 16 exposing the Successful Vendor to excessive liability and potential loss of value of its intellectual property without due compensation. We propose that this provision should include terms that limit such use to the term of the Contract and any post-term usage by the TLC be subject to commercially reasonable terms as may be agreed by the parties, including reasonable geographic and duration provisions.

Section 3.25, Pre-Existing and Third Party Rights

Scientific Games takes exception to this provision subject to the parties negotiating terms of the use of certain of Scientific Games' proprietary intellectual property on commercial terms consistent with the intended use as agreed by the parties. This exception is not intended to apply to intellectual property created by Scientific Games specifically for the TLC pursuant to an instant ticket supply agreement and is meant only to prevent Scientific Games' inadvertent loss of rights to its own property. This exception is based on Scientific Games' position that the proposed language in this provision exceed the intentions of the TLC as described on January 27, 2022 in Responses to Proposers' Question no. 18 exposing the Successful Vendor to excessive liability and potential loss of value of its intellectual property without due compensation. Further, it appears to require the Proposer to make a commitment regarding third party rights over which it may have no control. We propose that this provision should include terms that limit such use of the affected proprietary property of Scientific Games to the term of the Contract and any post-term usage by the TLC be subject to commercially reasonable terms as may be agreed by the parties, including reasonable geographic and duration provisions.

Section 3.31.2, Indemnification

Scientific Games takes exception to the obligations set forth in this provision subject to the parties negotiating terms of indemnification terms as agreed by the parties. This exception is based on Scientific Games' position that it is commercially unreasonable to require indemnification by the Successful Vendor while denying the Successful Vendor opportunity to limit or otherwise mitigate its obligation by controlling the defense of the claim or consenting or even participating in negotiation of a settlement. We propose revisions to this provision should include terms allowing meaningful participating and opportunity to mitigate liability in favor of the Successful Vendor.

Section 3.32, Insurance

Scientific Games takes exception to the obligations set forth in this provision subject to the parties negotiating terms of the provision of insurance to the extent it requires the Successful Vendor to furnish Professional Liability (Cyber/Errors and Omissions) insurance issued by a company duly licensed, admitted and authorized to do business in Texas. This exception is based on the potential lack of availability in the market of coverages meeting those requirements.

Section 3.33, Self-Insurance

Scientific Games takes exception to this provision subject to the negotiation of the parties to the extent that any deductible exceeds 6% of the face amount of the policy is deemed "self-insurance". The amount of the deductible for certain policies when viewed as a percentage of available funds to pay the deductible is negligible and should not be considered a failure to comply with the requirements of the RFP.

Section 3.39, Performance Bond

Scientific Games takes exception to this provision subject to the negotiation of the parties to the extent that the TLC requires inclusion of forfeiture rights in the performance bond under the conditions set forth in this section of the RFP. This exception is based on the prevailing industry standard that a bond may be annually renewed and not include forfeiture language.

Additional Responses to Section 3 Requirements

Scientific Games understands that the majority of Section 3 does not require a response other than acknowledgement of and compliance with the contractual terms and conditions. However, we wish to acknowledge and provide a written response to the following items.

3.40.1 Complete Disclosure of Litigation

Scientific Games understands that we must include in our proposal a complete disclosure of any material civil or criminal litigation or indictment either threatened or pending involving Scientific Games. Please see **Section 4.1.5** for our detailed response to this requirement.

3.49 Hiring of Lobbyist, Consultant, and/or Advisor; Supplemental Information

Scientific Games does not currently or in the last three years prior had any lobbyists, consultants, and/or advisors who performed or will perform services related to our operations or interests in the state of Texas. Scientific Games understands that we must immediately notify the Texas Lottery in the event of change of lobbyist, consultant, or advisor information.

3.50 Notices

Scientific Games understands we must indicate in our proposal the name and address of the person to whom any notices shall be given. Please see **Section 4.4.1** for our detailed response to this requirement.

3.56 Certifications

Scientific Games has reviewed and certifies that, as the Proposer, we meet and will comply with the requirements of this section.

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4.1

Experience of Proposer

TPIA §552.110

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SCIENTIFIC GAMES

4. Required Information

4.1 Experience of Proposer

4.1.1 Years of Experience

Each Proposer shall provide the following information relating to its experience:

In the following sections, we detail our experience and successes providing the most proven and comprehensive products and services available in the lottery industry.

Experience can be measured in many ways—number of years, how many tickets produced, how many customers served, or the number of innovations brought to the industry. By every measure, Scientific Games is the unquestioned leader.

Since developing the lottery industry's first instant ticket game in 1974, our sophisticated systems technology has played an important role in the worldwide lottery sector. Scientific Games is the world's largest instant ticket lottery company, one of the world's largest online lottery companies, and a leader in the fast-developing market of interactive products.

4.1.2 Years of Experience

Proposers must indicate the number of years' experience the Proposer has in manufacturing scratch tickets and providing related services as specified in this RFP. Each Proposer shall include descriptions and verifiable references (including names, titles, addresses and telephone numbers) documenting its experience for all engagements of comparable complexity and sensitivity for the past five (5) years.

Scientific Games has been manufacturing scratch tickets and providing related services as specified in this RFP since 1974. Scientific Games currently serves 44 government authorized lottery jurisdictions in the United States and lottery organizations in more than 50 other countries. In the U.S. alone, we provide instant games to 39 lottery jurisdictions. Please see **Section 4.3** for descriptions and verifiable references, including details regarding our experience with engagements of comparable complexity and sensitivity.

Scientific Games Corporate Overview

As a global leader in the lottery industry, Scientific Games' mission is to empower our customers by creating the world's best lottery experiences. Using consumer-driven insights, we design new technologies and programs that advance the global lottery industry. For more than 49 years, Scientific Games has delivered what customers and players value most: trusted security and creative content. We offer customers a fully integrated portfolio of technology platforms, robust systems, engaging game content, and unrivaled professional services and marketing solutions. Our lottery games are designed to reach players wherever they are, whenever they want to play, and in any retail or digital channel they choose.

Global Lottery Company

Scientific Games is the industry's only complete global solutions provider. Our products enhance our customers' entire lottery operation, from the retailer and mobile to online games. Scientific Games, has the most online lottery experience, is the world's largest instant ticket provider, and is one of the world's largest draw game technology providers.

Scientific Games creates the games that players want and the systems that power our lottery partners to revenue growth. Every year, our instant ticket games generate $60 billion in sales globally. As the world's largest supplier of instant ticket games, we provide games to 24 of the top 25 lotteries with the highest instant ticket game per capita sales in the world. Our powerful lottery systems provide innovative solutions to more than 270,000 retail outlets that meet or exceed the new requirements of a more high-tech retail ecosystem.

Global Systems

Industry-Leading Experience with Open Systems

Our proven and innovative lottery gaming platform—AEGIS® (Advanced Entertainment Gaming and Information System)—is a leader in open systems architecture, currently supporting 57 lotteries globally. AEGIS has been proven in many of the most progressive lotteries worldwide based on our track record of being fastest and first to market with third-party integrations, new retail point-of-sale innovations and other solutions that are acknowledged as industry leading.

Embracing open systems began decades ago with our support for Norsk Tipping, which pioneered open systems in Europe with the first truly modular gaming engines. As the leading systems provider for European lotteries, we have demonstrated our systems' adaptability in diverse gaming environments, languages, currencies, regulatory markets, and opportunities. Our open systems offer omni-channel gaming platforms and other next-generation features, such as a shared wallet that provides players' balances and bonuses in real time. We are also the global leader in unified Player Account Management (PAM) solutions.

Lottery Interactive Solutions

From loyalty to mobile apps, second-chance promotions, iLottery and eGames, Scientific Games has produced a portfolio of world-leading lottery interactive solutions. We have launched 700 interactive lottery products. We remain focused on advancing technology, content, and solutions to deliver what consumers want in new ways. Scientific Games has delivered more distinct mobile and web-based projects to lotteries than all major lottery suppliers combined.

- More than 700 websites for 50 lotteries around the world
- Pioneered interactive promotional games
- Leader in mobile apps—one in four lotteries in the U.S. has a Scientific Games mobile app

iLottery Programs

As a leader in the iLottery space, Scientific Games provides digital solutions that are secure, robust, and unparalleled. In addition, our product teams have created and implemented hundreds of online programs for lotteries across the globe. More specifically, we have conducted over 6,430 drawings; fulfilled 3.3 million prizes; managed 2.5 million player accounts; developed 22 mobile applications, and much more. Since 2018, we have launched over 4,500 iLottery promotions. In 2020 alone, we launched over 250 unique promotions per month for the Pennsylvania iLottery program, as well as four eDraw games and 88 eInstant games.

Our qualifications are based on conclusive results, including:

- **Award-winning CRM** – Scientific Games was selected to revamp the Kentucky Lottery's digital CRM program to improve iLottery sales—launching our advanced CRM tools and management program, despite the iLottery platform being provided by another supplier. Scientific Games now provides CRM strategic marketing services to nine U.S. lotteries.
- **More than 30 iLottery Programs Launched Globally** – Scientific Games has a proven track record of driving revenues and gross gaming revenue for our iLottery partners, and we are the largest lottery systems provider in Europe.
- **Digital Lottery Leadership** – Our digital lottery programs and team have been recognized globally inside and outside the industry.
- **Responsible Gaming** – As one of the first companies certified by the WLA as a responsible gaming supplier, Scientific Games is fully dedicated to responsible gaming programs, promoting transparency, and lottery literacy. Today, we proudly hold the WLA's Global Responsible Gaming Certification for all our retail and digital products and services. See **Section 6.2.A**, **Section 6.2.B**, and **Section 6.2.C** for complete details on our Responsible Gaming initiatives.

Loyalty Programs

Scientific Games is the first provider of full-service loyalty rewards programs to the U.S. lottery industry, starting with the launch of Loyalty Plus™ with the Arkansas Scholarship Lottery in 2009. The company's lottery mobile apps leverage smartphone technology to provide players with an easy, convenient way to participate in loyalty rewards. The app's ticket scanning feature enables players to scan instant and draw games purchased at retail and accumulate points for merchandise. Other facets of our loyalty programs include:

- **Loyalty Plus™** – The industry's first comprehensive player rewards program comprised of more than 1.7 million members, enhancing retail sales and brand loyalty.
- **Points for Prizes®** – The core of our rewards platform with an online store for rewards redemption.
- **Players Clubs** – The opportunity for players to register for Points for Prizes, for-fun games and promotions.
- **Play It Again™** – Our instant ticket game prize management program.

Instant Game Products and Technology

Every year, Scientific Games brings about 3,000 new instant ticket games to market. That breaks down to about eight new games launched every single day. Our customers' games succeed because we combine insights, experience, creativity, and attention to detail, security, and logistical knowledge. Over the years, we have developed some amazingly successful and profitable lottery games for our partners.

To make sure our customers always have the games they need when they need them, we operate five global manufacturing facilities, with eight printing presses, on four continents—making us the largest manufacturer of instant ticket games around the world. No other lottery instant ticket game provider develops and delivers this volume of instant product.

Full Category Management: SGEP

Instant ticket games will continue to be the cornerstone upon which lotteries are built for the foreseeable future. Instant ticket games and the cash they provide customers to reinvest at retail are essential to total profitability. More than just selling instant ticket games, we support a lottery's entire business across four key value areas: Product Solution, Advanced Logistics, Retail Optimization, and Interactive Integration. These categories include highly specialized services that encompass every aspect of the instant ticket game business, and combined with our experience and knowledge, they help to drive instant revenue growth.

In 1985, Scientific Games was the first in the industry to launch a Cooperative Services Program (CSP) for the New York Lottery. During the past 37 years, our program has revolutionized our customers' ability to manage their instant ticket supply chain and drive new revenue. Our program has grown and evolved into a flexible full category management program that successfully meets each lottery customers' unique needs. Encompassing every aspect of a lottery's business, we now refer to our enhanced program as the Scientific Games' Enhanced Partnership (SGEP).

These partnerships have paid off for our lottery customers—eight of our SGEP customers ranked in the top 10 U.S. weekly per capita lotteries in FY21. With the positive results we have helped our SGEP partners achieve, we have proven that our full category management works.

Scientific Games Lottery Overview

Scientific Games' mission is to empower our customers by creating the world's best lottery experiences. Using consumer-driven insights, we design new technologies and programs that advance the global lottery industry.

Beginning with developing the world's very first secure instant lottery game in 1974, Scientific Games has continued to innovate the industry's games, technology, programs, marketing research and security. Over the last five decades, we have served more than 140 lottery customers on six continents. We remain committed to worldwide responsible gaming principles and environmental sustainability.

Scientific Games is the industry's only full-service provider. We offer diverse products, technology and services that can be customized to meet the needs of virtually any lottery jurisdiction. The company's portfolio includes:

- Instant and draw-based lottery games
- Strategic marketing and analytics
- Full category management (instants) through SGEP
- Server-based lottery and gaming systems
- Sports betting technology
- Loyalty and rewards programs
- Interactive social gaming content and services

Scientific Games' Real Numbers

At Scientific Games, we believe that real numbers—and our partners' real success—are essential. Driving such results requires insights, innovation, customer focus and proven performance. We make it our priority every day to deliver real success for our customers.

Scientific Games Drives Real Results

The Proof Is in the Numbers

9 out of top 10 U.S. lotteries in weekly per capita choose Scientific Games as their primary instants provider

Currently, we deliver more than **2,800** new instant games to the global market each year

$46 Billion in U.S. retail sales generated by our instant games in FY21

$34 Billion awarded in prizes to players from our printed instant products in FY21

#1 licensed lottery brand, MONOPOLY™ generated $1.5 billion in retail sales in FY21

More than **700** interactive products launched which is more than all other lottery vendors combined

53%* more weekly per capita Sales for our SGEP customers than the industry average

5 years in a row named Lottery Supplier of the Year at ICE Totally Gaming, 2015–2019

*Excluding Massachusetts

An Experienced Executive Management Team

Scientific Games' President and Chief Executive Officer, Patrick McHugh, has an executive management team with a very broad and deep experience base:

- John Schulz, Senior Vice President, Global Instant Products and Partner Services
- Jennifer Welshons, Senior Vice President, Marketing and Insights
- Jeff Martineck, Senior Vice President, Global Innovation
- Kyle Rogers, Vice President, North American Instant Products
- Mark Hoffman, Vice President, Operations Management

This group of talented individuals has an impressive track record of success and share an unwavering focus on the customer. In addition, the balance of the executive team is equally qualified and driven to deliver insights, innovation, and performance. Our executive team is conscious of its operating rhythm, its group focus, and departmental interactions to facilitate the exchange of ideas and solutions.

Scientific Games Leads with Responsibility

As a global leader in the lottery and gaming industries, our position reflects dedication to providing exceptional products and service to those we serve.

We are also very aware that with leadership comes significant responsibility. We are accountable not just to the end users of our products but to the public at large. If consumers do not believe their government and its business partners present an honest and fair lottery, they will not purchase the products.

Trust in Scientific Games has a huge social impact on the beneficiaries of our customers, such as education, healthcare and other good causes. It also has an impact on our employees and the environment—and, of course, it has bottom-line impact. For these reasons, we operate with the highest level of corporate social responsibility.

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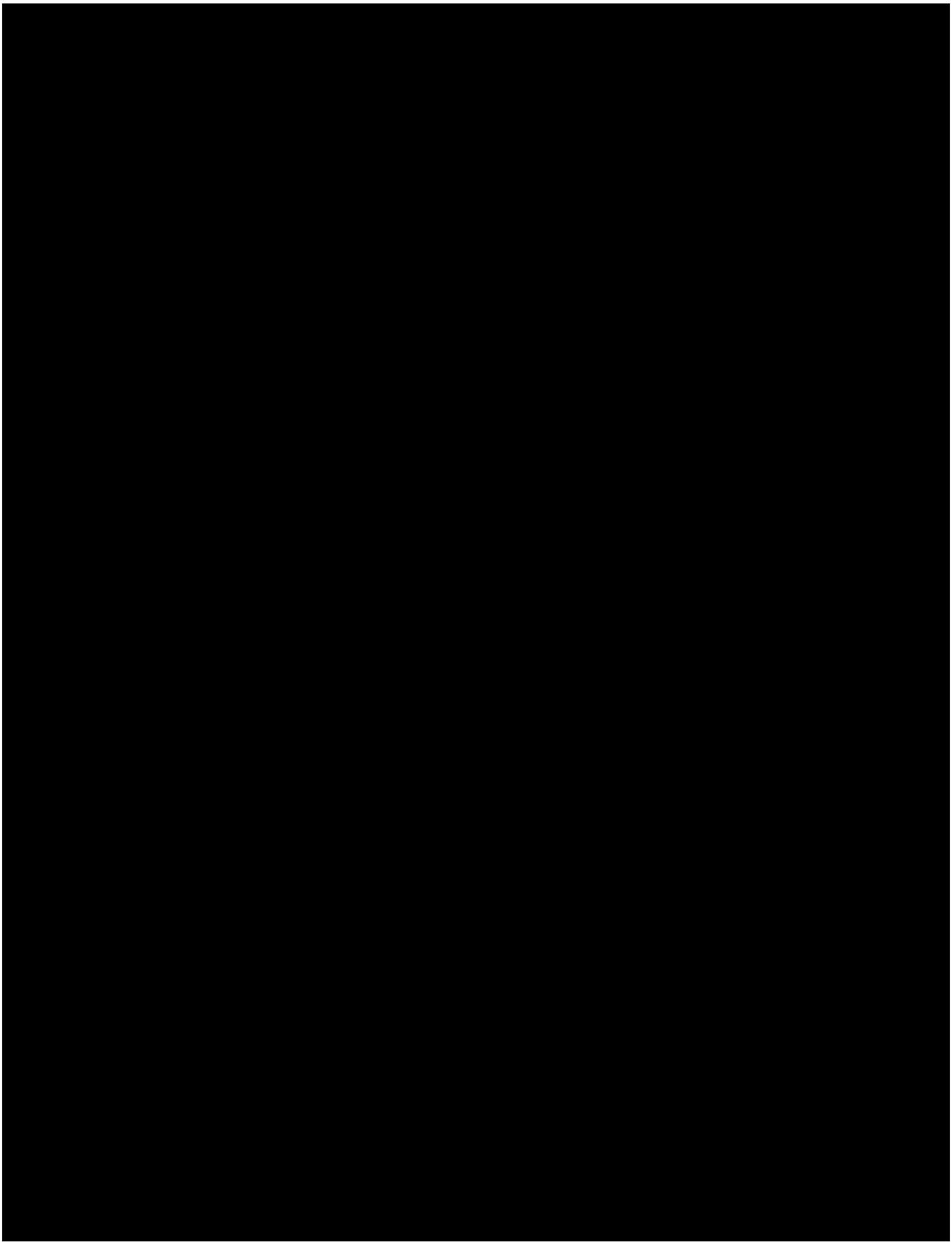

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Responsible Gaming

Led by an experienced and globally respected management team, Scientific Games continues our longstanding commitment to responsible gaming practices. In 2012, the World Lottery Association (WLA) invited us to help develop the pilot supplier Corporate Social Responsibility certification. We were among the first companies they certified as a responsible gaming supplier. We continue to lead the industry in this area, as evidenced by our global WLA Responsible Gaming Certification, which we achieved in 2022.

World Lottery Association Responsible Gaming Certification

The WLA awarded us their prestigious certification following an extensive audit process. An independent international panel with expertise in corporate social responsibility conducted this audit.

Figure 4-1 illustrates the eight principles of the WLA Responsible Gaming Framework, each with its own set of requirements for WLA lotteries and suppliers.

Figure 4-1: WLA Responsible Gaming Principles

We also proudly support and actively participate in the responsible gaming initiatives, research and programs of nearly 20 additional gaming and lottery organizations globally, including the North American Association of State and Provincial Lotteries (NASPL), the American Gaming Association (AGA) and the National Council on Problem Gambling (NCPG). In fact, Scientific Games was the first—and until 2021, the only—lottery supplier to participate in the NCPG's Gift Responsibly campaign.

Because our commitment to responsible gaming goes well beyond the organizational level, Scientific Games created our own Healthy Play program.

Healthy Play™

With the expansion of new, and sometimes novel, game entertainment options, the conversation surrounding responsible gaming is also growing. While some companies do just enough to get by, Scientific Games has ramped up innovation and channeled resources to help our customers better participate in this dialogue with our groundbreaking Healthy Play program.

Our commitment is real: Healthy Play includes a responsible gaming strategy, research, best practices, products, services, technology solutions, and even stakeholder messaging. We rely on insights from experts in global gaming and lottery industry organizations, as well as government data, research, analytics and case studies from around the world.

"In the global lottery industry, Scientific Games has truly established its leadership role in responsible gaming," said Mélissa Azam, Senior Corporate Social Responsibility Manager, World Lottery Association. "The company's Healthy Play program, which provides lotteries with real tools to support their own responsible gaming programs, demonstrates Scientific Games integration of the WLA Responsible Gaming Principles throughout the organization, and its investment in the future of the lottery industry. WLA is proud to support Scientific Games' Global Responsible Gaming Certification and congratulates the company on its longstanding and continued commitment to responsible gaming."

Healthy Play includes expanded engagement with and integration of the WLA's responsible gaming principles in the development of innovative products, services and research. Our Healthy Play tagline—Have Fun. Do Good. Play Healthy™—is evidence of Scientific Games' deep understanding of a lottery's core purpose: to protect your players and help them make informed decisions.

Supplier Diversity

The mission of Scientific Games' supplier diversity program is to be a proactive business partner with certified diverse suppliers who can provide high-quality materials and services that meet and exceed the needs of our operations and lottery customers. We believe that success can be obtained by diverse groups working together to achieve common goals. Our supplier diversity program encourages diverse (minority, women, disabled, and veteran-owned) businesses to provide materials and services that offer great value and competitive pricing.

Scientific Games' supplier diversity program objectives focus on:

- Maintaining a high-quality process for inclusion of certified and valued diverse suppliers in our supply chain
- Consistently monitoring and reporting supplier diversity achievements
- Developing new and innovative ways to engage diverse suppliers within our supply chain

4.1.3 Similar Experience and Contract Performance

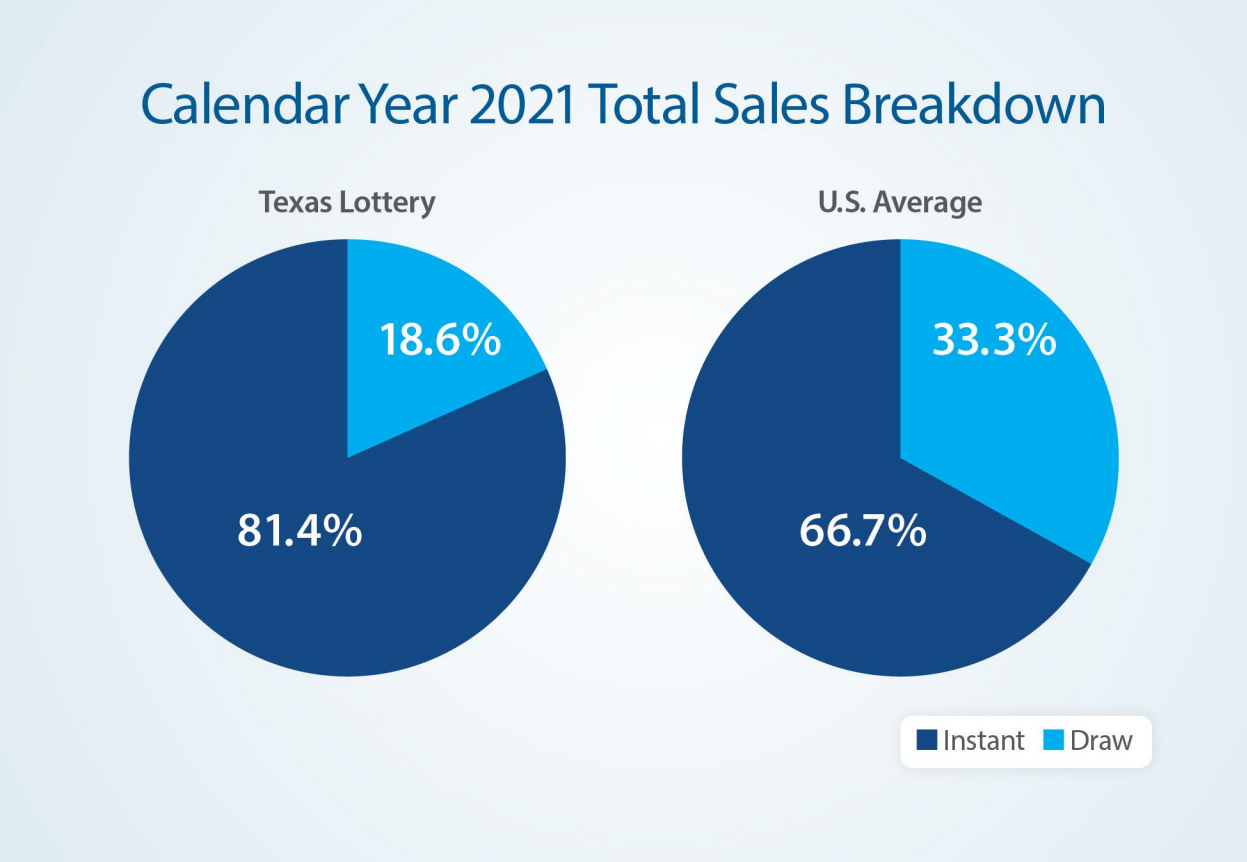
Proposers must indicate any previous State of Texas or other lottery experience providing similar services, including name of agency or lottery, type of work performed, and duration of project. Proposers must have a minimum five (5) years of related lottery experience in scratch ticket printing in North America and at least three (3) current clients who are members of the North American Association of State and Provincial Lotteries (NASPL). Proposers with less than the minimum required lottery experience and fewer than three (3) current NASPL clients will be disqualified and their Proposals will be rejected and not evaluated.

In this section we present information on Scientific Games' experience providing services to the Texas Lottery as well as to other lotteries. At the end of this section, we provide a list of our current clients who are members of the North American Association of State and Provincial Lotteries (NASPL).

Texas Lottery Experience

Scientific Games is proud to have served as the Texas Lottery's instant ticket supplier for 30 years. We congratulate the Lottery on the 11th consecutive record-breaking year with $8.107 billion in total sales in FY21 which generated $1.998 billion for your beneficiaries. In 2021, Texas was the third highest selling instant lottery in the U.S., which demands a vendor who can support this level of sophistication, operational volume, and game capacity now and for the exciting growth to come.

Scientific Games has nearly 50 years of lottery experience, and has the highest, proven production capacity and most experienced manufacturing staff in the industry. Why is this important to the Texas Lottery? The Texas Lottery is in a unique category when it comes to the number of games brought to market each year and the percentage of total Lottery revenue coming from the instant product.



Instant Game Launches by Price Point

With over 81% of total sales coming from the instant product and over 90 game introductions (new and base games), Scientific Games unparalleled production capacity is uniquely qualified to meet your needs now and in the future. Our five North American printing presses uniquely qualify Scientific Games to produce over billion plus tickets per year, if necessary, for the Texas Lottery to ensure you will always have the games needed to meet future sales growth.

Our Texas Lottery Account Team is fully prepared to support the games needed over the contract term. Our team has been providing these services for a combined over 60 years in the industry and has a solid understanding of the Lottery's needs and preferences. As we will present in detail in **Section 4.2.1**, Scientific Games' Texas Lottery account team has not only Texas-specific experience, but extensive industry experience too. Our team knows how to design, develop and bring top selling games to market.

The Texas Lottery Account Team is honored to be part of the success of the instant growth in Texas and look forward to many more record years.

The growth in the higher price point game sales has been the clear driver and many of the most successful games launched were recommended by Scientific Games as described in **Section 7.2.1.1**.

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Other Lottery Experience

In addition to providing services to the Texas Lottery, Scientific Games has extensive experience providing instant products and services to numerous other lotteries. In **Section 4.1.3** we present information on the similar services, lotteries, type of work performed and duration of those projects. We currently serve 49 lottery clients who are members of NASPL, 44 of whom we provide with instant ticket games. Our list of NASPL clients is provided at the end of this section.

Every year, Scientific Games brings about 3,000 new instant ticket games to market. That breaks down to about eight new games launched every single day. Our customers' games succeed because we combine insights, experience, creativity, and attention to detail, security, and logistical knowledge. Over the years, we have developed some amazingly successful and profitable lottery games for our partners.

To make sure our customers always have the games they need when they need them, we operate four global manufacturing facilities, with eight printing presses, on three continents—making us the largest manufacturer of instant ticket games around the world. No other lottery instant ticket game provider develops and delivers this volume of instant product.

As shown in **Figure 4-2** we were an instant game provider to all 10 of the top 10 U.S. lotteries based on total instant sales (Source: SG Dash FY21). This real-world experience is entrenched in our organization and fuels our drive to continually innovate.

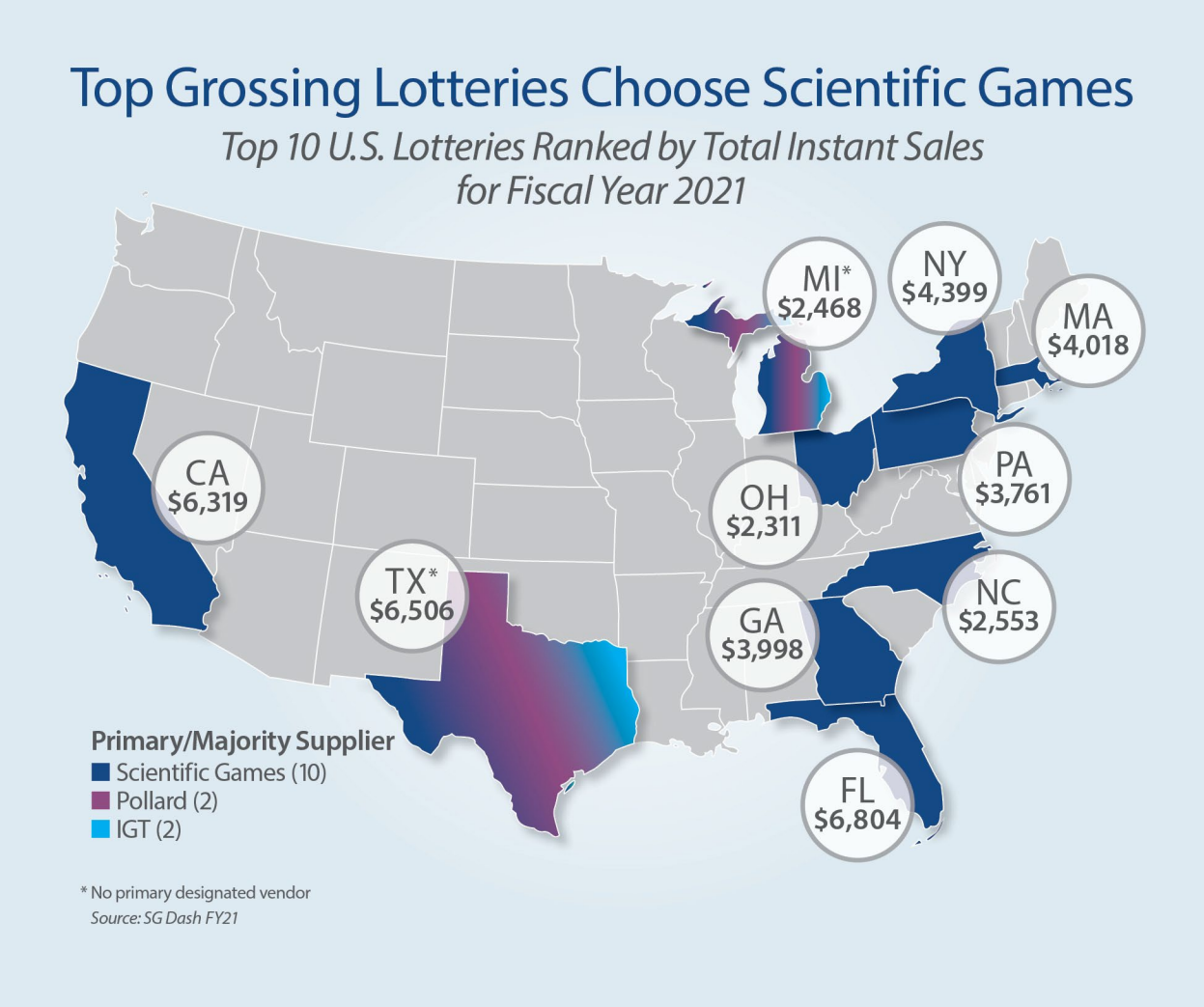

Figure 4-2: Primary Supplier to the Top 10 U.S. Lotteries, Total Instant Sales (in millions)

In addition, we were a scratch game provider to all 10 of the top 10 lotteries in the U.S. as measured by per capita sales (**Figure 4-3**). All these lottery organizations work closely with us on game planning, market analysis and execution of quality games based on our experience in the global market.

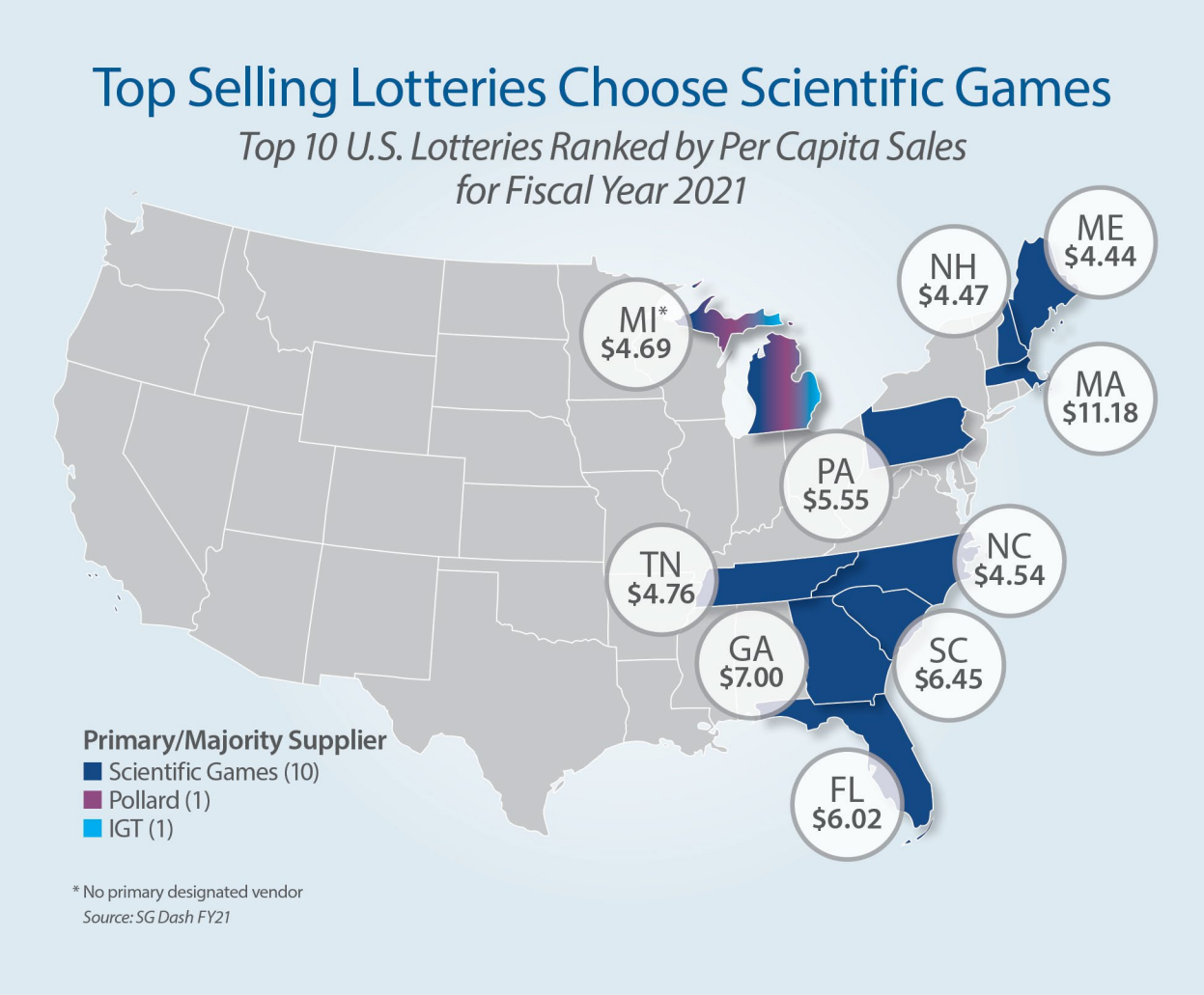

Figure 4-3: Primary Supplier to Top 10 U.S. Lotteries, Per Capita Sales

We look forward to continuing our work with the Texas Lottery to map out a plan for continued successful growth. We believe there is opportunity for growth and that we remain the partner to help you achieve it.

Scientific Games' Current NASPL Clients

Customer Information	Duration of Project	Services Provided	Memberships
Canada			
Atlantic Lottery Corporation 922 Main Street Moncton, New Brunswick E1C8W6 Canada Mr. Patrick Daigle, President and CEO Email: patrick.daigle@alc.ca Telephone: 506-867-5800 Fax: 506-867-5881	8/1/2012-8/1/2022	Customer Relationship Management (CRM), Instant Printing, Licensed Properties, Marketing Strategy Support	NASPL, WLA
Loto-Québec 500 Sherbrooke Street West Montreal, Quebec H3A 3G6 Canada Mr. Jean-Francois Bergeron, President and CEO Email: jean-francois.bergeron @loto-quebec.com Telephone: 866-611-5686	2/1/2022-1/31/2027	Instant Printing, Licensed Properties	NASPL, WLA
Ontario Lottery and Gaming Corporation 70 Foster Drive Suite 800 Sault Ste. Marie, Ontario P6A 6V2 Canada Mr. Stephen Rigby, President and CEO Email: srigby@olg.ca Telephone: 416-224-1772	12/1/2010-7/31/2022	Instant Printing, Licensed Properties	NASPL, WLA

Customer Information	Duration of Project	Services Provided	Memberships
Western Canada Lottery Corporation 10-125 Garry St. 10th Floor Winnipeg, Manitoba R3C 4J1 Canada Mr. Paul Erickson, President and CEO Email: ericksonp@wclc.com Telephone: 204-946-1300 Fax: 204-946-1921	1/1/1999-1/1/2030 Perpetual contract extensions available	Automated Draw Machine (ADM), Central Gaming System, Data Center Management, gemRetailer™, iLottery, Installation and Management of Retail Point-of-Sale Devices, Instant Printing, Licensed Properties, Network Communications Management, Player Account Management (PAM), Reporting Services, Self Service Terminals, Sports Betting	NASPL, WLA
United States			
Arizona Lottery 4740 East University Drive Phoenix, AZ 85034 Mr. Gregg Edgar, Executive Director Email: gedgar@azlottery.gov Telephone: 480-921-4505 Fax: 480-921-4512	1/15/2020-1/14/2025 Five 1-year contract extensions available (no set increment)	Instant Printing, Licensed Properties, Prize Fulfillment, Second-Chance Promotions	NASPL, WLA
Arkansas Scholarship Lottery 124 West Capitol Avenue #1400 Little Rock, AR 72201 Mr. J. Eric Hagler, Director Email: eric.hagler@arkansas.gov Telephone: 501-683-1890 Fax: 501-683-1878	8/18/2009-8/18/2026	Customer Relationship Management (CRM), Instant Printing, Licensed Properties, Loyalty Program, Marketing Strategy Support, Mobile Apps, Player Account Management (PAM), Players Club, Research, SciTrak Ultra with OrderCast, SGEP, Tel-Sell/Inside Sales, Warehousing and Distribution	NASPL

Customer Information	Duration of Project	Services Provided	Memberships
California Lottery 700 North 10th Street Sacramento, CA 95811 Mr. Alva Johnson, Director Email: ajohnson@calottery.com Telephone: 916-822-8110 Fax: 916-327-7819	12/1/2013-11/30/2022 Three 1-year contract extensions available	Instant Printing, Licensed Properties, Marketing Strategy Support, Prize Fulfillment, Research, Retailer Support	NASPL, WLA
Colorado Lottery 225 North Main Street Pueblo, CO 81003 Mr. Tom Seaver, Director Email: tom.seaver@state.co.us Telephone: 719-546-5327 Fax: 719-546-5208	7/1/2017-6/30/2023 Two 2-year contract extensions available	Instant Printing, Licensed Properties, Marketing Strategy Support, Prize Fulfillment, Research	NASPL, WLA
Connecticut Lottery Corporation 777 Brook Street Rocky Hill, CT 06067 Mr. Greg Smith, President and CEO Email: greg.smith@ctlottery.org Telephone: 860-713-2815 Fax: 860-713-2805	3/2/2020-3/1/2025 Three 1-year contract extensions available	Instant Printing, Licensed Properties, Marketing Strategy Support, Mobile Apps, Prize Fulfillment, Research, Second-Chance Promotions	NASPL

Customer Information	Duration of Project	Services Provided	Memberships
DC Lottery Charitable Games Control Board 2235 Shannon Place, S.E. Washington, DC 20020 Mr. Frank Suarez Acting Executive Director Email: frank.suarez@dc.gov Telephone: 202-645-8970 Fax: 202-645-3683	12/13/2019-12/12/2022 Two 1-year contract extensions available	Instant Printing, Licensed Properties, Prize Fulfillment	NASPL
Delaware State Lottery 1575 McKee Road, Suite 102 McKee Business Park Dover, DE 19904 Mr. Vernon Kirk, Director Email: vernon.kirk@delaware.gov Telephone: 302-744-1600 Fax: 302-739-6706	1/30/2012-10/29/2022	Instant Printing, Licensed Properties, Marketing Strategy Support, Prize Fulfillment, Research, Retailer Support, SciTrak Ultra with OrderCast, Second-Chance Promotions, SGEP, Tel-Sell/Inside Sales, Warehousing and Distribution	NASPL
Florida Lottery 250 Marriott Drive Tallahassee, FL 32399 Mr. John Davis, Secretary Email: davisj@flalottery.com Telephone: 850-487-7728 Fax: 850-487-7709	4/1/2019-3/30/2026 Seven 1-year contract extensions available	Instant Printing, Licensed Properties, OrderSorter, Retailer Support, SciTrak Ultra with OrderCast, Second-Chance Promotions, SGEP, Tel-Sell/Inside Sales, Warehousing and Distribution	NASPL

Customer Information	Duration of Project	Services Provided	Memberships
Georgia Lottery Corporation 250 Williams Street Suite 300 Atlanta, GA 30303 Ms. Gretchen Corbin, President and CEO Email: gcorbin@galottery.org Telephone l: 404-215-5020 Fax: 404-215-8987	9/7/2003-9/10/2025	Instant Printing, Licensed Properties, Livestreaming Promotions, Loyalty Program, Marketing Strategy Support, Mobile Apps, Prize Fulfillment, Research, SCiQ, Second-Chance Promotions, Self Service Terminals, SGEP, Warehousing and Distribution	NASPL, WLA
Hoosier Lottery 1302 North Meridian Street Indianapolis, IN 46202 Ms. Sarah Taylor, Executive Director Email: staylor@hoosierlottery.in.gov Telephone: 317-264-4946 Fax: 317-264-4908	4/1/2013-4/1/2023	Instant Printing, Licensed Properties, Marketing Strategy Support, Prize Fulfillment, Research	NASPL, WLA
Idaho Lottery 1199 Shoreline Lane Suite 100 Boise, ID 83702 Mr. Jeff Anderson, Executive Director Email: janderson@lottery.idaho.gov Telephone: 208-334-2600 Fax: 208-334-2610	3/19/2021-3/25/2023 Three 2-year contract extensions available	Instant Printing, Licensed Properties, Prize Fulfillment	NASPL
Illinois Lottery 122 South Michigan Avenue 19th Floor Chicago, IL 60603 Mr. Harold Mays, Acting Director Email: harold.mays@illinois.gov Telephone: 312-793-1681 Fax: 312-793-5514	1/18/2018-1/1/2028	Business Intelligence, gemIntelligence®, Instant Printing, Licensed Properties, Marketing Strategy Support, OrderSorter, Prize Fulfillment, Research, SciTrak Ultra with OrderCast, Second-Chance Promotions, SGEP, Warehousing and Distribution	NASPL, WLA

Customer Information	Duration of Project	Services Provided	Memberships
Iowa State Lottery 13001 University Avenue Clive, IA 50325 Mr. Matt Strawn, President and CEO Email: mstrawn@ialottery.com Telephone: 515-725-7880 Fax: 515-725-7882	1/1/2019-12/31/2022 Two 1-year contract extensions available	Instant Printing	NASPL, WLA
Kansas Lottery 128 North Kansas Avenue Topeka, KS 66603 Mr. Stephen Durrell, Executive Director Email: stephen.durrell@kslottery.net Telephone: 785-296-5729 Fax: 785-296-5712	10/12/2016-6/30/2022 Four 1-year contract extensions available	Instant Printing, Licensed Properties, Prize Fulfillment	NASPL
Kentucky Lottery Corporation 1011 West Main Street Louisville, KY 40202 Ms. Mary Harville, President and CEO Email: mary.harville@kylottery.com Telephone: 502-560-1551 Fax: 502-560-1532	6/26/2011-6/25/2026	Instant Printing, Licensed Properties, Loyalty Program, Marketing Strategy Support, Mobile Apps, Prize Fulfillment, Research, SciTrak Ultra with OrderCast, SGEP, Tel-Sell/Inside Sales, Warehousing and Distribution	NASPL

Customer Information	Duration of Project	Services Provided	Memberships
Lotería Electrónica 383 Roosevelt Avenue Suite 107 San Juan, PR 00918 Puerto Rico Mr. Armando Perez Cruz, Director Email: armando.perez@hacienda.pr.gov Telephone: 787-759-8686 Fax: 787-763-8436	7/1/2016-7/1/2024 Two 90-day contract extensions available	Call Center Services, Central Gaming System, Data Center Management, Installation and Management of Retail Point-of-Sale Devices, Instant Printing, Licensed Properties, Marketing Strategy Support, Mobile Apps, Network Communications Management, Prize Fulfillment, Reporting Services, SciTrak Ultra with OrderCast, Second-Chance Promotions, SGEP, Tel-Sell/Inside Sales, Warehousing and Distribution	NASPL
Louisiana Lottery Corporation 555 Laurel Street Baton Rouge, LA 70801 Ms. Rose Hudson, President and CEO Email: rose.hudson@louisianalottery.com Telephone: 225-297-2002 Fax: 225-297-2005	12/22/2010-10/20/2025 Five 1-year contract extensions available	Instant Printing, Licensed Properties	NASPL, WLA

Customer Information	Duration of Project	Services Provided	Memberships
Maine Lottery 10 Water Street Hallowell, ME 04347 Mr. Gregg Mineo, Director Email: gregg.mineo@maine.gov Telephone: 207-287-6769 Fax: 207-287-8289	4/27/2014-6/30/2022 Contract extensions available via mutual agreement	Call Center Services, Central Gaming System, Customer Relationship Management (CRM), Data Center Management, Installation and Management of Retail Point-of-Sale Devices, Instant Printing, Licensed Properties, Livestreaming Promotions, Loyalty Program, Mobile Apps, Network Communications Management, Prize Fulfillment, Reporting Services, SCiQ, SciTrak Ultra with OrderCast, SGEP, Tel-Sell/Inside Sales, Warehousing and Distribution	NASPL
Maryland State Lottery and Gaming Control Agency 1800 Washington Boulevard Suite 330 Baltimore, MD 21230 Mr. John A. Martin, Director Email: john.martin@maryland.gov Telephone: 410-230-8790 Fax: 410-230-8728	5/31/2021-8/31/2025 One additional 3-year contract extension	Instant Printing	NASPL, WLA
Massachusetts State Lottery Commission 60 Columbian Street Braintree, MA 02184 Mr. Ed Farley, Chief Marketing Officer Email: efarley@masslottery.com Telephone: 781-949-5505 Fax: 781-849-5655	10/4/2020-10/3/2025 Contract extensions available by mutual agreement	Instant Printing, Licensed Properties, Marketing Strategy Support, Mobile Apps, Players Club, Research, Second-Chance Promotions	NASPL

Customer Information	Duration of Project	Services Provided	Memberships
Michigan Lottery 101 East Hillsdale Lansing, MI 48909 Mr. Brian O. Neill, Commissioner Email: neillb@michigan.gov Telephone: 517-335-5608 Fax: 517-335-5685	12/11/2014-12/31/2022 Two 1-year contract extensions available	Instant Printing, Licensed Properties	NASPL
Minnesota State Lottery 2645 Long Lake Road Roseville, MN 55113 Mr. Adam Prock, Executive Director Email: adam.prock@mnlottery.com Telephone: 651-635-8210 Fax: 651-297-7496	7/29/2016-6/30/2022	Instant Printing, Licensed Properties	NASPL
Missouri Lottery 1823 Southridge Drive Jefferson City, MO 65109 Ms. May Scheve Reardon, Executive Director Email: may.scheve@molottery.com Telephone: 573-751-4050 Fax: 573-751-5188	4/15/2011–3/31/2022	Instant Printing, Licensed Properties, Loyalty Program, Mobile Apps, Prize Fulfillment	NASPL, WLA

Customer Information	Duration of Project	Services Provided	Memberships
Montana Lottery 2525 North Montana Avenue Helena, MT 59601 Mr. Scott Sales, Director Email: ssales@mt.gov Telephone: 406-444-5800 Fax: 406-444-5830	8/8/2015-8/7/2022	Instant Printing, Licensed Properties, Marketing Strategy Support, Prize Fulfillment	NASPL
New Hampshire Lottery 14 Integra Drive Concord, NH 03301 Mr. Charles McIntyre, Executive Director Email: charles.mcintyre@lottery.nh.gov Telephone: 603-271-3391 Fax: 603-271-1160	7/1/2017-6/30/2027	Drawing Services, gemIntelligence®, Instant Printing, Licensed Properties, Livestreaming Promotions, Marketing Strategy Support, Prize Fulfillment, SciTrak Ultra with OrderCast, Second-Chance Promotions, SGEP, Tel-Sell/Inside Sales	NASPL, WLA
New Jersey Lottery One Lawrence Park Complex Brunswick Avenue Circle Trenton, NJ 08648 Mr. James Carey, Executive Director Email: james.carey@lottery.nj.gov Telephone: 609-599-5900 Fax: 609-599-5935	6/20/2013-6/30/2029 Contract extensions available by mutual agreement	Instant Printing, Licensed Properties, Marketing Strategy Support, Research	NASPL, WLA

Customer Information	Duration of Project	Services Provided	Memberships
New Mexico Lottery Authority 4511 Osuna Road NE Albuquerque, NM 87109 Mr. David Barden, CEO Email: dbarden@nmlottery.com Telephone: 505-342-7612 Fax: 505-342-7515	4/25/2018-4/24/2028	Instant Printing, Licensed Properties, Loyalty Program, Marketing Strategy Support, Mobile Apps, Prize Fulfillment, Research, Second-Chance Promotions	NASPL, WLA
New York State Gaming Commission One Broadway Center Box 7500 Schenectady, NY 12301 Ms. Gweneth Dean, Director Email: gweneth.dean@gaming.ny.gov Telephone: 518-388-3400 Fax: 518-388-3403	8/15/2011-8/5/2022	Instant Printing, Licensed Properties, Marketing Strategy Support, Prize Fulfillment, Research	NASPL
North Carolina Education Lottery 2100 Yonkers Road Raleigh, NC 27604 Mr. Mark Michalko, Executive Director Email: mark.michalko@lotterync.net Telephone: 919-301-3600 Fax: 919-715-8833	4/14/2016-6/30/2025 One 2-year contract extension available	Business Intelligence, eDraw, iLottery, Instant Printing, Licensed Properties, Livestreaming Promotions, Loyalty Program, Marketing Strategy Support, Mobile Apps, OrderSorter, Prize Fulfillment, Research, SciTrak Ultra with OrderCast, SGEP, Tel-Sell/Inside Sales, Warehousing and Distribution	NASPL, WLA

Customer Information	Duration of Project	Services Provided	Memberships
Ohio Lottery 615 West Superior Avenue Cleveland, OH 44113 Mr. Pat McDonald, Executive Director Email: pat.mcdonald@lottery.ohio.gov Telephone: 216-774-5777 Fax: 216-787-3313	7/1/2015-6/30/2023 One 2-year contract extension available	Drawing Services, Instant Printing, Licensed Properties, Marketing Strategy Support, Prize Fulfillment, Research, SCiQ, Second-Chance Promotions	NASPL
Oklahoma Lottery Commission 123 Robert S. Kerr Avenue Oklahoma City, OK 73102 Mr. Jay Finks, Executive Director Email: jay.finks@lottery.ok.gov Telephone: 405-522-7711 Fax: 405-521-0528	10/1/2020-9/30/2030 One 5-year contract extension available	Automated Draw Machine (ADM), Business Intelligence, Call Center Services, Central Gaming System, Data Center Management, gemEnterprise™, gemIntelligence®, gemRetailer™, gemSuite™, Installation and Management of Retail Point-of-Sale Devices, Instant Printing, Licensed Properties, Mobile Apps, Network Communications Management, Research, Retailer Support, SCiQ, SciTrak Ultra with OrderCast, Self Service Terminals, Terminal Hardware, Terminal Software, Warehousing and Distribution	NASPL
Oregon Lottery 500 Airport Road SE Salem, OR 97301 Mr. Barry Pack, Director Email: barry.g.pack@state.or.us Telephone: 503-540-1132 Fax: 503-540-1001	7/20/2010-6/30/2023	Instant Printing, Licensed Properties	NASPL, WLA

Customer Information	Duration of Project	Services Provided	Memberships
Pennsylvania Lottery 1200 Fulling Mill Road Suite 1 Middletown, PA 17057 Mr. Drew Svitko, Executive Director Email: dsvitko@pa.gov Telephone: 717-702-8009 Fax: 717-702-8024	7/21/2007-3/31/2022; 6-9 month contract extension pending	Business Intelligence, Instant Printing, Licensed Properties, Livestreaming Promotions, Marketing Strategy Support, OrderSorter, Prize Fulfillment, Research, SciTrak Ultra with OrderCast, Second-Chance Promotions, SGEP, Tel-Sell/Inside Sales, Warehousing and Distribution	NASPL, WLA
South Carolina Education Lottery 1333 Main Street 4th Floor Columbia, SC 29201 Mr. Hogan Brown, Executive Director Email: hogan.brown@sclot.com Telephone: 803-737-2048 Fax: 803-737-2005	10/1/2020-9/30/2026 Perpetual and automatic 1-year contract extensions available	Customer Relationship Management (CRM), Drawing Services, Instant Printing, Licensed Properties, Livestreaming Promotions, Marketing Strategy Support, Mobile Apps, Research, Second-Chance Promotions, SGEP, Warehousing and Distribution	NASPL
South Dakota Lottery 711 East Wells Avenue Pierre, SD 57501 Mr. Norman Lingle, Executive Director Email: norman.lingle@state.sd.us Telephone: 605-773-5770 Fax: 605-773-5786	8/30/2016-8/29/2022	Instant Printing, Licensed Properties, Marketing Strategy Support	NASPL

Customer Information	Duration of Project	Services Provided	Memberships
Tennessee Education Lottery 26 Century Boulevard Suite 200 Nashville, TN 37214 Ms. Rebecca Paul Hargrove, President and CEO Email: rebecca.p.hargrove@tnlottery.com Telephone: 615-324-6501 Fax: 615-882-8375	10/28/2014-6/30/2027 Two 1-year contract extensions available	Instant Printing, Licensed Properties, Loyalty Program, Marketing Strategy Support, Mobile Apps, Research, SciTrak Ultra with OrderCast, Second-Chance Promotions, SGEP, Warehousing and Distribution	NASPL, WLA
Texas Lottery 611 East 6th Street Austin, TX 78701 Mr. Gary Grief, Executive Director Email: gary.grief@lottery.state.tx.us Telephone: 512-344-5160 Fax: 512-478-3682	9/1/2012-8/31/2024	Instant Printing, Licensed Properties, Marketing Strategy Support, Prize Fulfillment	NASPL, WLA
Washington's Lottery 814 Fourth Avenue East Olympia, WA 98506 Mr. Marcus Glasper, Director Email: mglasper@walottery.com Telephone: 360-664-4800 Fax: 360-664-2630	3/19/2014-3/18/2024	Customer Relationship Management (CRM), Instant Printing, Licensed Properties, Loyalty Program, Marketing Strategy Support, Mobile Apps, Prize Fulfillment	NASPL

Customer Information	Duration of Project	Services Provided	Memberships
Wisconsin Lottery 2135 Rimrock Road #231 Madison, WI 53713 Ms. Cindy Polzin, Director Email: cindy.polzin@revenue.wi.gov Telephone: 608-267-4500 Fax: 608-264-6644	11/1/2015-10/31/2022 Three 1-year contract extensions available	Instant Printing, Licensed Properties	NASPL, WLA

4.1.4 Comparable Engagements

Each Proposer shall provide descriptions for all engagements of comparable complexity and sensitivity to the requirements of this RFP that have been conducted within the past five (5) years. The description of comparable engagements shall be detailed and cover the contracts the Proposer and any subcontractors have had and all experience similar to this Contract which qualifies the Proposer to meet the requirements of this Contract, including but not limited to:

a. Size of contract (including value).

b. Reason for contract termination/expiration, if contract is no longer in effect.

c. Types of services directly provided by the Proposer and whether the Proposer was the contractor or subcontractor.

d. Term and type of contract, including effective dates.

e. Any problems encountered.

Scientific Games has provided instant ticket game services to the Texas Lottery since 1992. In 2021 alone, we produced more than 1 billion (2" x 4" equivalent) tickets to the Texas Lottery. During our relationship with the Texas Lottery, Scientific Games has remained committed to the highest levels of security, integrity, compliance, and ethical standards, as well as to the industry's responsible gaming principles and sustainable best practices.

Throughout the industry, Scientific Games' staff is known for both its integrity and its responsiveness to customer issues. This responsiveness has led to many products and processes that have enhanced game and operational security. Our long-standing history in this industry is distinguished by a commitment to strong corporate governance, which stresses personal and business integrity.

On the following pages, we provide contract detail for all Instant Products Group lottery contracts and experience similar to the Texas Lottery's contract which qualifies Scientific Games to meet the requirements of the contract.

Within the client list we include:

a. Size of contract (including value).

b. Reason for contract termination/expiration, if contract is no longer in effect.

c. Types of services directly provided by the Proposer and whether the Proposer was the contractor or subcontractor.

d. Term and type of contract, including effective dates.

e. Any problems encountered.

TPIA §552.104

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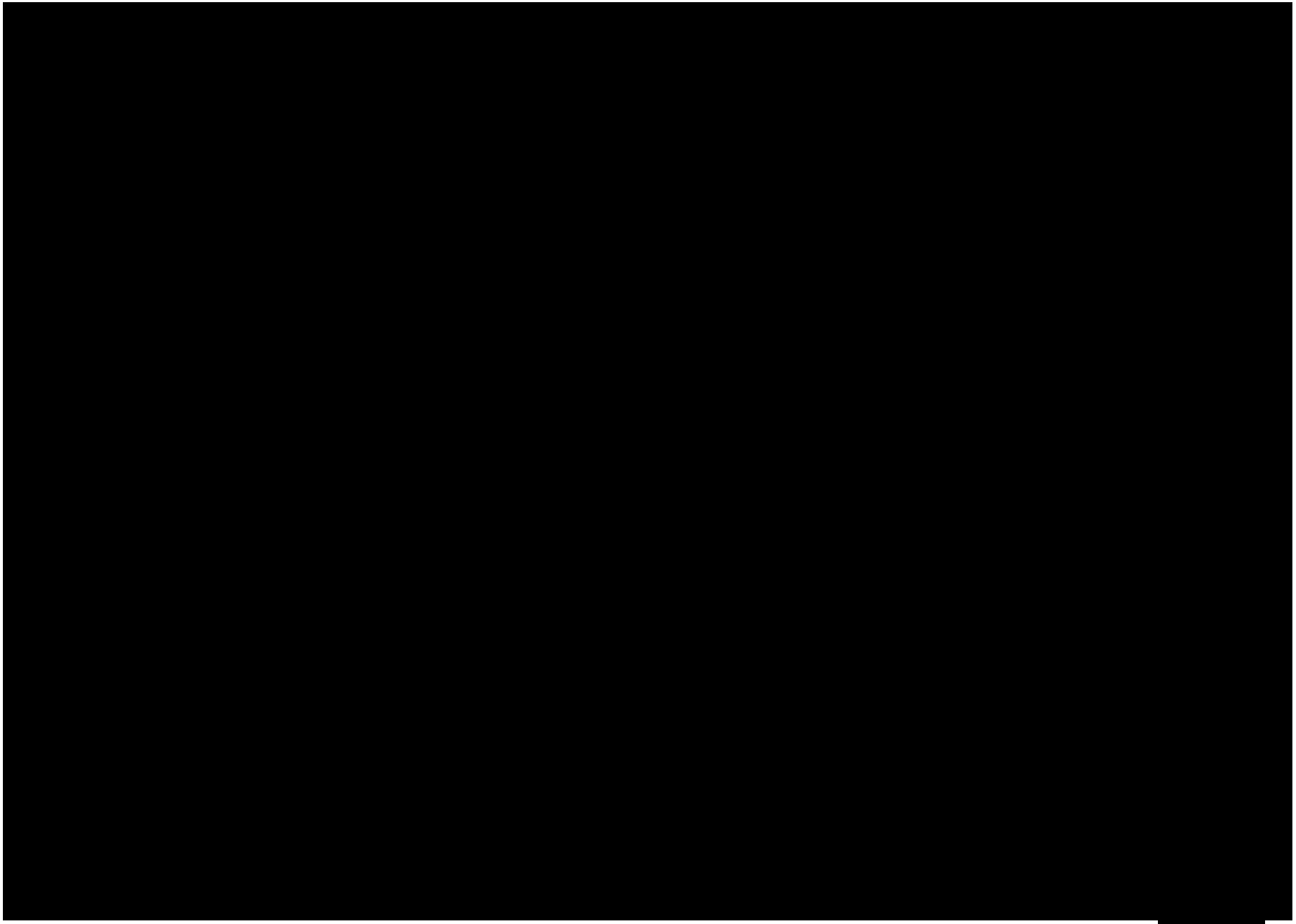

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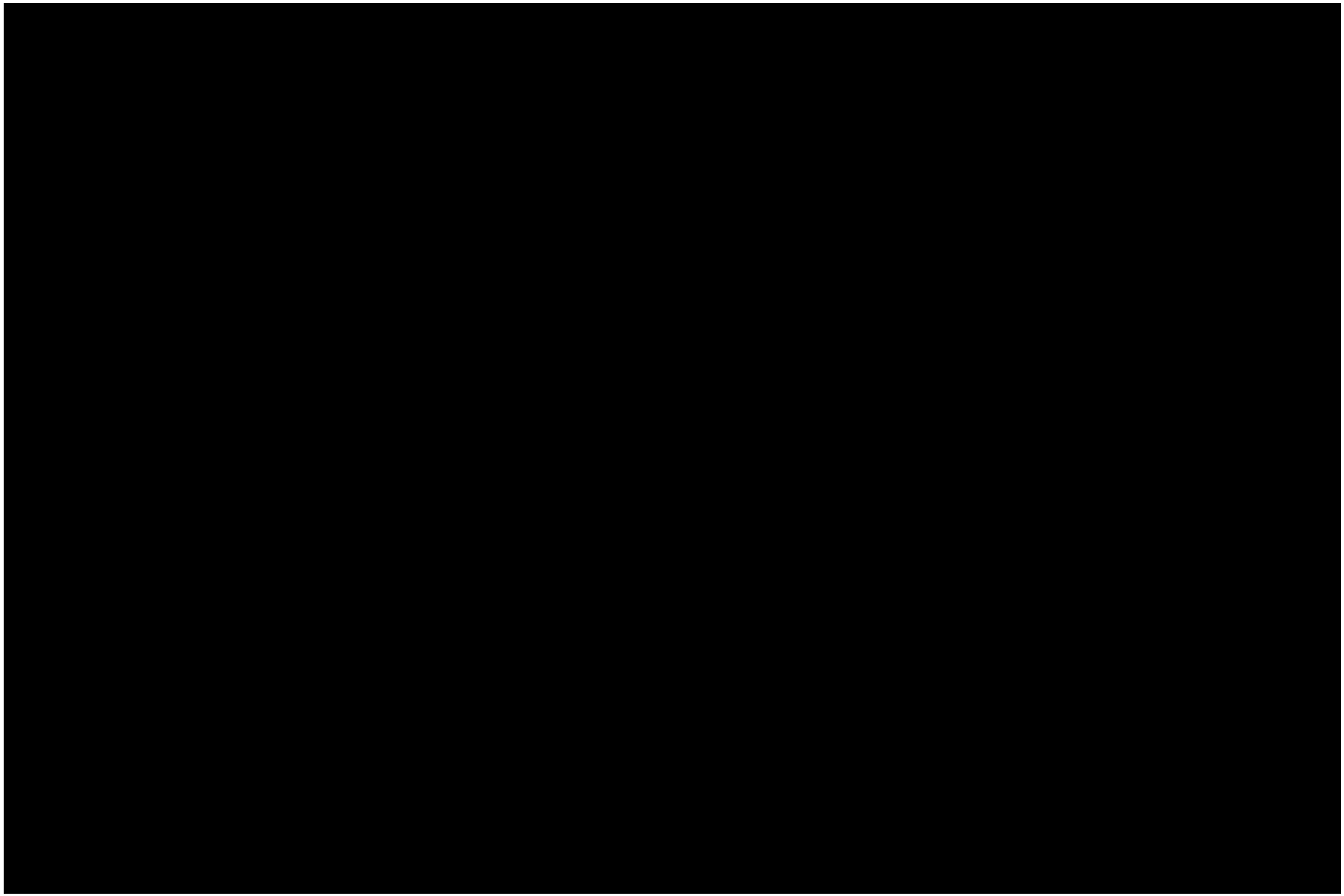

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4.1.5 Legal Statements

The Proposer shall state whether or not any of the following have occurred during the last five (5) years:

a. The Proposer has had a contract terminated, and, if so, shall provide full details, including the other party's name, address and telephone number.

b. The Proposer has been assessed any penalties or liquidated damages under any existing or past contracts, and, if so, note the reason for and the amount of the penalty or liquidated damages for each incident.

c. The Proposer was the subject of (i) any disciplinary action for substandard work and unethical practices or (ii) any order, judgment or decree of any federal or state authority barring, suspending or otherwise limiting the right of the Proposer to engage in any business, practice or activity.

d. The Proposer has been involved in any litigation related to contract performance.

During the last five years:

a. Scientific Games has not had a contract terminated.

b. Scientific Games has been assessed the following liquidated damages under existing or past contracts.

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c. Scientific Games has not been the subject of (i) any disciplinary action for substandard work or unethical practices; (ii) any order, judgment or decree of any federal or state authority barring, suspending or otherwise limiting its right to engage in any business, practice or activity.

d. Scientific Games has not been involved in any litigation related to contract performance.

4.1.6 Understanding of the Requested Services

The Proposer must demonstrate its understanding of the requested services and must address specifically, in writing, the Proposer's approach to providing each requirement in this RFP.

Scientific Games understands the requested services of this RFP. Throughout our response, Scientific Games has addressed specifically, in writing, our approach to providing each requirement of the RFP.

4.2
Staffing

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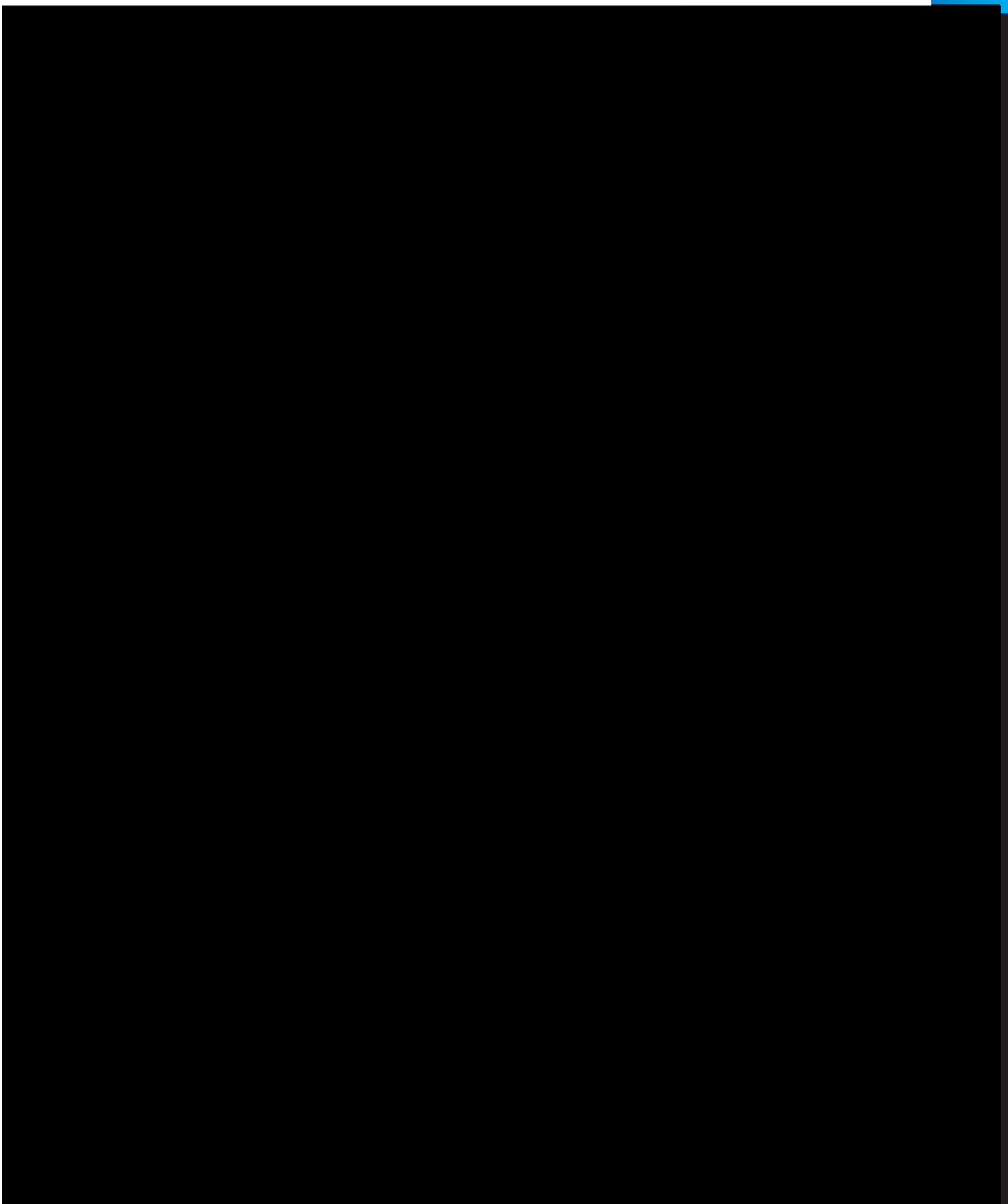

SCIENTIFIC GAMES

4.2 Experience of Key Personnel

4.2.1 Dedicated Account Services Team

The Successful Proposer must provide a dedicated account services team to assist with scratch ticket game development.

Scientific Games understands and acknowledges that vendors to the Texas Lottery must provide a strong account services team to assist with instant game development.

4.2.2 Key Personnel Resumes

Each Proposer must provide the resumes and supporting information for key personnel (including name, title and detailed job experience) who will be assigned to the Texas Lottery Account Team. The Account Team shall include, but not be limited to, the following positions:

- *Account Manager - responsible for managing the Successful Proposer's relationship with the Texas Lottery. Coordinates, directs and implements the Successful Proposer's scratch ticket game development processes. Confers with Texas Lottery to assess needs, determine goals and establish plans while ensuring the accuracy of each phase of the production process.*
- *Account Services Representative(s) - responsible for serving as the day-to-day liaison with the Texas Lottery ensuring the successful and timely completion of working papers and/or Customer Specifications Document and any and all communications between the Texas Lottery and the Successful Proposer as related to scratch ticket game development.*
- *Quality Control individual or team - responsibilities include accuracy of all content and ensuring there are no errors in the working papers and/or Customer Specifications Document, printing processes and continuous quality inspection of final product.*
- *Information Technology individual or team - responsibilities include the accuracy of all game data in each scratch ticket game as specified in the working papers and/or the Customer Specifications Document and security requirements.*
- *Graphic Artists - responsible for creative design and final ticket graphic output.*

The Lottery's objective to maximize revenue to the state of Texas requires the assignment of an experienced, quality team to design, develop and deliver the high volume of games demanded by the Texas market. This section of our proposal identifies the Scientific Games account services team, describes their experience and qualifications, and presents the services we will deliver to the Texas Lottery under the contract.

We have always believed a key component of our success is founded on providing lotteries with experienced account teams. We know it is fundamental to any lottery partnership that we fully understand a lottery's operations and objectives. We also know to successfully meet and exceed the needs of the Texas Lottery; it takes a coordinated effort among the various components of our team and the Texas Lottery. As a supplier of products and services to the Texas Lottery for 30 years, we have this fundamental understanding of your Lottery's organization and the goals you wish to achieve.

The Account Team that will be assigned to Texas will include, but not be limited to, the following positions identified by name, position responsibility and years of experience.

Figure 4-4: Scientific Games' Texas Account Team

Name and Title	Position Responsibility Overview
Jeff Shoumaker Regional Vice President, Sales (Account Manager)	Jeff is responsible for managing the relationship between Scientific Games and the Texas Lottery. He will coordinate, direct and implement our scratch ticket game development process. He will confer with the Lottery to assess needs, determine goals and establish plans while ensuring the accuracy of each phase of the production process. Jeff has 25 years of lottery experience.
Geneva McCaffrey Account Director (Account Services Representative)	Geneva is responsible for serving as the day-to-day liaison with the Texas Lottery. She will ensure the successful and timely completion of working papers and customer specification documents as well as any and all communications between the Lottery and Scientific Games as it relates to scratch ticket game development. Geneva has 34 years of lottery experience.
Ernest Oshiro Senior Graphic Designer	Ernest is responsible for creative design and final ticket artwork output. He has 25 years of lottery experience.
Quality Control Team	Led by Joe Bennett, this team is dedicated to the continuous development of quality initiatives and programs that will continue to help us deliver secure games with the highest level of integrity. We understand that our achievement in providing superior products directly impacts a lottery's ability to provide quality instant tickets to players. While every Scientific Games' employee is committed to ensuring the quality of the products and services we provide to lotteries, our Quality Control team is tasked with ensuring the accuracy of all content in the working papers and/or customer specifications document, printing processes and continuous quality inspection of final product. **Production and Quality Control Resources** ■ **Joe Bennett – Vice President, U.S. Operations Instant Products** ■ Oversees and guides the manufacturing processes ■ Oversees the secure instant ticket manufacturing processes ■ 31 years lottery industry experience ■ **James Odum – Director, Quality Assurance** ■ Oversees Quality Assurance operation and the development, formulation, and implementation of inks. ■ 16 years lottery industry experience ■ **Aaron Warren – Director, Press and Scheduling Operations** ■ Responsible for scheduling four presses including raw material ordering ■ Responsible for press room floor to include plate, press, and imaging operations. ■ Works with client services team to produce high quality products with on-time delivery ■ 22 years lottery industry experience

Figure 4-4: Scientific Games' Texas Account Team

Name and Title	Position Responsibility Overview
	■ **Bryan Murphy – Director, U.S. Finishing and Logistics, Instant Products** ■ Oversees packaging, balancing and transportation/logistics operations ■ 15 years lottery industry experience ■ **Jason Prentice – Vice President, Game and Content Creation** ■ Oversees Instant Game Graphic Design, Prepress, Production Control and Working Paper Audit teams ■ Oversees instant ticket content creation ■ 19 years lottery industry experience
Information Technology Team	A 31-year lottery industry veteran, Joe Bennett oversees our game programming department. The primary function of our information technology (game programming) department is to produce secure and accurate instant game data and to produce the core systems that support this effort. Our extensive physical and logical security systems are all designed to minimize risk to Scientific Games and Lottery customers. Our team's responsibilities include ensuring the accuracy of all game data for each instant game as specified in the Game Specifications document and security requirements. **Game Programming Resources** ■ **Ashley Gantt – Director, Software Development** ■ Game Programming Department Head ■ 25 years lottery industry experience ■ **Michael Lee – Principle Software Engineer, Game Development** ■ Oversees game development programming and auditing ■ Risk Management Officer ■ 30 years lottery industry experience ■ **Jim Farrell, Manager, Game Operations** ■ Manages the teams responsible for the generation and delivery of secure production game files, validation files, reconstructions and prize balancing ■ 19 years lottery industry experience ■ **Adam Keenan – Senior Manager, Instant Game Services** ■ Manages game generation for digitally delivered products and drawing services ■ 24 years lottery industry experience ■ **Ryan Stovall – Senior Systems Administrator/Security Analyst** ■ Manages Information Security programs and Game Programming systems ■ 17 years lottery industry experience

Figure 4-4: Scientific Games' Texas Account Team

Name and Title	Position Responsibility Overview
Graphic Artists	Scientific Games' Creative Services department has the largest graphic design staff in the industry, with 36 designers worldwide, including 19 in Alpharetta. Our designers understand the creative and technical requirements necessary to design a successful game, as well as all game play actions and game marketing requirements. They know the value of adding specific printing techniques or features to a game, such as specialty inks. They remain aware of the requirements of each of our presses, as well as all production and security methods and requirements. With a full-circle understanding of the intricacies of the game production process, they are not only graphic artists—they are true instant game designers. **Game Creation Resources** ■ Jason Prentice ■ Travis Ikerd ■ Rick Tidwell ■ Clay Henss

Jeff Shoumaker

Vice President, Sales

With 25 years in the lottery industry, Jeff is fluent in day-to-day Texas Lottery operations. Working with Jeff, you will interact with a person with institutional knowledge of the lottery industry and full authority to make decisions and speak for Scientific Games. Your needs will always be met on the spot, quickly and professionally. Jeff will be your primary contact should any questions arise concerning sales, marketing and operations. Jeff's combined technical and customer-oriented skills ensure that a strong partnership is developed and maintained and the Texas Lottery's objectives are achieved. Jeff is your advocate within Scientific Games. He ensures that every game produced by Scientific Games meets all Texas requirements for quality, integrity, and entertainment by overseeing the game through the entire production process—development, printing, and delivery. It is his job to know the Texas Lottery completely and to ensure that your wants and needs are met by the rest of the company.

Geneva McCaffrey

Account Director

With 34 years of lottery experience, Geneva has served on both sides of the industry. She currently serves as the Account Director for the Texas Lottery, as well Michigan, Maryland and Kansas lotteries. Her experience working with a number of lotteries provides her with a well-rounded background in developing a wide range of game designs and game types. She also understands the ins and outs of managing instant games, from coordinating working paper components to maintaining game rules and regulations. Geneva's experience at Scientific Games runs the gamut of game development activities, from the initial planning phases through delivery. As the Account Director assigned to your business, Geneva will be the primary day-to-day resource and will ensure the Lottery's games stay on target throughout the development process.

Ernest Oshiro

Senior Graphic Designer

Ernest Oshiro will continue to support the Texas Lottery design team as he has done for the past 25 years. Ernest is currently responsible for developing and delivering artwork for Texas Lottery instant games. Ernest's 43 years of graphic design experience including his 25 years in designing instant lottery games, makes him one of the most experienced designers in the lottery industry. With nearly two decades of experience working on game designs for the Texas Lottery, Ernest may well be the most experienced designer of Texas Lottery instant games. Ernest's primary responsibility is to ensure that all graphic elements created and delivered by Scientific Games to the Texas Lottery or on their behalf are of the highest quality and meet all Lottery and Scientific Games instant product standards.

In addition to the primary Account team, we offer the Lottery a dynamic support team to help manage your instant product business. As the Lottery's current instant game provider, you are already familiar with many of these personnel. Our team of highly skilled professionals are excited about the opportunity to continue our relationship with you.

Executive Support

As your long-time lottery partner, the Texas Lottery receives support from a team of Scientific Games' executive leaders, which includes the very highest levels of our lottery organization. They help ensure each team has the appropriate resources to deliver on our initiatives for sustained growth, which aid in achieving our projected goals in scratch game retail sales for the Texas Lottery.

Pat McHugh

President and Chief Executive Officer

As President and Chief Executive Officer, Pat McHugh oversees strategy through a customer-centric culture that values innovation and technical creativity. With more than 25 years of industry expertise, Pat has served lotteries in markets around the world directing complex gaming systems technology deployments, operations, new business initiatives and strategic product development. A leading industry advocate for the convergence of traditional and digital lottery products and technology, Pat has led many of Scientific Games' strategic industry firsts, including expanded distribution channels, cashless payments, sports betting, new network technology, iLottery and other digital platforms.

John Schulz

Senior Vice President, Global Instant Products and Partner Services

John Schulz, Senior Vice President, Global Instant Products and Partner Services, also provides management support. As head of this business unit, John is responsible for the performance of the scratch ticket products group and committed to providing the full depth of resources necessary to support the Lottery. He oversees all aspects of the global scratch products business, including scratch game manufacturing, SGEP services, sales, game programming, creative and customer services, and product development.

Kyle Rogers

Vice President, North American Instant Products

Overseeing our scratch product strategies and sales for North America is Kyle Rogers. Kyle will continue to use his 28 years of lottery experience in areas including licensing, strategy, general management, sales, product development, operations, marketing and research to support the Lottery's success through our full suite of resources. His support and leadership will establish an environment of collaboration and partnership and ensure we deliver the premium service deserved by the Texas Lottery.

Walt Eisele

Senior Vice President, Chief Technology Officer, Lottery

Walt Eisele, Senior Vice President, Chief Technology Officer, Lottery, is an experienced product development professional with 26 years of experience in the technology industry. With a unique blend of technical knowledge and business acumen, he encompasses all aspects of technology development in highly regulated environments, including software, hardware, embedded engineering, game content, quality assurance and product compliance.

Stephen Richardson

Senior Vice President, Security and Chief Compliance Officer

As Senior Vice President of Security and Chief Compliance Officer, Stephen Richardson oversees all of the company's compliance programs for employees, product development, production, sales supply chain and security. Additionally, he oversees guidelines, policies and training to ensure that the organization complies with government regulations, industry and international standards, and internal policies and programs to evaluate and investigate compliance risks. Steve joins us from the Federal Bureau of Investigation, where he served as the Assistant Director of the FBI's Criminal Investigative Division in Washington, D.C. During his tenure at the FBI, Steve held a number of positions in which he developed and implemented strategies and procedures to directly identify and mitigate criminal and cyber threats specifically related to financial crimes, foreign corruption, money laundering and illicit finance.

Lottery Marketing

Scientific Games' Lottery Marketing Group is responsible for taking the many insights and data points that our industry generates on a daily basis and distilling that information down to actionable strategies and tactics that enable our customers to succeed. Jennifer Welshons, Senior Vice President of Marketing and Insights, leads our Lottery Marketing Group. She has managed Scientific Games' marketing, insights, and research efforts for 20 years and is widely respected, both in and outside of our industry, for her innovative and strategic approach to understanding consumers and developing solutions that drive sales.

Our Lottery Marketing Group is made up of several important teams, each contributing to our overall understanding of the unique business in which we operate. Valuable insights and data can come from a wide range of sources, so each team has their own specialty in order to develop the overall strategies and tactics that drive our customers' sales and maximize their revenues.

These teams are:

- **Consumer Insights** – Uses traditional and non-traditional research methodologies to better understand how consumers feel, act, and communicate. Product development, game planning, marketing, advertising, distribution, and promotion can all be informed by the right market research methodology.
- **Client Insights** – Responsible for working directly with your Marketing, Research, and Product Management teams to assist in the development of a marketing plan that will address the research needs of the Lottery.
- **Market Insights** – Takes vast quantities of available data, both consumer and retail, both industry and non-industry, and creates actionable insights, custom views, visuals, maps, and tools that help guide our customer's decision making and help grow their sales.
- **Marketing Operations** – Responsible for developing the technology and the tools that enable our Consumer Insights, Retail Insights, and Market Insights teams to gather and manage the enormous amounts of data and information that we as an industry have at our fingertips (but often don't know how to make actionable). Two of Scientific Games' most powerful planning tools, our MAP™ platform and our Game Gallery™ interface, are examples of the types of tools that Marketing Operations has developed for our customers' benefit.

Product Innovation

Scientific Games fosters a creative innovation approach to product development that brings together the best in our Lottery Group organization to make new games, design new technologies and create engaging player experiences. Jeff Martineck, Senior Vice President of Global Innovation, leads this group. Jeff and his team research, develop and recommend new products to support the Lottery's revenue goals.

Jeff Martineck

Senior Vice President, Global Innovation

With his 30 years of lottery experience and 20 years with Scientific Games, Jeff is highly skilled at researching and developing new added-value scratch ticket features, and develops products and distribution methods to help to increase profitability. His experience in the areas of marketing and product development, as well as strategic and tactical marketing planning, contributes to his knowledge and experience in the areas of prize structure design, secure scratch ticket manufacturing processes, lottery sales, industry trends, market analysis relating to game recommendations, product management, customer service and account management.

Game Creation

Jason Prentice, Vice President of Game and Content Creation, leads a team of Account Directors, Instant Game Managers, Game Creation Auditors and the entire Creative Services group responsible for driving instant game design and development. Each group brings a unique insight and expertise

so that each customer receives the products they need. From impactful game design to optimal prize structures, Game Creation ensures that lotteries receive the best possible instant products for their growth.

- **Account Services** – Travis Ikerd, Director, Account Services, provides customer-focused support. Travis manages the day-to-day activities and training of the Account Services staff while overseeing all aspects of the game development process upon approved concept artwork and prize structure, through final delivery of the product to customer.
- **Creative Services** – Rick Tidwell, Director, Creative Services, is available to work with the team at any time. Creative Services often works directly with entire account teams to provide creative solutions to game creative challenges as well as new opportunities to meet game strategies. As the manager of the game specifications team, Clay Henss works with the game specifications artist and the Account Director to secure the overall quality and timeliness of game specifications art for the Lottery.
- **Game Creation Audit** – Shannon Keenan, Director, Game Creation Audit, oversees internal review of instant game products for all accounts during the process of the game. This includes general approved concept artwork and prize structure, through final delivery of product to various internal and external customers ensuring quality, accuracy and that games are built and optimized to each game specification.

Travis, Rick and Shannon team up to make sure that all game development activities from game design through the manufacturing processes are second to none.

Business Operations

As Vice President, U.S. Operations, Instant Products, Joe Bennett is responsible for all U.S. instant game manufacturing operations and game programming. Joe has worked at Scientific Games for more than 31 years and helped develop the computer systems and software that we use to generate instant games. His responsibilities include the implementation of continuous improvement methods for productivity, efficiency, safety and quality that will further distinguish our Alpharetta facility as the premier instant game production facility in the world and the one most desired by customers.

Digital Content Studio

Scientific Games' Digital Content Studio is the leader in delivering mobile and web solutions for the lottery industry. We have delivered more distinct mobile and web-based projects to lottery organizations than all our competitors combined. Given the diversity of regulatory environments, player sophistication, third-party system integrations and even languages of the markets we serve, this is not an easy task. Our achievement challenges and rewards solutions are at the core of our interactive focus. To date, we have delivered more than 700 of them for more than 50 lotteries around the world. These range from single game second-chance promotions to full-line next generation loyalty programs. When permitted by law, our mobile and web iLottery solution provides an exceptional opportunity for channel extension. To date, we have delivered iLottery solutions to more than 13 WLA member lotteries. The first was Lotto Bayern (Germany) in 2001; the most recent, the Pennsylvania Lottery in 2018. Central to all of our interactive solutions is our lottery mobile app, currently deployed with 12 U.S. lotteries.

Amy Bergette

Vice President, Digital Content Studio

Amy leads interactive products and business activities, including interactive promotions, loyalty and iLottery programs. She manages the creation and delivery of the product and service portfolio encompassing promotional websites, players clubs, digital engagement and interactive games. Her team focuses on driving player engagement through the effective use of CRM and digital marketing tools. Amy has more than 30 years of lottery experience and 17 years with Scientific Games.

Retail Solutions

Scientific Games has always made it a point to be not just a student of the lottery business but a student of the retail business as well. After all, it does not matter how great a lottery's products are—if the retail network ultimately responsible for selling those products is not fully engaged and understanding of the impact that a strong lottery presence can have on their bottom line.

Our Retail Solutions team, led by Michael Martin, Vice President, Retail Solutions, stays abreast of all the latest retail industry trends by going in the field, asking the right questions and truly listening to the answers that come from the people selling our products.

Michael Martin

Vice President, Retail Solutions

Michael oversees the sales, business development and implementation of enterprise deployment of new retail technology. He and his team will present new retail technology to the Lottery throughout the contract. Michael has a deep knowledge and expertise in the retail industry with a focus on increasing market share and revenue. Prior to joining Scientific Games, he served as an executive with NCR Corporation.

Licensed Products

Scientific Games specializes in creating and implementing entertainment-based promotions for the lottery industry. With the largest library of licensed brands in the lottery industry, the Lottery will have direct access to the most comprehensive and coordinated promotional campaigns available today. Among other benefits, our portfolio of games will help the Lottery attract new players and re-attract lapsed players, create a halo effect of entertainment over your entire product line, better position your Lottery as an entertainment option and establish a promotional platform for the Lottery to better interact with your players. Our licensed product group is led by Liz Johnson, Director, Creative and Client Services, SG Licensing.

Liz Johnson

Director, Creative and Client Services, SG Licensing

Liz has 20 years of lottery experience. She provides day-to-day management of licensed properties and acts as a liaison between lotteries and licensors for all approvals. Prior to joining Scientific Games, she served as Customer Support Coordinator as a key customer support on a number of lottery accounts with OGT.

Resumes

On the following pages we provide resumes for key personnel (including name, title and detailed job experience) who will be assigned to the Texas Lottery Account Team. The Account Team includes the following positions:

- **Account Manager** – Jeff Shoumaker, Regional Vice President, Sales
- **Account Services Representative(s)** – Geneva McCaffrey, Account Director
- **Graphic Artist** – Ernest Oshiro, Senior Graphic Designer
- **Quality Control Individual or Team** – This team consists of the following individuals:
  - Joe Bennett – Vice President, U.S. Operations Instant Products
  - James Odum – Director, Quality Assurance
  - Aaron Warren – Director, Press and Scheduling Operations
  - Bryan Murphy – Director, U.S. Finishing and Logistics, Instant Products
  - Jason Prentice – Vice President, Game and Content Creation
- **Information Technology Individual or Team** – This team consists of the following individuals:
  - Ashley Gantt – Director, Software Development
  - Michael Lee – Principal Software Engineer, Game Development
  - Jim Farrell – Manager, Game Operations
  - Adam Keenan – Senior Manager, Instant Game Services
  - Ryan Stovall – Senior Systems Administrator/Security Analyst

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Jeffrey Shoumaker, Regional Vice President, Sales

Contract Role

Jeff will be the primary contact for sales and marketing support including all activities related to licensed products. He will work with the Lottery in providing best practice strategies and recommendations.

Years of Lottery/Gaming Experience: 25

Summary of Experience

Jeff oversees all activities related to the instant product including licensed products and promotions. These activities include working with the account team and the Lottery on sales and marketing support initiatives and overall product strategy. His experience in all aspects of the instant ticket business will provide the Lottery with a breadth of knowledge that will assist in achieving and exceeding sales goals.

Work History

2016–Present, Scientific Games – Regional Vice President, Sales

- Responsible for all aspects of instant product and licensed property strategy, development and support
- Worked with several of the most successful lotteries in North America including Texas, Michigan and New York

2007–2016, Scientific Games – Regional Vice President, Licensed Product Sales

- Managed all activities related to the MDI product and content portfolio
- Researched and proposes MDI games that will strategically fit within our customers' game portfolio; oversees the development and execution of each game

2001–2007, Oberthur Gaming Technologies – Senior Account Executive

- Managed all aspects of the customer relationship including the strategy and execution of licensed games
- Responsible for several of the largest accounts for OGT including the Massachusetts Lottery, Texas Lottery and Virginia Lottery
- Managed the start-up of the North Carolina Education Lottery

Jeffrey Shoumaker, Regional Vice President, Sales

1997–2001, Oberthur Gaming Technologies – Account Executive

- Responsible for game development and working papers
- Reviewed and approved production sign-offs and all final balancing activities

Education/Certification

- University of Texas at San Antonio – B.B.A.

Geneva McCaffrey, Account Director

Contract Role

Geneva will confer with the Lottery to assess needs, determine goals, and establish strategic plans. She will be the primary contact for all phases of game development and support, as well as any day-to-day contract requirements and consultative services.

Years of Lottery/Gaming Experience: 34

Summary of Experience

Since joining Scientific Games through its acquisition of OGT, Geneva has many years of experience as the account manager for the Arizona, Kansas, Texas and Wisconsin lotteries. Geneva has knowledge and experience in the areas of prize structure design; game design elements; secure instant ticket manufacturing processes; quality control and assurance; packaging and distribution; lottery sales, industry trends and market analysis relating to game recommendations; product management; customer service/account management; and marketing analysis and planning.

Work History

2016–Present, Scientific Games – Account Director

- Manages day-to-day requirements for customer contracts; resolves issues as needed
- Oversees all phases of game development from working papers through game delivery
- Serves as customer liaison to all departments within the game development process

2007–2016, Scientific Games – Regional Director

- Served as liaison between Scientific Games and its customers
- Provided consultative services related to strategic planning and industry trends and sales analyses
- Responsible for game planning, sales forecasting, troubleshooting and production and shipping logistics
- Represented Scientific Games at vendor, marketing, and commission meetings

Geneva McCaffrey, Account Director

1999–2007, Oberthur Gaming Technologies – Account Executive

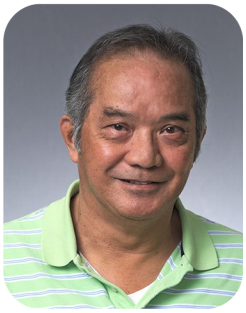
- Consulted on strategic planning and industry trends and sales analyses
- Responsible for game planning, sales forecasting, troubleshooting and production and shipping logistics

1998–1999, Oberthur Gaming Technologies – Client Services Manager

1988–1998, Florida Lottery – Lottery Supervisor II, Retailer Accounting

Education/Certification

- Santa Fe Community College, Gainesville, FL – A.A. Liberal Arts



Ernest Oshiro, Senior Graphic Designer

Contract Role

Ernest will be responsible for the supervision and management of a team of working paper designers. He provides oversight of all working paper artwork created in his team, once the art has been screened through the production approval process.

Years of Lottery/Gaming Experience: 25

Summary of Experience

Ernest is well-versed in best practices design principles, he has a solid technical acumen and skill set that makes him one of the best in the industry. His tenure has afforded him the opportunity to work on a broad range of clients as well as game types and play actions, providing him with a depth of knowledge that ensures he can tackle any game with proficiency and accuracy.

Work History

1997–Present, Scientific Games – Senior Graphic Designer

- Responsible for the development of press-ready artwork for the development of working papers for a number of clients including Texas, Connecticut, New Hampshire, Colorado, Tennessee, Washington, Illinois, Kentucky, North Carolina, Idaho, and D.C.

1991–1997, Freelance – Designer

- Provided graphic design and production services for a number of marketing related materials for a varied range of clients

1988–1991, Helber, Hastert & Kimura, Planners – Team Leader

- Provided supervision and coordination of design and production for a number of corporate presentation and planning materials

1986–1988, CH2M Hill, Incorporated – Graphics Technician

1982–1986, Arabian American Oil Company – Senior Graphic Illustrator

Education/Certification

- Burnley School of Professional Art, Professional Diploma
- Edmonds Community College, A.A.S. Liberal Arts

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Joe Bennett, Vice President, U.S. Operations, Instant Products

Contract Role

Joe will manage quality assurance and continuous improvement on a corporate-wide basis for the manufacturing of instant tickets.

Years of Lottery/Gaming Experience: 31

Summary of Experience

Prior to being promoted to Vice President, U.S. Operations, Instant Products, Joe served as Vice President, Game Programming for Scientific Games. He helped develop the computer systems and software that generate instant games. Joe's knowledge and experience extends to the areas of prize structure design; secure computer game tape and production file generation; secure instant ticket manufacturing processes; quality control and assurance; information technology; and security.

Work History

2014–Present, Scientific Games – Vice President, U.S. Operations, Instant Products

- Oversees quality assurance and continuous improvement on a corporate-wide basis for the manufacturing of instant tickets

2008–2014, Scientific Games – Vice President, Game Programming

- Provided game programming oversight for over 3,000 instant games

2002–2008, Scientific Games – Director, Game Programming

- Managed maintenance of shipping control system and data operating system
- Modified inventory and winner validation procedures
- Interacted with account services to verify prize structures, play styles and other variable data in each game's game specifications
- Directed day-to-day efforts of staff of 25 game programmers and auditors
- Developed procedures and policy to ensure instant game accuracy and playability

Joe Bennett, Vice President, U.S. Operations, Instant Products

1991–2002, Scientific Games – Game Programmer

- Converted generated game data into computer language for the computer imager which allowed the transfer of data onto printed tickets
- Developed programs that created hundreds of different game files
- Created audit programs for game files

Education/Certification

- University of Georgia, Athens, GA – B.S. Computer Science

James Odum, Director, Quality Assurance

Contract Role

James will oversee quality and security testing processes during the printing of instant ticket games, as well as the use and development of inks used for printing instant tickets.

Years of Lottery/Gaming Experience: 16

Summary of Experience

Since joining Scientific Games in 2005, James has worked in the areas of quality assurance, ISO quality system implementation, internal quality auditing, production control, statistical process improvement and project management. He has knowledge and experience in the areas of production scheduling; secure instant ticket manufacturing processes; quality control and assurance; and security.

Work History

2018–Present, Scientific Games – Director, Quality Assurance

- Responsible for directing quality and security of instant ticket manufacturing, ink research and development, and process improvement

2010–2018, Scientific Games – Senior Manager, Quality Assurance

- Responsible for managing quality and security lab departments; coordinated quality assurance procedures and activities related to ticket production and process improvement across the company

2008–2010, Scientific Games – Process Control Analyst

- Responsible for analyzing and reporting on waste and delay
- Worked closely with quality and other departments to implement continuous process improvement projects across the company

2005–2008, Scientific Games – Quality Assurance Senior Lead

- Responsible for drafting and implementing quality and ticket security procedures as well as maintaining ISO 9000:2001 certification

Education/Certification

- Clemson University, Clemson, SC – B.S. Graphic Communications
- ISO 9000:2001 Lead Auditor
- Six Sigma Green Belt

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Aaron Warren, Director, Press and Scheduling Operations

Contract Role

Aaron will oversee scheduling and planning from the design phase through packaging for all games produced at the Alpharetta facility.

Years of Lottery/Gaming Experience: 22

Summary of Experience

Aaron has extensive printing experience, having worked in estimating, customer service and production. He has knowledge and experience in the areas of production scheduling; secure instant ticket manufacturing processes; quality control and assurance; and security.

Work History

2015–Present, Director, Press and Scheduling Operations

- Oversees scheduling and planning from the design phase through packaging for all games produced at the Alpharetta facility

2005–2015, Scientific Games – Manager, Production Planning and Scheduling

- Planned games from the initial art stage though the printing process
- Responsible for scheduling the five presses in the Alpharetta facility as well as coordinating the transfer of work to our other plants across the world

2003–2005, Scientific Games – Production Control Manager

- Responsible for the production control department in setting up and printing jobs across four presses
- Identified and resolved production issues for new products and designs

2001–2003, Scientific Games – Production Scheduler and Trainer

- Scheduled all production in the Alpharetta plant on four presses using flexo, offset, gravure and variable imaging
- Reviewed planned press set-up and artwork

2000–2001, Scientific Games – Estimator Compliance Analyst

- Responsible for estimates of new instant scratch-off games

Education/Certification

- Clemson University, Clemson, SC – B.S. Graphic Communication

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Bryan Murphy, Director, Finishing and Logistics, Instant Products

Contract Role

Bryan will direct manufacturing operations for instant products. He is responsible for packaging, transportation and logistics operations for all products manufactured in the Alpharetta facility.

Years of Lottery/Gaming Experience: 15

Summary of Experience

Before joining Scientific Games in 2007, Bryan was the senior regional transportation manager for the Atlanta hub of FedEx Ground. He has knowledge and experience in the areas of secure instant ticket manufacturing processes as well as packaging and distribution.

Work History

2014–Present, Scientific Games – Director, Finishing and Logistics, Instant Products

- Responsible for all packaging, transportation and logistics operations for instant products manufactured in Alpharetta
- Develops and provides oversight of capital equipment projects to improve supply chain performance
- Establishes strategic initiatives to improve the customer experience through cross functional work with sales and marketing

2007–2014, Scientific Games – Manager, Packaging

- Responsible for finishing operations for all products packaged in the Alpharetta plant
- Partnered with cutting edge manufacturers to provide both quality and productivity continuous improvement solutions

1997–2007, FedEX – Senior Transportation Manager

- Managed the movement of inbound and outbound packages to and from Atlanta across 48 states

Education/Certification

- David Lipscomb University, Nashville, TN – B.S. Business Administration

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Jason Prentice, Vice President, Game and Content Creation

Contract Role

Jason will provide pre-manufacturing support across all aspects of instant product development. He will oversee all game design and provide game development support, creative strategy, development for consumer and retailer program materials and communication, in-store merchandising and point-of-sale programs.

Years of Lottery/Gaming Experience: 19

Summary of Experience

A reliable asset to Scientific Games because of his intense attention to detail and sound problem-solving abilities, Jason uses his strengths, along with his consistently strong strategic product development and marketing skills to help the Lottery with revenue growth. From his position working in depth with prize structures to his current role, he consistently focuses on helping lotteries grow their sales.

Work History

2016–Present, Scientific Games – Vice President, Game and Content Creation

- Oversees the management of account services team and game development and game design process
- Leads strategy and development of sales and marketing program materials

2015–2016, Scientific Games – Regional Director, North America Sales

- Responsible for contract and relationship management across multiple lottery accounts within the North American sales division
- Provided key accounts lottery directors with market trend insights in order to develop optimal marketing plan

2013–2015, Scientific Games – Director, SGEP – Georgia Lottery

- Worked with Georgia Lottery Product Director and other senior staff during game planning sessions to develop correct product mix as demanded by current and relevant sales trends

2005–2013, Scientific Games – General Manager, SGEP – Georgia Lottery

Jason Prentice, Vice President, Game and Content Creation

2004–2005, Scientific Games – Product Analyst, Georgia Lottery

Education/Certification

- Georgia Institute of Technology, Atlanta, GA – B.S. Business Management, Certificate in Finance

Ashley Gantt, Director, Software Development

Contract Role

Ashley will be responsible for developing security processes, systems, and applications to protect sensitive instant game data. He is responsible for developing software to fulfill the ever-changing needs of customers, timelines, and manufacturing processes.

Years of Lottery/Gaming Experience: 25

Summary of Experience

Ashley has many years of lottery instant ticket programming experience. He has knowledge and experience in the areas of secure computer game tape/production file generation; secure instant ticket manufacturing processes; quality control and assurance; packaging and distribution; information technology; and security.

Work History

2003–Present, Scientific Games – Director, Software Development

- Serves as lead architect and developer of Keyed Dual Security (KDS) system
- Responsible for integration of legacy programming systems to create a global homogeneous programming group
- Managed development of game programming systems for large international instant ticket start-up project

2000–2003, Scientific Games – Supervisor, Game Programming

- Responsible for GEN programming, the programming development phase of instant games
- Responsible for encryption/decryption routines for instant ticket validation tailored to customer needs
- Developer of APGII, a software suite designed to incorporate increased security features, code reuse, and multigame strategy into APG
- Developer of instant ticket validation systems for commercial customers

1997–2000, Scientific Games – Game Programmer

- Developed APG, a software suite that ensures reconstructions and validation files match the printed tickets
- Developed programs to audit instant games to demonstrate game play issues

Ashley Gantt, Director, Software Development

- Developed new, user-friendly applications for instant lottery game production
- Developed an application that converts data from Bingo pattern files to an interactive visual format

Education/Certification

- University of Georgia, Athens, GA – B.A. Computer Science

Michael Lee, Principle Software Engineer, Game Development

Contract Role

Michael will be responsible for the scheduling of global programming phases and participate in the programming and auditing of games.

Years of Lottery/Gaming Experience: 30

Summary of Experience

Michael joined Scientific Games in 1992 and assumed a variety of roles including instant game programmer, game reviewer and auditor. He has experience in the following areas: game design elements, secure computer game tape/production file generation, production scheduling, quality control and assurance, information technology and security.

Work History

2018–Present, Scientific Games – Principle Software Engineer, Game Development

- Responsible for scheduling of global game development programming phases
- Participates in the programming and auditing of games
- Contributes to the continuous improvement of the game development process

2014–2018, Scientific Games – Senior Director, Game Development

- Responsible for all aspects of game development for data creation, audit, operations and security

1999–2014, Scientific Games – Director, Game Audit and Review

- Served as primary contact with independent auditors; verified independent auditors received required reports to provide their game audit attestation
- Worked closely with programmers and audits game data to verify games produce as require

1997–1999, Scientific Games – Manager, Game Review

- Provided production support for the game programming department
- Worked closely with lottery customers to develop appealing, playable, secure game

Michael Lee, Principle Software Engineer, Game Development

1992–1997, Scientific Games – Instant Game Review Specialist

- Reviewed game specifications and prize structures to ensure accuracy and validity

Education/Certification

- West Georgia College, Carrollton, GA – B.S. Mathematics and Computer Science

Jim Farrell, Game Operations Manager, Game Development

Contract Role

Jim will manage the game development teams which includes validations and operations. He will be responsible for the generation of game imaging files for press, prize balancing, delivery of game validation files and ticket reconstructions.

Years of Lottery/Gaming Experience: 19

Summary of Experience

Jim has nearly two decades of lottery-related experience and significant graphic art-related experience. He has worked extensively in print production, creative management, customer service and game programming. Jim has knowledge and experience in the areas of game design; secure instant ticket manufacturing processes; quality control and assurance; product management; information technology; and customer service/account management; game development and validations.

Work History

2016–Present, Scientific Games – Game Operations Manager, Game Development

- Manages the development and workflow for the production of imaging files for press, prize balancing, delivery of game validation files and ticket reconstructions
- Supports overall Game Development team with key initiatives

2013–2016, Scientific Games – Project Manager, Game Development

- Led development and implementation of Composer working paper system
- Developed and monitored key game development project

2003–2013, Scientific Games – Manager, Creative Services

- Developed and monitored quality and workflow procedures
- Supported the development of key marketing projects
- Supported and developed key system

Jim Farrell, Game Operations Manager, Game Development

1998–2003, Atlantic Envelope Company – Graphics Supervisor

- Supervised high-volume proofing and flexo platemaking operation
- Developed process maps, organized filing systems, designed departmental performance measurements, and trained staff in flexo prepress

1994–1998, Art & Graphix Design, Inc. – Traffic Production Manager

- Responsible for traffic management, job prioritization and scheduling, and management of Macintosh network

Education/Certification

- Princeton University, Princeton, NJ – B.A. History

Adam Keenan, Senior Manager, Instant Game Services

Contract Role

Adam will manage the development of instant ticket game specification documents.

Years of Lottery/Gaming Experience: 24

Summary of Experience

Adam has knowledge and experience in the areas of working paper generation; secure computer game tape and production file generation; quality control and assurance; information technology; and security.

Work History

2013–Present, Scientific Games – Senior Manager, Instant Game Services

- Supervises a team of Instant Game Managers who are responsible for the internal management of instant game products for assigned accounts including overseeing all aspects of the game development process upon generally approved concept artwork and prize structure, through final delivery of product to client

2008–2013, Scientific Games – Manager, Game Generation (Quality Control Manager – Logical)

- Managed validation programmers who are responsible for delivering validation files for all instant ticket customers
- Continued to be responsible for all duties relating to game generation supervisor

2004–2008, Scientific Games – Supervisor, Game Generation(Quality Control Manager – Logical)

- Supervised game programmers in the development of instant ticket data
- Managed production of test data and provide test data for new customers
- Developed tools to aid in production of game data
- Worked with customer service in the development of game data
- Provided game data to off-site printers

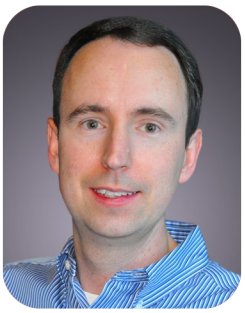
1998–2004, Scientific Games – Junior Programmer

- Responsible for developing data for the production of instant tickets

Adam Keenan, Senior Manager, Instant Game Services

Education/Certification

- University of Georgia, Athens, GA – B.A. English



Ryan Stovall, Senior Systems Administrator and Security Analyst

Contract Role

Ryan will manage the Operations and Ticket Reconstructions teams.

Years of Lottery/Gaming Experience: 17

Summary of Experience

Ryan has significant experience in the field of information technology with an emphasis on systems implementation, application development, and information security. He has experience with graphic design; secure computer game tape/production file generation; quality control and assurance; information technology; and security.

Work History

2008–Present, Scientific Games – Senior Systems Administrator and Security Analyst

- Manages the Operations and Ticket Reconstructions team
- Works closely with the director of software development to enhance the security of existing systems, provide guidance for new systems, and ensure availability of critical systems and data
- Responsible for the installation, operation, and support of the Game Programming department's information technology assets
- Assisted with the implementation of the Game Programming department's ISO 27001 information security management system

2005–2008, Scientific Game – Systems Administrator and Developer

- Administered and supported the computer infrastructure required for the production of instant lottery ticket data generation, including more than twenty Windows servers, department firewall, and approximately 35 users
- Responsible for the design, recommendations, and implementation of new computer, storage, and networking systems to increase efficiency and security

2002–2005, Rock-Tenn Company – Web Developer

- Designed, developed, implemented, and supported web applications
- Programmed Microsoft SharePoint Portal Server customizations

Ryan Stovall, Senior Systems Administrator and Security Analyst

1999–2001, Rock-Tenn Company – PC Systems Technical Analyst
1998–1999, Frey-Moss Structures – Systems Administrator

Education/Certification

- Georgia Institute of Technology, Atlanta, GA – B.S. Management

4.2.3 Account Team Knowledge and Experience

At a minimum, the Account Team members must demonstrate knowledge and experience as it applies to the following job functions:

a. Prize structure design

b. Game design elements including names, themes, play formats, color selection, proprietary production processes, etc.

c. Graphic design

d. Secure computer game tape/production file generation

e. Production scheduling

f. Secure scratch ticket manufacturing processes

g. Quality control and assurance

h. Packaging and distribution

i. Lottery sales, industry trends and market analysis relating to game recommendations

j. Product management

k .Information technology

l. Ticket Accounting

m. Security

As the Texas Lottery's instant game vendor since 1992, Scientific Games offers the Lottery an instant ticket account team that is unmatched in Texas-specific knowledge. On average, our account team members bring 23 years of lottery-specific expertise. In **Section 4.2.2**, we specifically document the requested knowledge and experience as it applies to each individual's job functions.

Each member of the account team has attained core competencies in one or more of the following functions:

a. Prize structure design
b. Game design elements including names, themes, play formats, color selection, etc.
c. Graphic design
d. Secure computer game tape production file generation
e. Production scheduling
f. Secure instant ticket manufacturing processes
g. Quality control and assurance
h. Packaging and distribution
i. Lottery sales, industry trends and market analysis relating to game recommendations
j. Product management
k. Information technology
l. Ticket Accounting
m. Security

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Customer Service/Account Management

On the following pages, Scientific Games provides detailed identification of each team member's area(s) of expertise.

TPIA §552.110/552.1101

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4.2.4 Traditional Marketing Support

The Texas Lottery does not rely on its scratch ticket manufacturers for traditional marketing support. Therefore, the Texas Lottery does not require personnel assigned to this account to be based in Austin, Texas.

Scientific Games acknowledges that the Texas Lottery does not today rely on its instant ticket manufacturers for traditional marketing support. We understand that the Texas Lottery does not require personnel assigned to this account to be based in Austin, Texas.

Although traditional marketing support is not required, Scientific Games remains committed to providing any supplemental marketing support the Lottery may choose to exercise on a project basis, separately priced during the contract term.

Our company, individual employees, and dedicated account team are focused on providing quality service and products, while maintaining an unwavering commitment to customer satisfaction. A cornerstone of our ability to give quality products and services is our understanding of marketing research and research and development. As a result, we have assembled the lottery industry's leading team of market research professionals.

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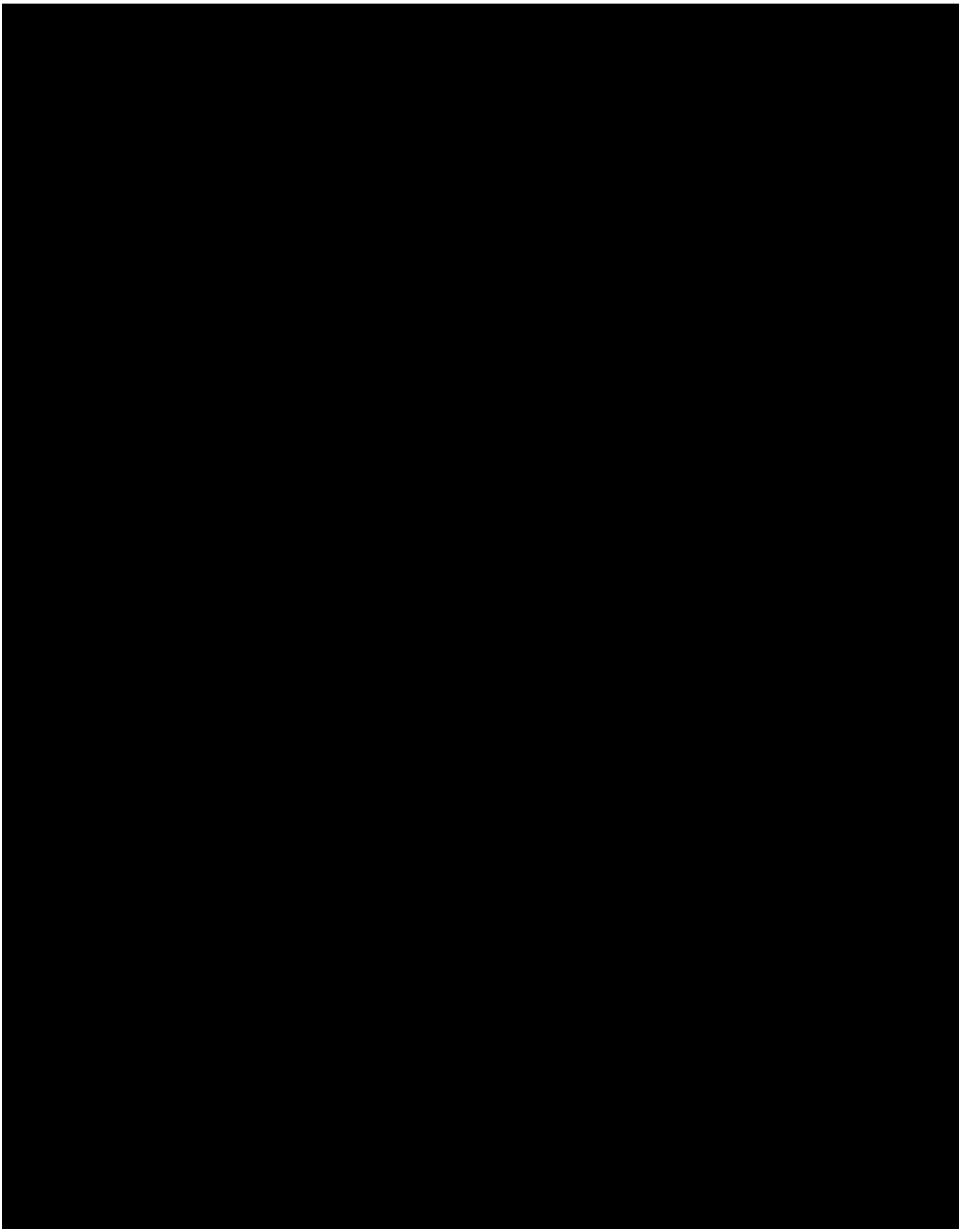

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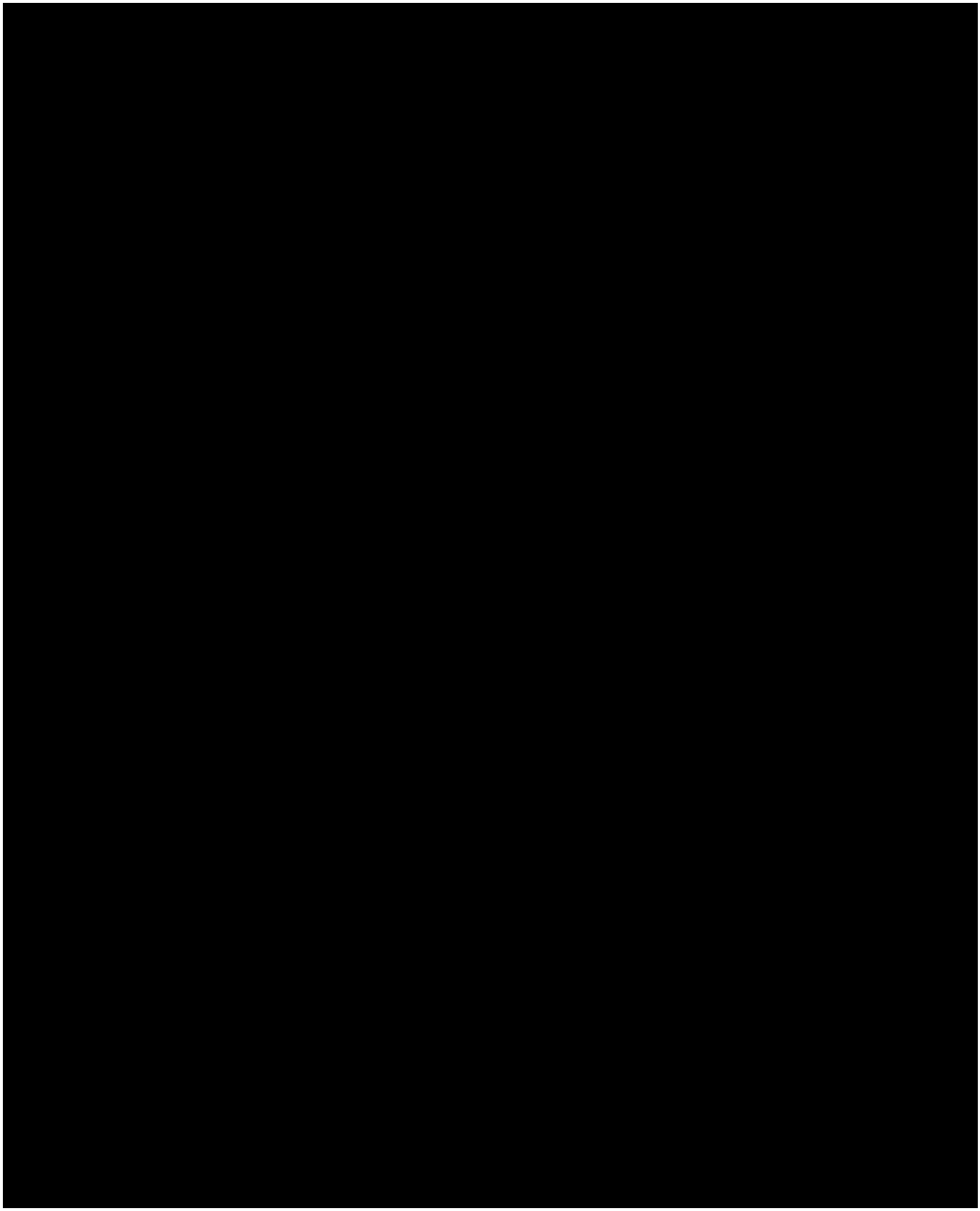

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TPIA §552.110/552.1101

4.2.5 Written Notification of Key Personnel Changes

In accordance with Section 3.11, the Successful Proposer shall provide the Texas Lottery written notification of any key personnel changes involving the Account Manager or Account Services Representative(s).

In accordance with Section 3.11, Scientific Games agrees to provide the Texas Lottery with written notification of any key personnel changes involving the Account Manager or Account Services Representative.

4.3 Proposer References

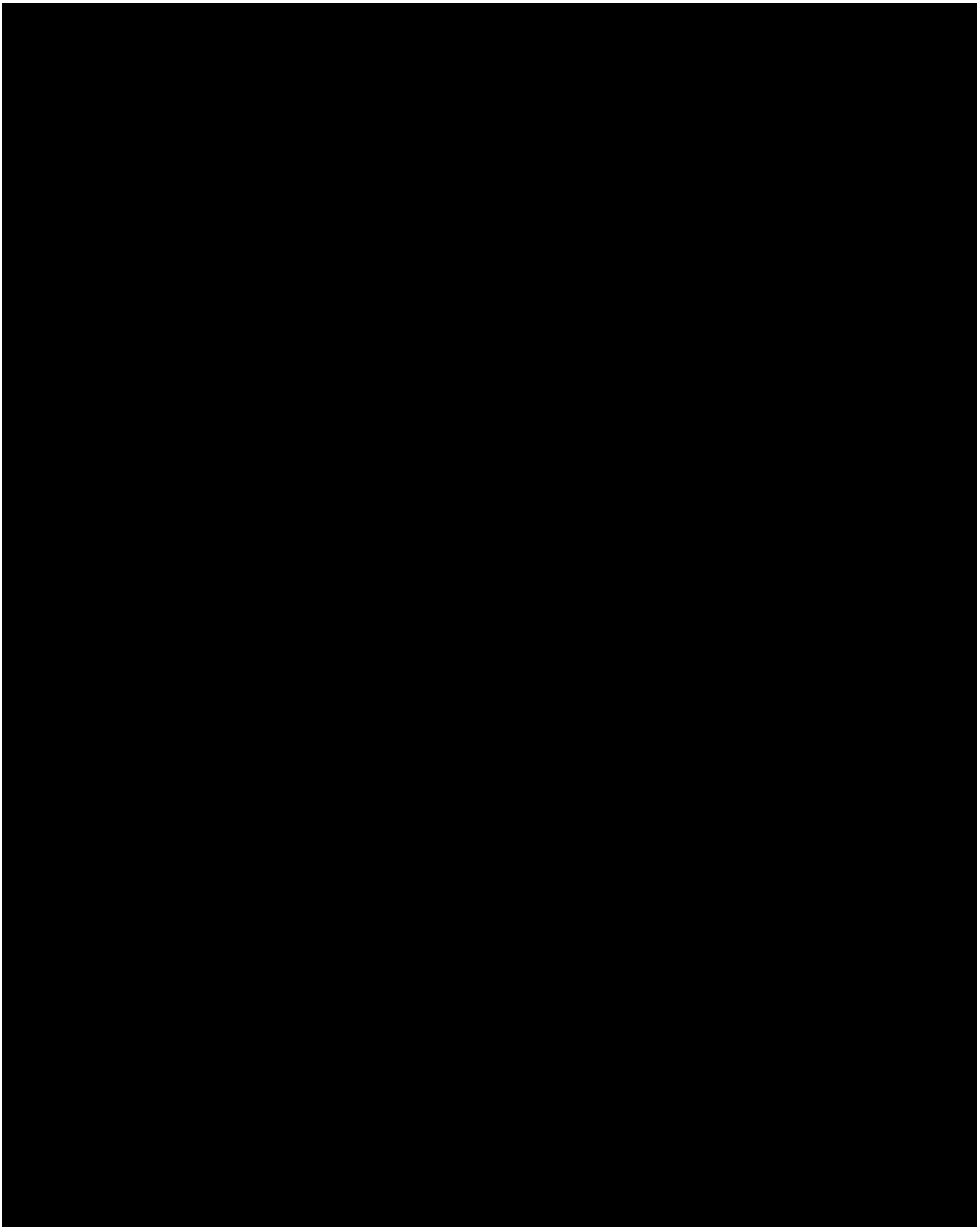
A minimum of five (5) verifiable references must be provided that include the contact person, name of company, phone, e-mail address and descriptions of services provided. Proposers' references shall include references for which the Proposer has provided similar services as described in Parts 6, 7 and 8 of this RFP within the last five (5) years. The Texas Lottery reserves the right to verify all information in the Proposal submitted by the Proposer and seek other information it deems necessary to conduct a thorough review.

We have included the five requested references for those lotteries to which we provide products and services similar in size and scope to the Texas Lottery. Three of the five lotteries presented have recently renewed or extended their instant ticket game contracts with our company. The references we provide include:

CONFIDENTIAL INFORMATION BEGINS HERE

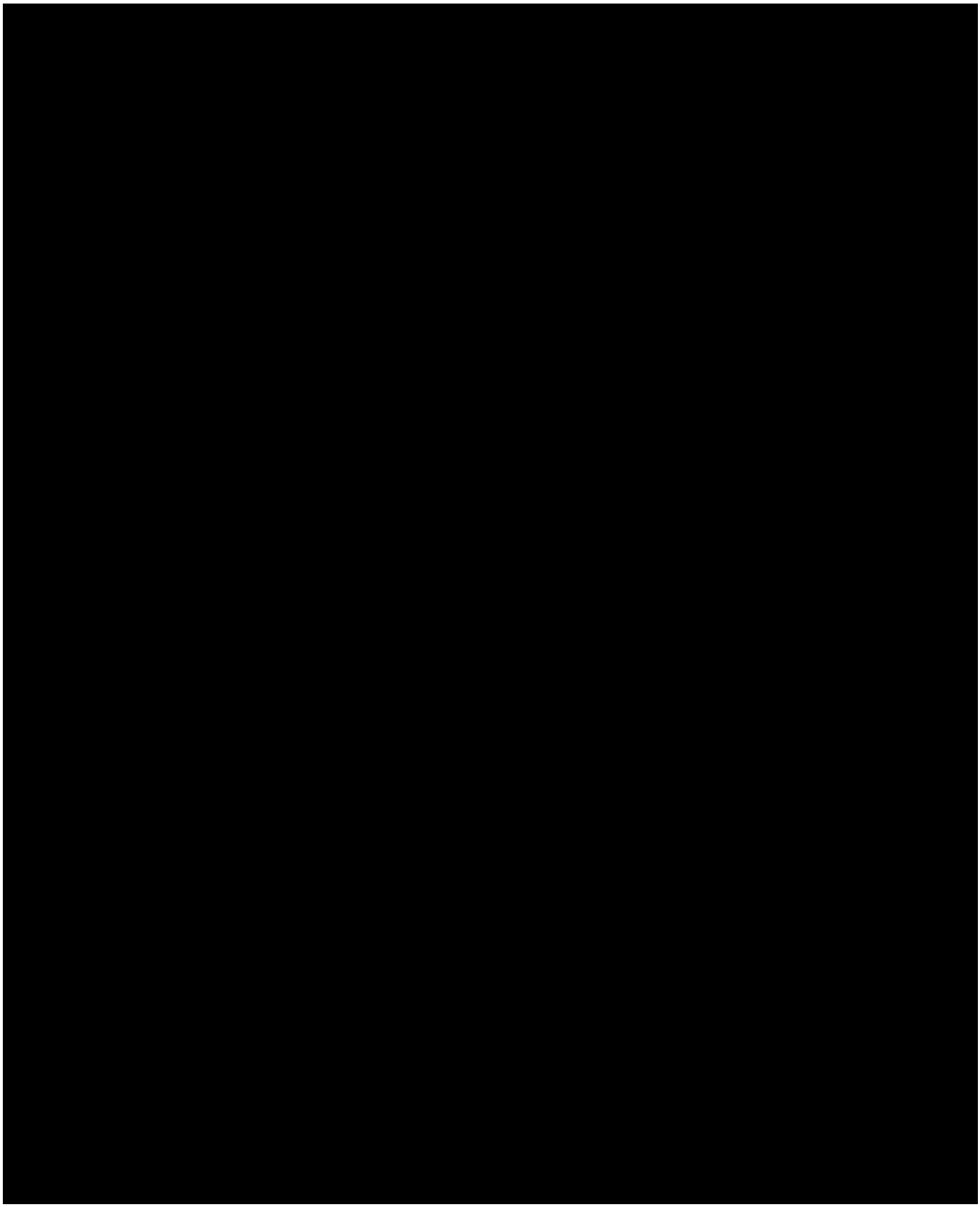
[redacted]

TPIA §552.110/552.1101



TPIA §552.110/552.110

TPIA §552.110/552.1101



TPIA §552.110/552.1101

CONFIDENTIAL INFORMATION ENDS HERE

4.4 Contact Person

4.4.1 Contact Concerning the Proposal

Each Proposer shall provide the name, address, telephone number, and email address of a person to contact concerning questions regarding its Proposal.

- **Jeff Shoumaker**
  Regional Vice President, Sales
  Scientific Games International, Inc.
  1500 Bluegrass Lakes Parkway
  Alpharetta, Georgia 30004
  Telephone: 210.240.0619
  Email: jeff.shoumaker@scientificgames.com

4.4.2 Contact Concerning the Contract

Each Proposer shall provide the name, address, telephone number, and email address of a person to contact (if different than the person identified in Section 4.4.1) concerning the Contract.

- **John Schulz**
  Senior Vice President, Instant Products
  Scientific Games International, Inc.
  1500 Bluegrass Lakes Parkway
  Alpharetta, Georgia 30004
  Telephone: 770.664.3739
  Email: john.schulz@scientificgames.com

4.5 Conflict of Interest

4.5.1 Potential or Perceived Conflict of Interest

The Proposer must disclose any actual, potential or perceived conflict of interest relative to the performance of the requirements of this RFP. The Proposer must disclose any personal or business relationship of (a) itself; (b) any of its principals, officers, directors, investors, owners, partners, and employees (collectively, Proposer Personnel); (c) any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any Proposer Personnel; (d) any affiliate; or (e) any Subcontractor with (1) any employee or representative of the Texas Lottery (including the Texas Lottery Executive Director and its commissioners) or (2) the Lottery's vendors with contracts over $100,000. The list for all Texas Lottery contracts over $100,000, including major and prime contracts, is regularly updated at the following website link:

https://www.texaslottery.com/export/sites/lottery/About_Us/Doing_Business_with_TLC/Contracts_Over_$100x000/

Failure to promptly disclose any such relationship may be a cause for disqualification of a Proposal.

Scientific Games understands that we must disclose any actual, potential or perceived conflict of interest relative to the performance of the requirements of this RFP. Scientific Games also understands that we must disclose any personal or business relationship of (a) Scientific Games; (b) any of its principals, officers, directors, investors, owners, partners, and employees (collectively, Proposer Personnel); (c) any spouse, child, brother, sister, or parent residing as a member of the same household in the principal place of residence of any Proposer Personnel; (d) any affiliate; or (e) any Subcontractor with (1) any employee or representative of the Texas Lottery (including the Texas Lottery Executive Director and its commissioners) or (2) the Lottery's vendors with contracts over $100,000.

Additionally, Scientific Games understands that any such relationship that might be perceived or represented as a conflict must be disclosed and that failure to disclose any such relationship may be a cause for disqualification of a Proposal.

Scientific Games confirms that it does not have any actual, potential, or perceived conflicts of interest relative to the performance of the requirements of this RFP. Scientific Games also confirms that there are no personal or business relationships that might be perceived or represented as a conflict.

4.5.2 Continuing Disclosure Requirement

This is a continuing disclosure requirement. The Successful Proposer shall disclose to the Texas Lottery in writing any actual, potential or perceived conflict of interest, relative to the performance of the requirements of this RFP, both prior to Contract Award and after Contract Award, at the time the conflict is identified. Failure to promptly notify the Texas Lottery may be a cause for rejecting the Proposal, sanctioning the Successful Proposer, or exercising any other appropriate remedy under the Contract.

Scientific Games understands that we must disclose in writing any actual, potential or perceived conflict of interest relative to the performance of the requirements of this RFP prior to Contract Award and that we must make such disclosures after Contract Award in each case at the time the conflict is identified. We understand that our failure to promptly notify the Texas Lottery may be a cause for rejecting the Proposal.

4.6 Financial Soundness

4.6.1 Financial Responsibility

Each Proposer must provide evidence of financial responsibility and stability for performance of the Contract and must demonstrate the ability to finance the project described in its submission.

Scientific Games understands that we must provide evidence of financial responsibility and stability for performance of the Contract and that we must demonstrate the ability to finance the project described in our submission. Please see **Section 4.6.2** for detailed information regarding our evidence of financial responsibility and stability.

4.6.2 Evidence of Financial Responsibility and Stability

Each Proposer shall provide evidence of financial responsibility and stability based on any and/or all of the following:

1. *If the Proposer is the sole source of financial resources, the Proposer must submit financials showing the Proposer's ability to finance the project on its own with current resources;*
2. *If the Proposer is the subsidiary of a parent corporation and the parent corporation is providing financial resources or assurance, the parent corporation must complete Attachment B, and the Proposer must submit financials for both the Proposer and the parent;*
3. *If the Proposer is a joint venture or a group of affiliated companies, the Proposal must include financials for each member or affiliate of such joint venture or group, as applicable.*

If 1, 2 or 3 applies, then the Proposer shall submit the following documentation with its Proposal:

   a. *Copies of audited financial statements and/or complete tax returns for each of the Proposer's (and its parent corporation, if applicable, or joint venture member or affiliate, if applicable) two (2) most recently ended Fiscal Years; and/or*
   b. *If documentation under (a) is not available, the Proposer shall provide other proof of financial assurance.*

4. *If the Proposer is relying on financial resources other than items 1 through 3 above, then the Proposer shall submit the following documentation with its Proposal:*
   a. *Other proof of financial assurance that is verified by a third-party financial institution. Examples of such items are as follows:*
      I. *Unaudited financial statements accompanied by a line of credit from a third-party financial institution stating the credit amount and available balance.*

II. *Unaudited financial statements accompanied by a bank statement provided by a third-party financial institution confirming the Proposer's average bank balance for at least the previous six (6) months.*

III. *Any other financial information Proposer would like to be considered.*

Scientific Games understands that we must provide evidence of financial responsibility and stability.

Our parent company, Scientific Games Corporation, will provide the financial resources and assurance necessary to fulfill the obligations of the Contract resulting from this RFP. On the following page, we provide **Attachment B**, which has been completed by Scientific Games Corporation. We also provide audited financial statements for 2020 and 2021 on a USB drive.

Statement Concerning Scientific Games Corporation's Divestiture and Scientific Games Lottery Division Sale

As announced on October 27, 2021, Scientific Games Corporation, our ultimate corporate parent, entered into a definitive agreement for the proposed sale of its entire lottery business to Brookfield Business Partners, LLP (NYSE:BBU)(TSX:BBU.UN), the flagship listed business services and industrials company of Brookfield Asset Management, one of the largest alternative asset managers in the world with over $625 billion of assets under its management. The transaction is expected to close in the second quarter of 2022, subject to applicable regulatory approvals and customary closing conditions. As the proposed transaction proceeds to closing, we will continue to update the Texas Lottery as required under Section 4.6.5 of the RFP. This is exciting news for the continued evolution of Scientific Games' lottery business as we will be 100% focused on innovation and growth for our lottery customers. The Scientific Games name, all existing lottery operations—including all the company's iLottery assets (which were previously shared with the company's Digital Group) and lottery sports betting platforms—and our global lottery team will remain together with this transition. Our lottery team will continue to deliver as it does today across all product lines and we do not expect the proposed transaction to have any impact on the Texas Lottery's Request For Proposal process or Scientific Games' ability to provide the Texas Lottery with the best possible service.

Fundamentally, we remain committed to creating the best products for the Texas Lottery, combining the contributions of experts from specialized areas like digital, CRM, retail, cloud-based technology and data science. We are extremely proud of the talent and tenure of our lottery account service, game design, technology and innovation teams and we have infused new specialists across our organization to advance innovation and ensure the sustainability of your business. Scientific Games believes our employees' dedication, hard work and renewed focus on our lottery business will provide a competitive advantage for the future of the Texas Lottery. In addition, we anticipate increased financial capacity and an expanded suite of products, as demonstrated by our acquisition of SidePlay Entertainment, a digital instant win game studio, and the expansion of our production capacity at our printing technology center in Leeds, UK, to open new opportunities for your growth. As a result, we will have the flexibility and agility to expand its deep product portfolio to meet the Texas Lottery's evolving needs and maximize its beneficiary proceeds, enabling it to capture the significant opportunities we see ahead.

ATTACHMENT B
FINANCIAL COMMITMENT AND RESPONSIBILITY

This financial commitment and responsibility statement is to be completed by the parent corporation's chief financial officer.

Scientific Games International, Inc. (Subject) is a fully-owned subsidiary of Scientific Games Corporation (Parent) and that as such Scientific Games Corporation (Parent) is fully responsible for any and all financial obligations under this RFP or resulting contract of

Scientific Games International, Inc. (Subject)

Signature: _____

Title: Senior Vice President, Instant Products

Date: March 14, 2022

FINANCIALS

4.6.3 Other Proof of Financial Responsibility

If the information in Section 4.6.2 is not available at the time of submission, the Proposer shall *provide other proof of financial responsibility acceptable to the Texas Lottery prior to the deadline for submission of Proposals.*

Please refer to **Section 4.6.2** for our proof of financial responsibility.

4.6.4 Additional Financial Information

The Texas Lottery reserves the right to require *any additional information necessary to determine the financial responsibility and stability of the Proposer.*

Scientific Games understands that the Texas Lottery reserves the right to require any additional information necessary to determine our financial responsibility and stability.

4.6.5 Change in Financial Condition

The Proposal must include *a certification that the Proposer* will *notify the Texas Lottery of a change in financial condition during the Contract term and any renewal thereof. If a Proposer experiences a substantial change in its financial condition prior to the award of the Contract, or if the Successful Proposer experiences a substantial change in its financial condition during the term of the Contract or any extension thereof, the Texas Lottery* must *be notified of the change in writing at the time the change occurs or is identified. Failure to notify the Texas Lottery of such substantial change in financial condition* will *be sufficient grounds for rejecting the Proposal or terminating the Contract. For the purposes of this section, examples of a substantial change in financial condition are events such as insolvency, bankruptcy or receivership.*

Scientific Games certifies that we will notify the Texas Lottery of a change in financial condition during the Contract term. If we experience a substantial change in its financial condition prior to the award of the Contract, or if we experience a substantial change in its financial condition during the term of the Contract, we understand that we must notify the Texas Lottery of the change in writing at the time the change occurs or is identified. We acknowledge that failure to notify the Texas Lottery of such substantial change in financial condition will be sufficient grounds for rejecting the Proposal or terminating the Contract. We understand for purposes of this section, examples of a substantial change in financial condition are events such as insolvency, bankruptcy or receivership.

4.7 Background Investigations

4.7.1 Vendor Background Investigation

Under Tex. Gov't Code §466.103, the Executive Director of the Texas Lottery is prohibited from awarding a contract for goods or services related to lottery operations to a person or legal entity who would not qualify for a sales agent license under the requirements of §466.155.

The Texas Lottery Commission may initiate investigations into the backgrounds of (a) any Apparent Successful Proposer; (b) any of the Apparent Successful Proposer's officers, directors, investors, owners, partners and other principals, as more particularly described in Tex. Gov't Code §466.155 (collectively, Apparent Successful Proposer Principals); (c) any of the Apparent Successful Proposer's employees; (d) any of the Apparent Successful Proposer's Subcontractors, or the Subcontractors' officers, directors, investors, owners, partners, principals or employees (collectively, Subcontractor Personnel); or (e) any other associates of the Apparent Successful Proposer it deems appropriate. The Texas Lottery Commission may also request background information for a spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of the Apparent Successful Proposer, any Apparent Successful Proposer Principals, or Apparent Successful Proposer employees described above. Such background investigations may include *fingerprint identification by the Texas Department of Public Safety and the Federal Bureau of Investigation, and any other law enforcement agency.*

The Apparent Successful Proposer shall *be obligated to provide such information about any Apparent Successful Proposer Principals, Apparent Successful Proposer employees, and Subcontractor Personnel as the Texas Lottery may prescribe. The Apparent Successful Proposer also agrees that the Texas Lottery may conduct background investigations of such persons. The Texas Lottery may reject a Proposal and/or terminate the Contract based solely upon the Apparent Successful Proposer's failure to provide information to complete a background investigation or the results of these background investigations.*

We acknowledge that the Texas Lottery Commission may initiate investigations into the backgrounds of Scientific Games or our officers, directors, investors, owners, partners or other principals, or employees, or subcontractors' officers, directors, investors, owners, partners, principals, or employees, or any other associates of ours it deems appropriate. The Texas Lottery Commission may also request background information for a spouse, child, brother, sister or parent residing as a member of the same household in the principal place of residence of Scientific Games, any principals, or described above. We are aware that such background investigations may include fingerprint identification by the Texas Department of Public Safety and the Federal Bureau of Investigation, and any other law enforcement agency.

We acknowledge that we will be obligated to provide such information about any Scientific Games principals, employees, and subcontractor personnel as the Texas Lottery may prescribe. We also agree that the Texas Lottery may conduct background investigations of such persons. It is understood by Scientific Games that the Texas Lottery may reject a proposal and/or terminate any contract resulting from the RFP based solely upon the results of these background investigations.

4.7.2 Contractually Defined Vendor Principal(s) Background Investigation

The Texas Lottery may initiate background investigations on the Apparent Successful Proposer Principals who will *be directly involved in selling or leasing the goods or performing the services that are the subject of this RFP or the Contract. This* includes *any oversight function performed by such individuals. For purposes of this section and the attachments, these individuals are called "contractually defined vendor principals."*

Scientific Games understands that the Texas Lottery may initiate background investigations on the Principals who will be directly involved in selling or leasing the goods or performing the services that are the subject of this RFP or the Contract, including any oversight function performed by such individuals. We acknowledge for purposes of this section and the attachments, these individuals are called "contractually defined vendor principals."

4.7.3 Vendor Employee Background Investigations

The Successful Proposer agrees that, during the term of the Contract and any extension thereof, it shall *be obligated to provide such information about any principals, employees, and Subcontractor Personnel as the Texas Lottery may prescribe. The Successful Proposer also agrees that the Texas Lottery may conduct background investigations of such persons.*

The Texas Lottery will *conduct vendor employee background investigations on any of the Successful Proposer's principals, employees, and Subcontractor Personnel who meet one (1) or more of the following criteria:*

- *they perform services that may impact the security and integrity of the core gaming business as determined by the Texas Lottery;*
- *they provide audit, financial, legal, or compliance services;*
- *they provide goods and/or services that control or monitor access to lottery premises;*
- *they have unescorted access to TLC facilities; and/or*
- *they have direct access to TLC information systems.*

Scientific Games agrees that, during the term of the Contract, we will be obligated to provide such information about any principals, employees, and subcontractor personnel as the Texas Lottery may prescribe. We also agree that the Texas Lottery may conduct background investigations of such persons.

We understand that the Texas Lottery will conduct vendor employee background investigations on any of our principals, employees, and subcontractor personnel who meet one or more of the following criteria:

- They perform services that may impact the security and integrity of the core gaming business as determined by the Texas Lottery
- They provide audit, financial, legal, or compliance services
- They provide goods and/or services that control or monitor access to lottery premises
- They have unescorted access to Texas Lottery facilities
- They have direct access to Texas Lottery information systems

4.7.4 Apparent Successful Proposer

If requested by the Texas Lottery, the Apparent Successful Proposer may be required *to complete and return the following forms within ten (10) Working Days, or as otherwise directed by the Texas Lottery, after the written Announcement of the Apparent Successful Proposer is issued:*

a. Vendor Background Investigation Form (Attachment E)

b. Certified List of Vendor Principals Form (Attachment E-1)

c. Certified List of Contractually Defined Vendor Principals Form (Attachment E-2)

d. Consent to Background Investigation and Release of Personal Information Form (Attachment E-4). A separate form shall *be completed for each vendor principal included on Attachment E-2 Certified List of Contractually Defined Vendor Principals Form and each vendor/Subcontractor employee included on Attachment E-3 Vendor Employee Background Investigation List.*

e. Vendor Employee Background Investigation List (Attachment E-3)

Scientific Games understands that if requested by the Texas Lottery, we may be required to complete and return the following forms within 10 working days or as otherwise directed by the Texas Lottery after the Announcement of Apparent Successful Proposer is issued:

a. Vendor Background Investigation Form (Attachment E).

b. Certified List of Vendor Principals Form (Attachment E-1).

c. Certified List of Contractually Defined Vendor Principals Form (Attachment E-2).

d. Consent to Background Investigation and Release of Personal Information Form (Attachment E-4). We acknowledge that a separate form must be completed for each vendor principal included on Attachment E-2 Certified List of Contractually Defined Vendor Principals Form and each vendor/subcontractor employee included on Attachment E-3 Vendor Employee Background Investigation List.

e. Vendor Employee Background Investigation List (Attachment E-3).

4.8 Disclosure of Interested Parties

Tex. Gov't Code §2252.908 states that a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties (Form 1295) to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency. The Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Ethics Commission (See **https://www.ethics.state.tx.us/rules/commission/ch46.php***). If requested by the Texas Lottery, the Apparent Successful Proposer may be* required *to complete and file the Form 1295 with the Ethics Commission after the written Announcement of the Apparent Successful Proposer is issued and prior to contract execution.*

Scientific Games acknowledges that pursuant to Section 2252.908 of the TEX. GOV'T CODE ANN., a governmental entity or state agency may not enter into certain contracts with a business entity unless the business entity submits a disclosure of interested parties (Form 1295) to the governmental entity or state agency at the time the business entity submits the signed contract to the governmental entity or state agency. We understand that the Texas Ethics Commission has adopted rules requiring the business entity to file Form 1295 electronically with the Ethics Commission and that the Form is available online at https://www.ethics.state.tx.us/legal/ch46.html.

Scientific Games understands that if requested by the Texas Lottery, we may be required to complete and file the Form 1295 with the Ethics Commission after the written Announcement of the Apparent Successful Proposer is issued and prior to contract execution.

5. Historically Underutilized Business (HUB) Participation

Scientific Games acknowledges and accepts the requirements of Part 5, Historically Underutilized Business (HUB) Participation. As requested, we have provided, under separate cover, an HSP including Attachment C, including Method A or B pages in the format required by the Comptroller of Public Accounts (CPA).

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6. Texas Lottery's Objectives, Goals and Expectations

6.1 Overview

Part 6 of this RFP contains the Texas Lottery's objectives, goals and expectations for this procurement. Parts 7 and 8 comprise the Scope of Services for any Contract resulting from this RFP.

Scientific Games has enjoyed a longstanding relationship with the Texas Lottery. We understand the Texas Lottery has a tremendous responsibility not only to protect this stream of revenue, but to help it grow as well. We are committed to assisting the Lottery in achieving this objective and in **Section 7** and **Section 8,** we provide details on our plan to deliver high quality products and services in the next contract period. We look forward to continuing our successful business partnership with the Texas Lottery.

6.2 Texas Lottery Objective

The Texas Lottery's objective is to maximize revenue to the State of Texas through the selection of "industry best" games and those consistent with the Texas Lottery's current product mix and scratch ticket strategy. The Texas Lottery evaluates games based on a variety of criteria including, but not limited to, sales performance, ticket theme, play style, planned start date and overall fit within the overall scratch ticket portfolio and budget authority. Using these criteria and others, the Texas Lottery also includes *branded, proprietary or licensed games which it believes present the best opportunity for maximizing ticket sales and generating revenue for the State.*

Scientific Games understands that the Texas Lottery's objective is to maximize revenue through the selection of quality games that perform in the market. Since 1992, we have designed, manufactured and delivered thousands of games for the Texas Lottery market. We have provided a wide variety of ticket designs that have proven popular with the citizens of Texas. We are focused on the Texas Lottery's objective to maximize revenue to the State of Texas and will continue to bring the "industry best" games for consideration. In 2021, the games produced by Scientific Games accounted for greater than 70% of retail sales in the U.S. There is no vendor better qualified to meet the objectives of the Texas Lottery.

6.3 Texas Lottery Goals and Expectations

6.3.1 Objective to Maximize Revenue

In working toward its objective to maximize revenue to the State of Texas through the selection of "industry best" games and those consistent with the Texas Lottery's current product mix and scratch ticket strategy, the Texas Lottery believes that utilizing multiple vendors for scratch ticket manufacturing and services promotes competition, optimizes vendor performance and enhances business resumption capabilities.

Scientific Games acknowledges that in working toward its objective to maximize revenue to the State of Texas through the selection of "industry best" games and those consistent with the Texas Lottery's current product mix and scratch ticket strategy, the Texas Lottery believes that utilizing multiple vendors for scratch ticket manufacturing and services promotes competition, optimizes vendor performance and enhances business resumption capabilities.

6.3.2 Multiple Successful Proposers

The Texas Lottery desires to select multiple Successful Proposers that demonstrate superior technical quality and service and that offer competitive pricing.

Scientific Games understands that it is the desire of the Texas Lottery to select multiple Successful Proposers that demonstrate superior technical quality and service and that offer competitive pricing.

As a longtime supplier of instant games to the Texas, Scientific Games has the most experience of all vendors with meeting the needs of the Texas Lottery for instant games that are specifically designed to meet the needs of your instant players.

We are ready to provide to the Texas Lottery our instant games and services as outlined in the proposal response herein.

6.3.3 Common Prices for Goods and Services

The Texas Lottery, through negotiations with all Apparent Successful Proposers, desires to establish common prices for the goods/services included in the Base Price and certain Specified Options as identified in the Sealed Cost Proposal (Attachment H).

Scientific Games has read and understands in the RFP document that it is the desire of the Texas Lottery, through negotiations with all Apparent Successful Proposers, to establish common prices for the goods/services included in the Base price and certain Specified Options as identified in the **Sealed Cost Proposal** (**Attachment H**).

Upon being designated as an Apparent Successful Proposer, we are ready to enter into negotiations with the Texas Lottery for establishing common prices for such goods/services.

6.3.4 Incentive to Accept Common Prices

As an incentive to accept the common prices established by the Texas Lottery and at the agency's sole discretion, Successful Proposers may be offered an opportunity to produce a comparable number of games for a set period (as determined by the Texas Lottery in its sole discretion) following Contract Award. The Texas Lottery, in its sole discretion, will *determine the quantity and volume of ticket production awarded to each Successful Proposer and expressly reserves the right to cancel or increase game orders consistent with the considerations in Sections 1.1.7 and 1.1.8, together with other factors including, but not limited to, technical quality and customer service; however, the Texas Lottery does not intend to establish comparability by price point, ticket size, print quantities and other similar factors.*

Scientific Games understands that it is the intent of the Texas Lottery to use incentives to vendors to accept common prices as may be established by the Texas Lottery. It is our understanding that Successful Proposers may be offered an opportunity to produce a comparable number of games for a set period (as determined by the Texas Lottery in its sole discretion) following Contract Award. We acknowledge that the Texas Lottery, in its sole discretion, will determine the quantity and volume of ticket production awarded to each Successful Proposer and expressly reserves the right to cancel or increase games orders consistent with the considerations in Section 1.1.7 and 1.1.8, together with other factors including, but not limited to, technical quality and customer service. We further acknowledge that the Texas Lottery does not intend to establish comparability by price point, ticket size, print quantities and other similar factors.

6.3.5 Rejection of Common Prices

Any Proposer(s) that rejects the Texas Lottery's common prices still may be awarded a Contract in the Lottery's sole discretion, principally to allow the Texas Lottery to use the Proposer's proprietary printing process(es) and licensed game inventory – but is not assured a certain number of games.

Scientific Games understands that any Proposer that rejects the Texas Lottery's common prices may still be awarded a Contract in the Lottery's sole discretion, principally to allow the Texas Lottery to use the Proposer's proprietary printing process(es) and licensed games inventory. We acknowledge that any such contract is not assured a certain number of games.

6.4 Innovation and Creativity

6.4.1 New Products or Product Enhancements

The Texas Lottery does not intend to limit the creativity of interested parties or preclude contracted vendors from bringing forward new products or product enhancements during the life of the Contract. The Texas Lottery continually evaluates operations to determine the most cost-effective, reliable, market-oriented solutions that offer the best value to the State, and to identify innovations that 1) meet Texas Lottery requirements, 2) maximize revenue to the state of Texas, and 3) are clearly within the statutory authority of the Texas Lottery. Throughout the Contract term, the Successful Proposer shall *promptly notify the Texas Lottery of changes, service/product enhancements, new product offerings, and innovations that were not available at the time of Contract Award and not* required *under another Contract provision.*

The Texas Lottery makes no commitment to quantity or timing for acquisition or deployment of such changes, service/product enhancements, new product offerings, or innovations. However, should the Texas Lottery determine any such changes, service/product enhancements, new product offerings, or innovations are of potential value to the State (and meet the aforementioned criteria), the Texas Lottery and the Successful Proposer shall *meet in good faith to mutually develop and agree on detailed specifications, prices, terms, and conditions for the deployment of such items, including incorporating any associated cost in the Base Price, if appropriate. All proposed innovations* must *be authorized by Texas law, and do not* include *video lottery, casino gaming, internet-based lottery sales, fantasy sports, or any other activities not authorized by law.*

Scientific Games has been driving innovation in the lottery industry for nearly 50 years. Ideas and innovations from our operations around the globe are funneled to our focused development teams. Those concepts are then put through a phased development process which insures we are devoting resources to products that will have the most significant effect on your business. Whether it be a new printing effect that captures the attention of consumers in the retail environment, or a new play style that players will want to revisit time and time again, Scientific Games strives to have innovation that makes a difference.

Often, true innovation is found at the crossroads of creativity and science. Our company name reflects this convergence of creativity and science, which while independently unique and important, can spark the genesis of meaningful change when brought together under the right circumstances. For over 40 years, Scientific Games has contributed game-changing products and services to the industry. Innovation is where we set ourselves apart. Our innovative contributions have changed how research is conducted, data is collected, games are distributed, products are developed and distributed, retailer environments are impacted and players are entertained.

Scratch Game Innovations

Scientific Games is committed to the growth of scratch ticket sales for the Texas Lottery. Your scratch game marketplace is a dynamic, ever-changing environment in which your consumer is looking for an engaging and fun gaming experience. Scientific Games understands this and invests in market research and supports our dedicated innovation teams—the Dream Team™ and the Discovery Team™—to bring the newest lottery products to market.

How We Do It: Discovery and Dream Teams

Great ideas come from all facets of life. A sharp mind and a keen eye can spot an innovative opportunity and transform it into a concept that ultimately becomes a future lottery product or service solution. This requires the expertise of talented individuals and teams to turn these ideas into realities. Scientific Games as a whole is the world's leader in lottery solutions, but we are also very much a sum of our integral parts.

For example, while our Alpharetta facility continues to make groundbreaking strides with SCiQ®, HD Games™ and mobile solutions, our Montreal facility is concurrently expanding the landscape of scratch games with exciting new finishing solutions and gameplay dynamics. This facility has quickly become the world's preeminent specialty scratch tickets and finishing facility with our Pop N Pak® product line, pouching capabilities and customized packaging offerings. Looking toward Europe, our Leeds experts are reimagining packaging efficiencies and luxury applications. In Santiago, Chile, our southern counterparts are elevating South American lotteries by giving credence to unrealized product opportunities for their customers. Regardless of where you look within our company, you will find a common theme of creating powerful products and solutions that ultimately benefit our valued partners and their good causes.

As the global leader in scratch game strategy, creation, production and distribution, we maintain substantial partnerships with more lotteries and meaningful contact with more consumers. We have a dedicated team responsible for managing those opportunities. Supporting that team are a number of additional teams and resources around the globe who identify, research and develop new concepts.

We recognize that our employees are our greatest resources and firmly believe that tapping into our internal stream of talent is of great benefit. Our global presence and experience position us well for innovative growth. While all of Scientific Games' design and production facilities contribute to the evolution and development of new ideas, they operate under a centralized vision. Each facility focuses on its own customer base and local markets; however, the global network continually collaborates and shares ideas, successes, challenges and failures. Having more facilities located globally translates to a broader base of ideas, as well as more experience in overcoming challenges and identifying solutions more quickly.

One of the experts leading this effort is Jeff Martineck, Senior Vice President, Global Innovation and Development. A 30-year lottery veteran, Jeff has experience working for lottery and vendor organizations. He and his team collect, organize and prioritize product development efforts with the ultimate goal of generating incremental profits for lotteries and retailers. They collaborate and manage all product development efforts with our global teams, outside resources, vendors and third parties.

"Turning new ideas into successful new products is one of the most gratifying aspects of my work because helping lotteries meet challenges with innovation benefits us all. My staff and I look forward to sharing with you the latest and greatest new products designed to help grow your business and entertain your citizens."

Jeff Martineck
Senior Vice President, Global Innovation

Creating a dedicated innovations team meant developing a central vision to connect each of these teams to grow ideas and learn from each other. One important tool is an internet-based system for our global teams to share new product concepts. The system allows us to track progress, results and resolutions to challenges. It is accessible to all our global innovation teams.

Two of our local employee-driven innovation teams are our Discovery Team™ and our Dream Team™. Working closely with our insights and dedicated innovations team, these two groups are highly involved in the development process. Meeting regularly, they develop new processes, ideas and technologies that enhance the retailer and player experience.

The Discovery Team

The Discovery Team consists of industry leaders from every facet of the scratch game manufacturing and product strategy process. Chaired by Russ Joiner, Director, Global Product Innovation and Development, the team includes at least one representative from each area of the game development and manufacturing process: game programming, design, account services, production control, security, insights, digital content and marketing.

With his 38 years of overall print production experience and 16 years of Scientific Games experience in the prepress and manufacturing arena, Russ offers valuable insight to this team and the process.

The focus of the Discovery Team is to explore and discover opportunities to add value and interest to products. Collaborating with other

SCIENTIFIC GAMES DISCOVERY TEAM

Discovery Team – Comprised of industry leaders from each facet of the instant game manufacturing and product strategy teams, the Discovery Team explores and identifies new opportunities for the instant product category. From discovery to development to market testing for viability, this team is dedicated to developing products that add value to lotteries, their players and retailers.

organizations in a variety of related industries such as printing, manufacturing, consumer goods and retail distribution, this group identifies new opportunities, methods, and enhancements. Once identified, new concepts undergo rigorous testing to ensure their success when associated with lottery products and environments. Always critical, we ensure that any new product or product feature retains or improves upon game integrity.

The Dream Team

This team focuses primarily on creating gameplay actions, developing play action twists and creatively designing new game ideas. They optimize new features and make sure the value is perceptible to the consumer. They also ensure optimal playability via game parameters, development and testing. Their role is to flesh out the game details, develop the creative approach, ensure the game mechanics work and provide clients with marketable game designs.

SCIENTIFIC GAMES' DREAM TEAM

Dream Team – This team of creative designers and game development specialists conceive new instant product play actions and game twists to add variety and appeal to the instant product portfolio. Designers ensure game aesthetics exploit new game features for maximum impact while programming members ensure optimal play value and integrity.

Chaired by Rick Tidwell, Director, Creative Services, this team consists of representatives from marketing, creative services, game creation (including client-facing personnel), programming and manufacturing. Rick has spent the last 18 years working with Scientific Games' creative and prepress teams. Leading the Creative Services team, Rick works with client-facing teams, as well as insights and marketing. He has a strong and varied background that ensures that new games and game features enhance product portfolios and deliver on consumer value and appeal.

Lottery Product Management Team

SCIENTIFIC GAMES' LOTTERY PRODUCT MANAGEMENT TEAM

The Global Innovation team includes the Lottery Product Management (LPdM) team led by Usman Ghani, Senior Director. The LPdM team handles and oversees the entire lifecycle of products, from conception to delivery—and beyond. This team has a laser focus on the lottery industry, innovating entirely new products and introducing new innovations to existing products. Like our previously mentioned innovation teams, product management brings a multifaceted perspective to innovation by evaluating the benefits for all stakeholders, not just for Scientific Games but also our lottery partners, their retailers, their players and the beneficiary programs that impact their communities.

The positive impact our lottery partners' beneficiary programs have on their communities motivate and inspire the LPdM team to solve complex problems for our customers. This group is driven by a competitive professional pride to develop the best products in the industry—which we measure by our partners' successes. The LPdM team's iterative method for product innovation and development balances unrestrained creativity with practical feasibility.

Lifecyle of Innovating Lottery Products

Conceptualization

- A creative exercise, this phase challenges participants to look at lottery, retailer and player needs, define problems and compile a list of promising solutions to complex customer issues.
- The group ranks each idea based on stakeholder value. High-value concepts proceed to the feasibility phase. The group backlogs the rest for future consideration.

Feasibility Analysis

- In the feasibility phase, product managers research and assess the market, business, and technology required for a promising solution. They complete a benefit and risk analysis for all stakeholders.
- The group writes a preliminary business case that includes an early cost estimate and revenue forecasts. Sometimes, the group values an initiative on the basis of customer satisfaction or the value added by enhancing a product ecosystem.

Product Definition

- During product definition, the group creates a product roadmap along with other documents such as business plans, technical assessments, product requirement documents, marketing plans and launch plans.

Product Development

- Product definition and development include an iterative process that allows for continuous product refinement and improvement.

Product Testing

- In the testing phases, products go through a vigorous regimen of unit, regression, performance and stress testing.
- The group validates assumptions against previously established documents and prepares launch and post-launch documents.

Product Launch

- We introduce the product to the market.
- The cycle never ends, as the group reviews each product for continued improvement.

SG Learn Team

Scientific Games recognizes that the pace of change in today's world is faster than it has ever been. New products in development must have one eye on securely meeting immediate need and the other on the inevitable changes to the environment where they will be deployed. For many years, Scientific Games has focused additional time and energy on identifying and tracking consumer and market trends across the globe. In early 2020, we constructed a team with representatives from every business line in every major market. The SG Learn team analyzes and researches changes in retail environments, consumer preferences and behavior, and general market shifts. They put aside long-held beliefs to allow real data and expert opinions to inform our new visions for the future. The SG Learn team then works with all our lottery product development teams to integrate their findings into new product and program designs, ensuring Scientific Games' innovations will remain successful far into the future. This extra effort is unique to Scientific Games, and we know that helping lotteries remain relevant in today's quickly changing world is our most important mission.

Defined Process Ensures Success

Every day, we are exposed to a multitude of new ideas. This means we must have a defined process to sort through, research, identify, develop and test possibilities. To accomplish this goal, we grade all product concepts using a scoring system that analyzes expected consumer acceptance, retailer ease of use, anticipated financial performance and the effect on the overall lottery product offerings. Our overarching, guiding principle for product development is to identify which concepts would be most likely to help lotteries achieve their goals. We give those concepts highest-priority ranking. Our teams constantly reevaluate and reprioritize projects. Because of our centralized effort, we can allocate projects to the teams and facilities best suited to them. Having multiple facilities with advanced equipment and teams allows us to work on multiple projects at any given time. It also alleviates unnecessary duplication of effort. Monthly check-ins and status meetings among facilities ensure a coordinated and efficient use of resources and shared learning.

Before bringing a new concept to market, we ensure its feasibility as well as appeal through quality assurance, strict security protocols, and numerous qualitative and quantitative research methods that ensure market success. When our clients offer one of our innovative products to their consumers, they know that we have fully vetted it and it has the best chance of a favorable outcome. This product development process is continual, as new products make it to the finish line, other concepts are halfway through, and even more concepts are just beginning to enter the process. We have a staff dedicated to keeping the new product pipeline full, who above all concern themselves with ensuring

that we have fully developed all new products ready for launch and that these products maintain the integrity our lotteries and lottery players expect.

Recent Innovations and Proprietary Games

Every year, our Scientific Games' innovation engineers dig a little deeper into the creative products' bucket. In some cases, we're looking to enhance a current option with a new application that expands the landscape of the initial product, or multiple products. Sometimes that comes from simply asking the question "what if?" in order to visualize a product's true potential. Other times, new innovation comes from a shared vision on a creative idea with our lottery partners. Our combined Sparkle® and Scratch My Back® product is one such case. This instant ticket combination helps take a mid-tier price point, a common location for our Scratch My Back product, into the upper price point echelon. More play opportunities wrapped in an attractive, eye-catching shell makes for a game that is hard to ignore and more exciting to play. Since 2019, Georgia, Missouri and Virginia have all launched games featuring Scratch My Back with Sparkle across price points ranging from $5 to $30. The Georgia Lottery even launched a family duo in 2021 at the $10 and $20 price points. Each game sold over 94% and combined to generate over $105M in revenue with an average index of 131.

We of course look to explore new avenues with products that both add value for the player and constantly evolve the lotteries portfolio. While we always have a keen focus on advancements and enhancements with inks, substrates, finishing solutions, play actions and prize structures, we also cross-over into the arenas of mobile play, interactive experiences and social media. Innovation is everywhere, you just have to take some time to turn over a few stones.

The following section highlights our newest value-added options, or as we like to call them, Strategic Product Enhancements. While the potential for using these enhancements exists with almost every game, not all games should use them. The obvious shiny features like holographic, foil, and Sparkle are all particularly useful in capturing player's attention at retail among other merchandise. After purchase, those products really package the potential for life-changing prizes by conveying wealth, prosperity, luxury, and enrichment. Which is why you see a lot of strategic product enhancements on higher priced games. In fact, in calendar year 2021 there were 36 games launched at price points higher than $30. 34 of those games had a specialty print enhancement to elevate those high price point games. By the end of 2021, 95% of games in the $30 category or higher contained a specialty print enhancement. We intend to launch a balanced Product Plan with a unique assortment of games and player opportunities. A balanced approach to strategic product enhancements will help your gross gaming revenue both thrive today, grow tomorrow, and ultimately meet your beneficiary goals.

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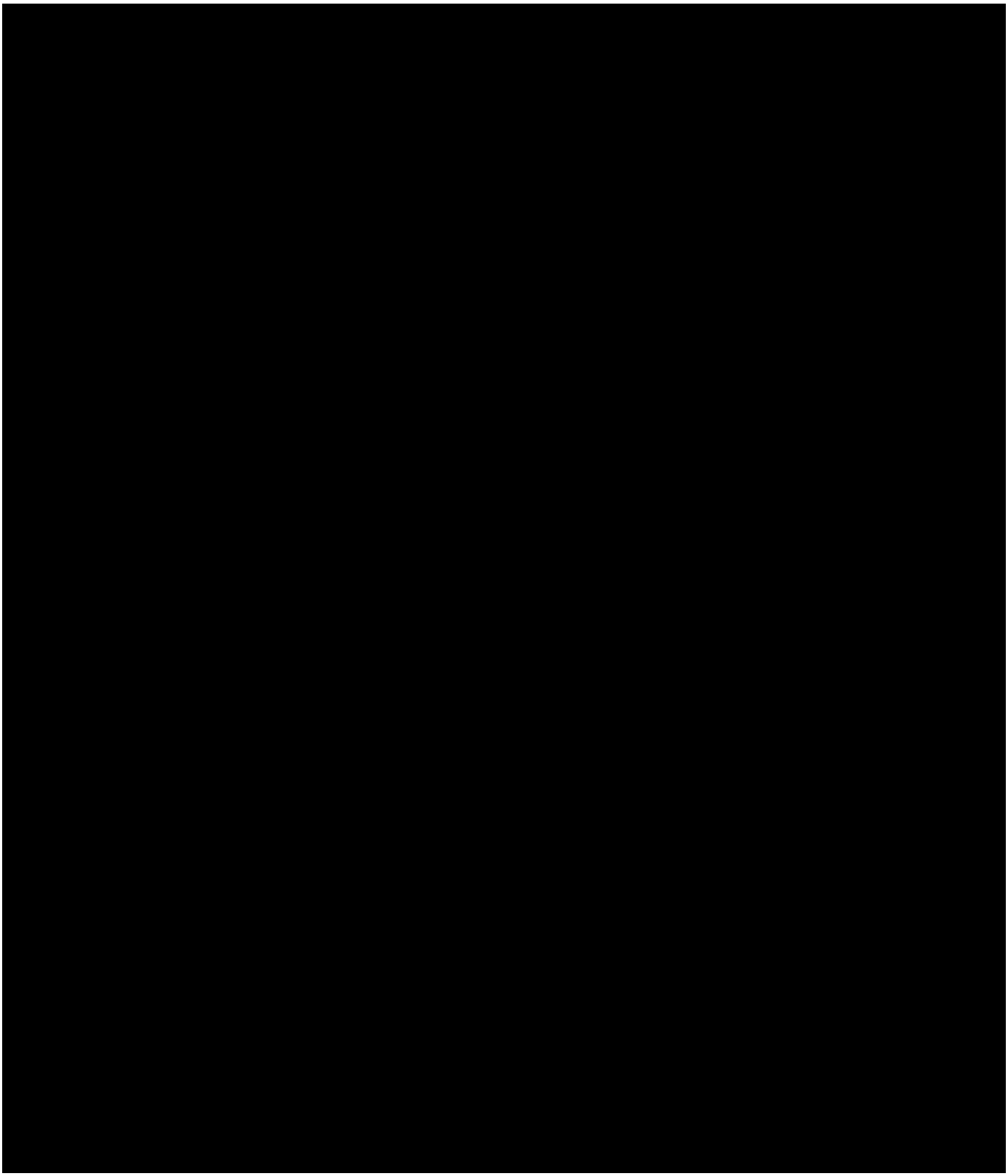

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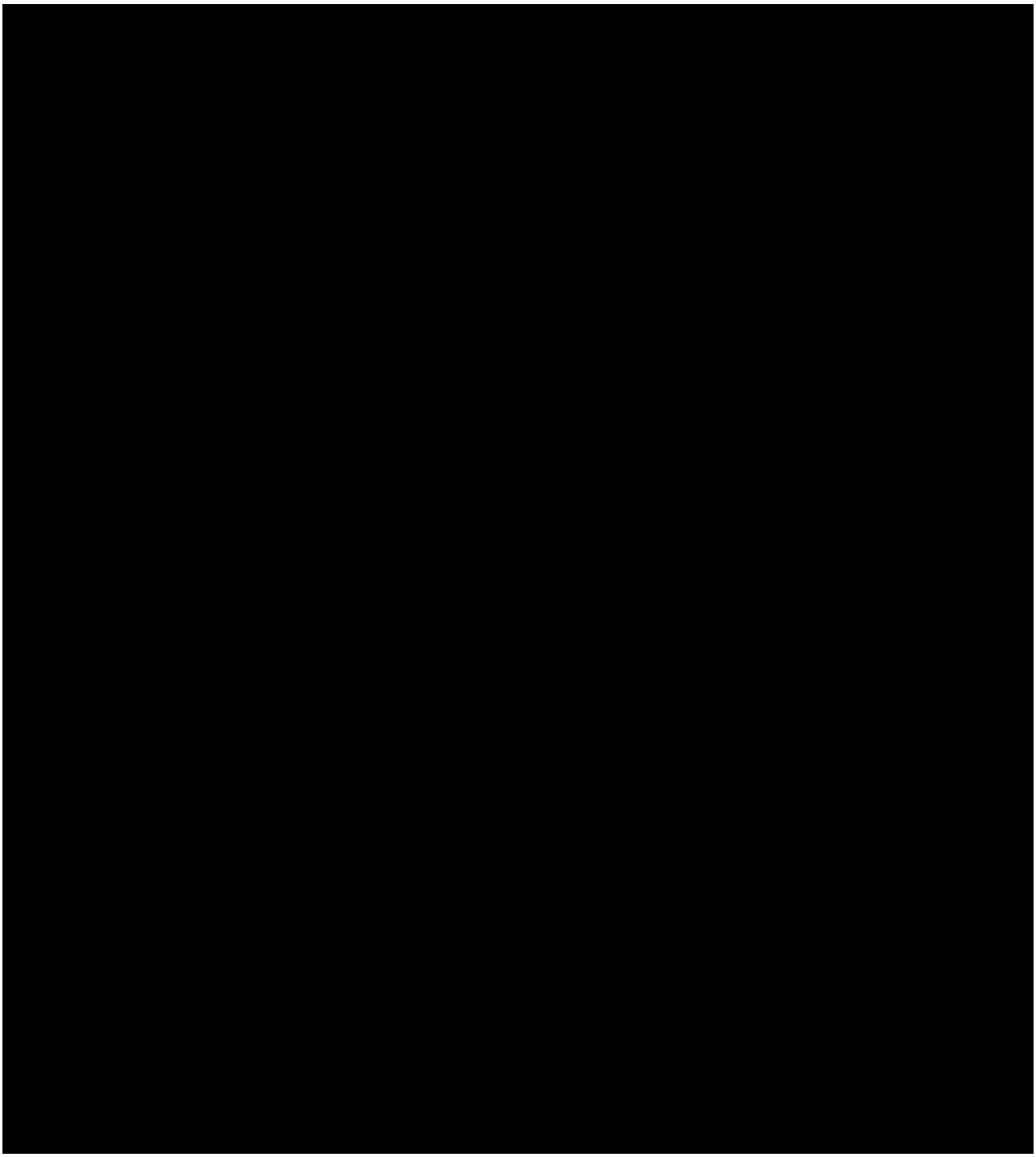

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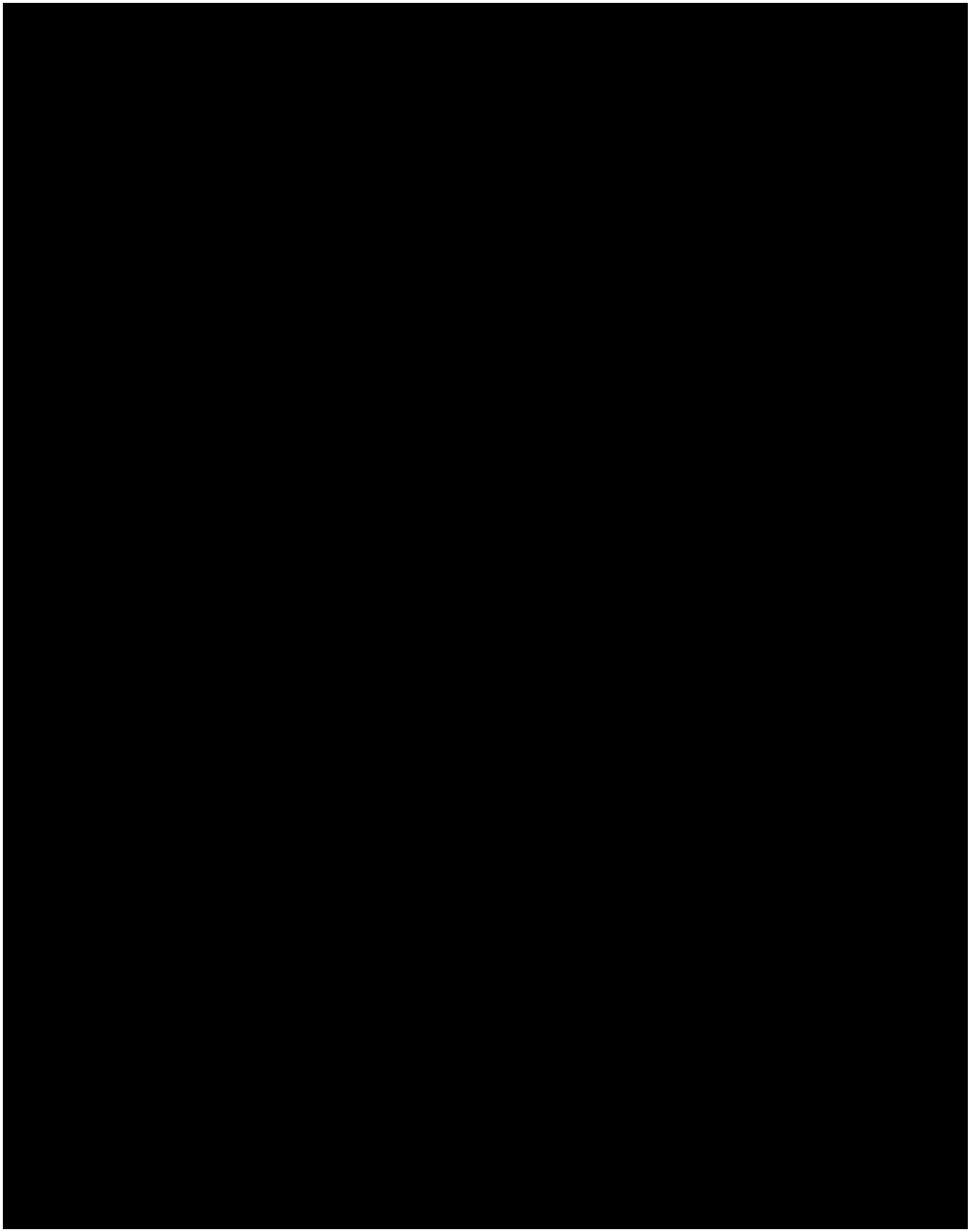

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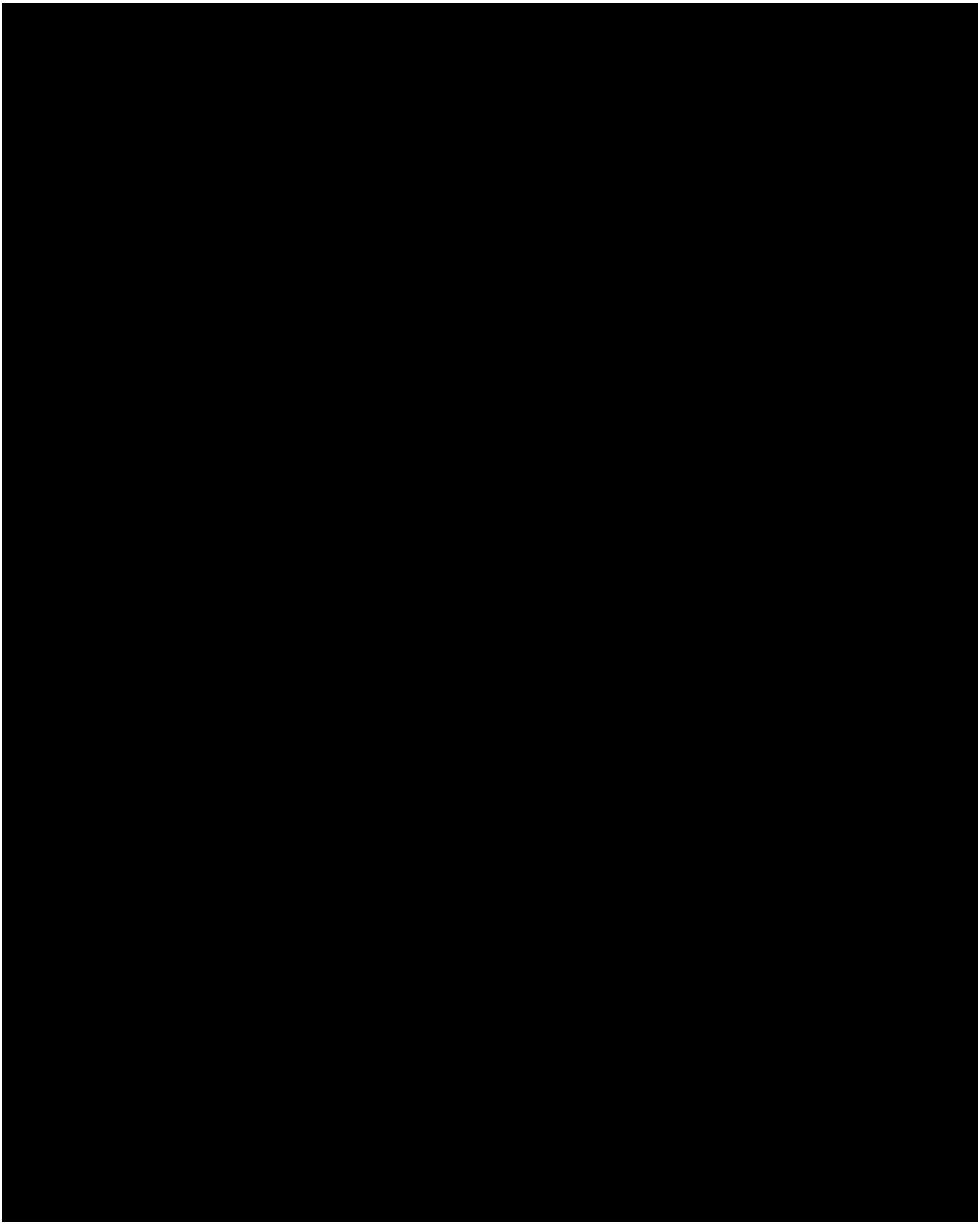

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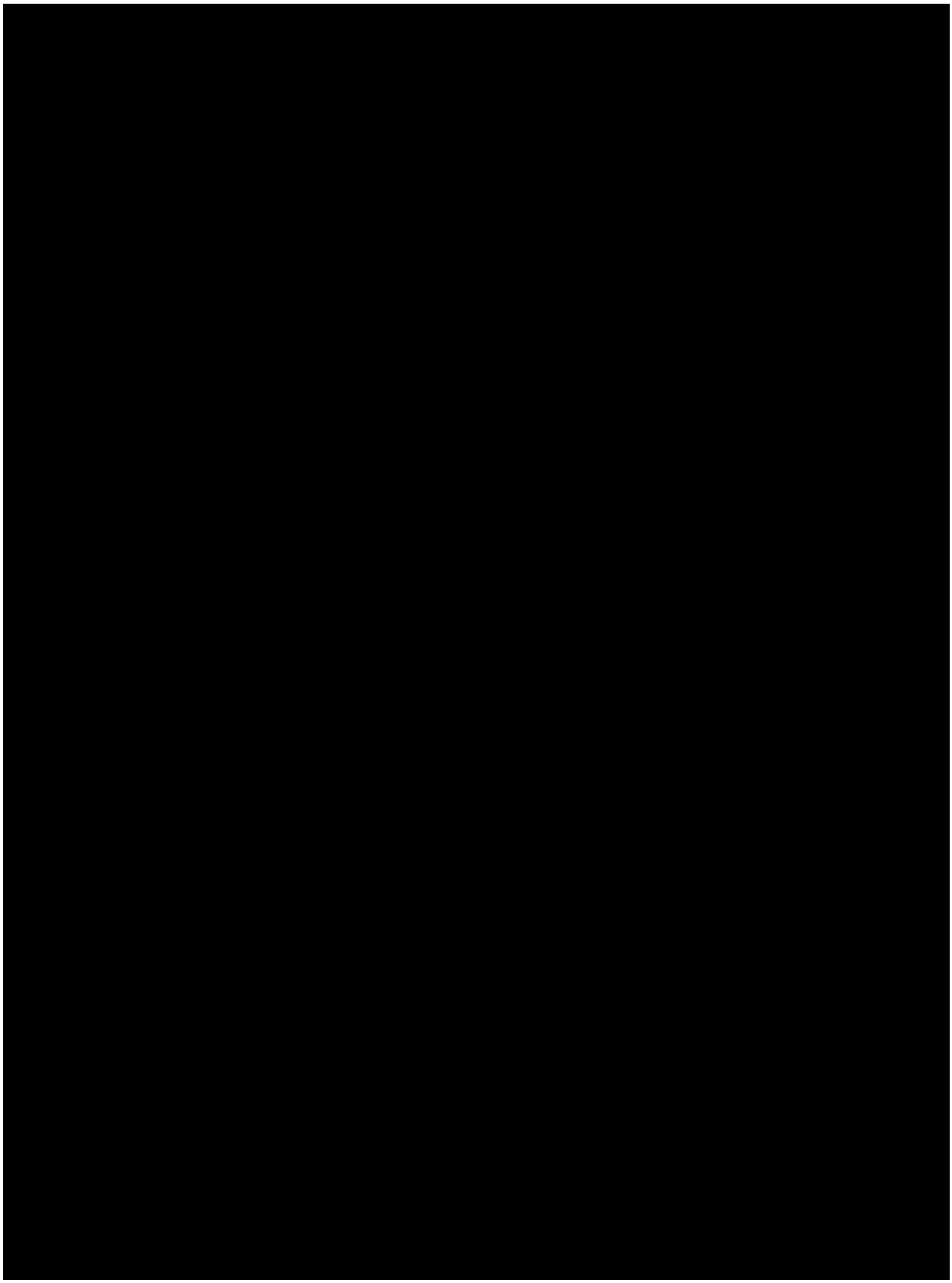

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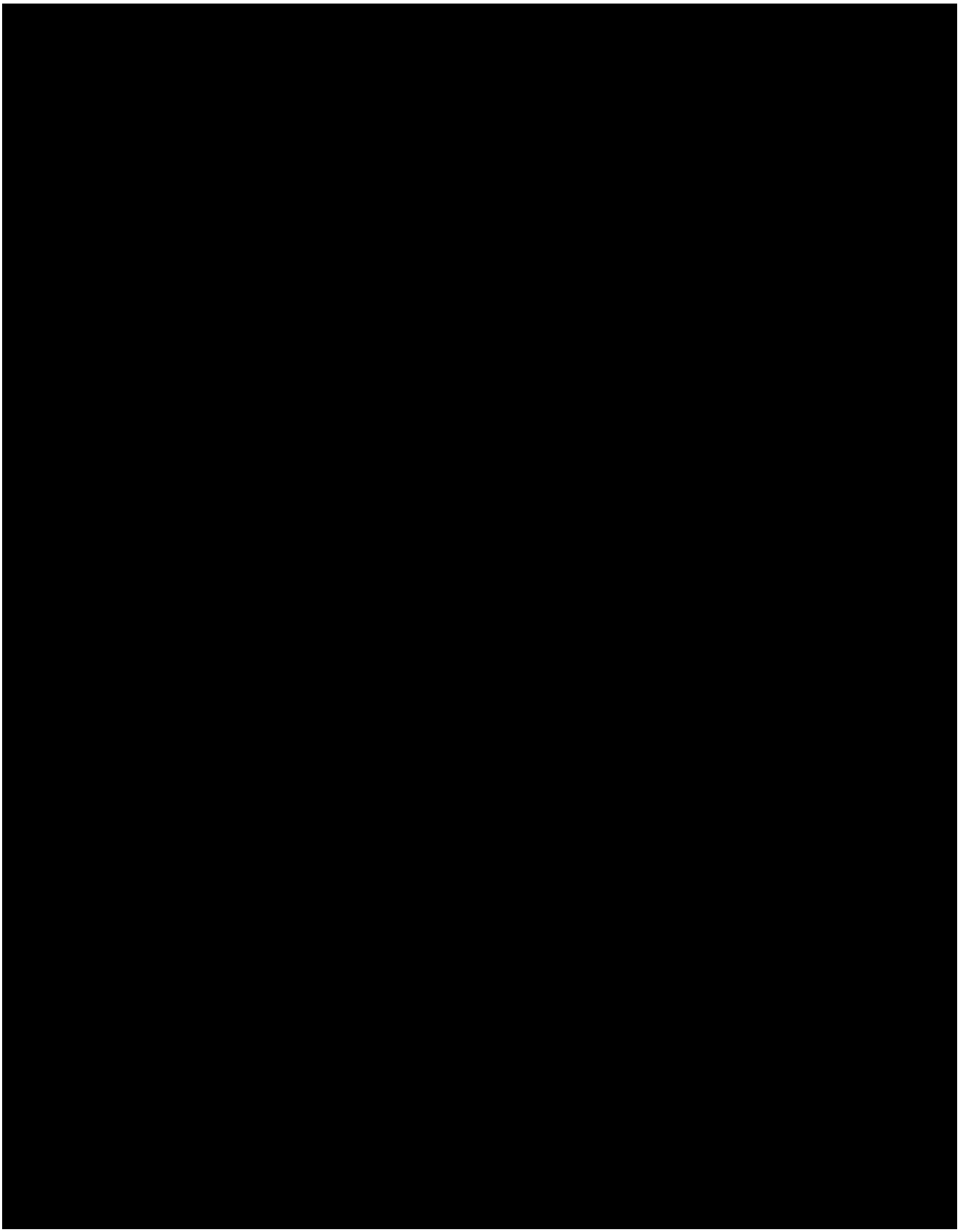

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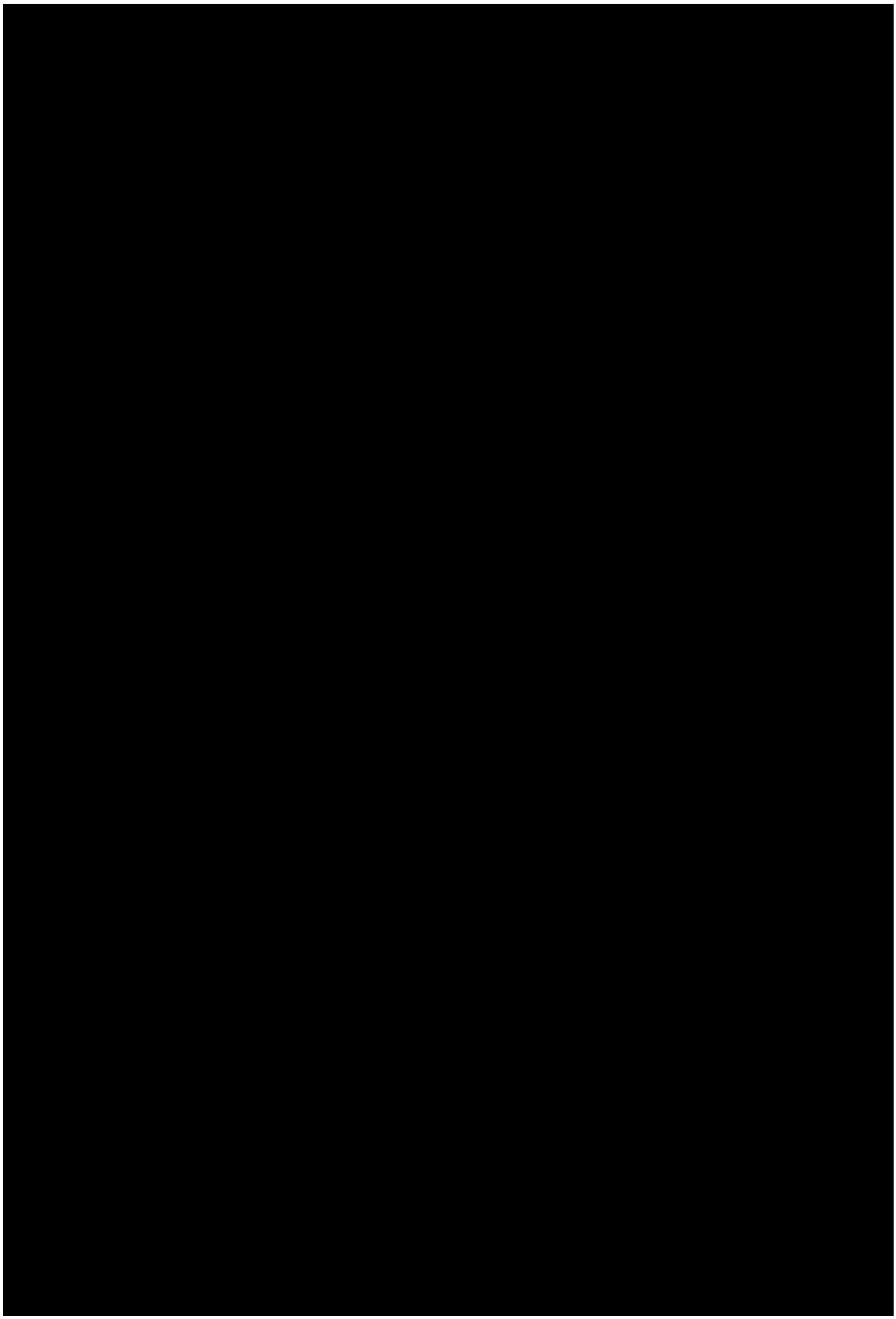

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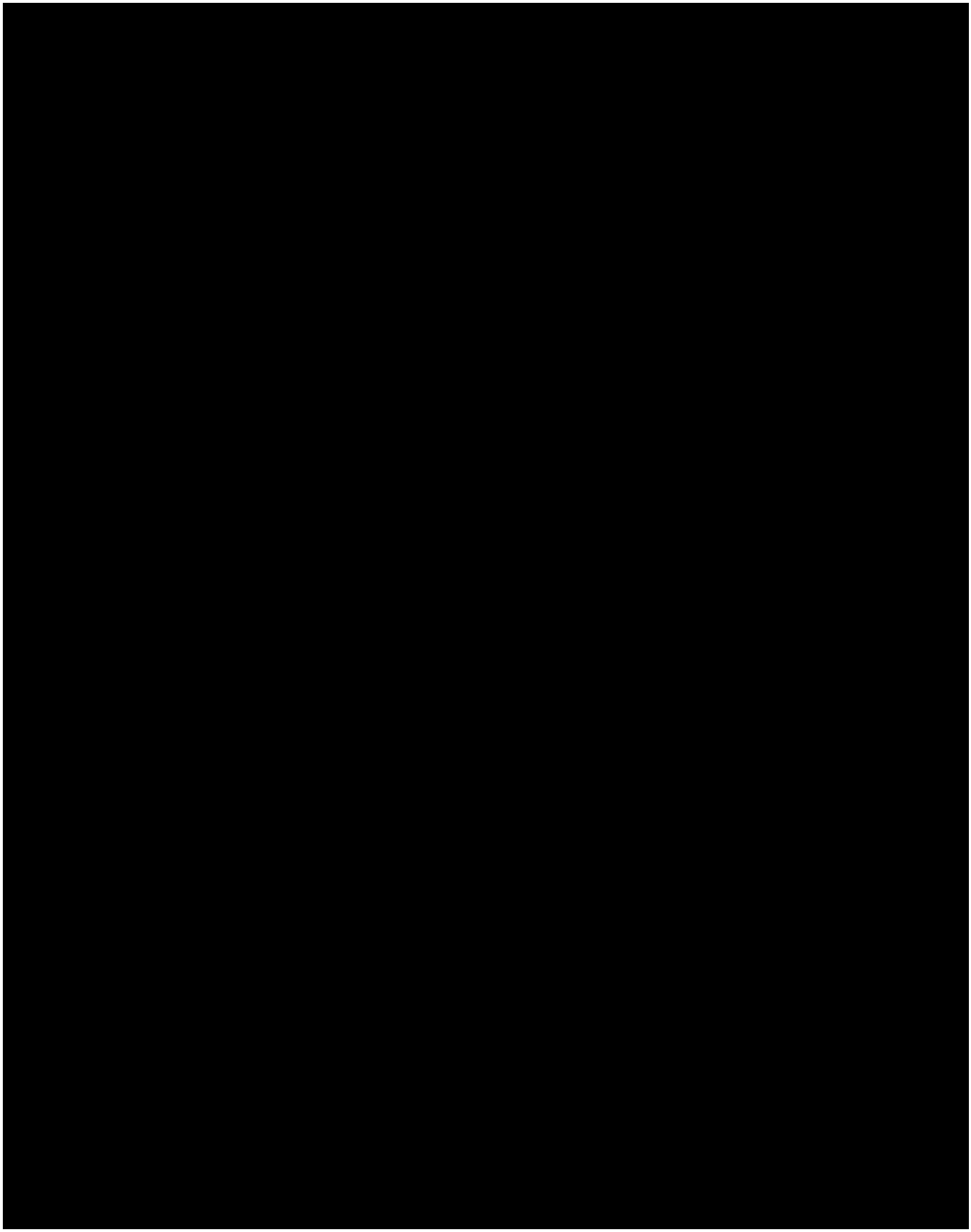

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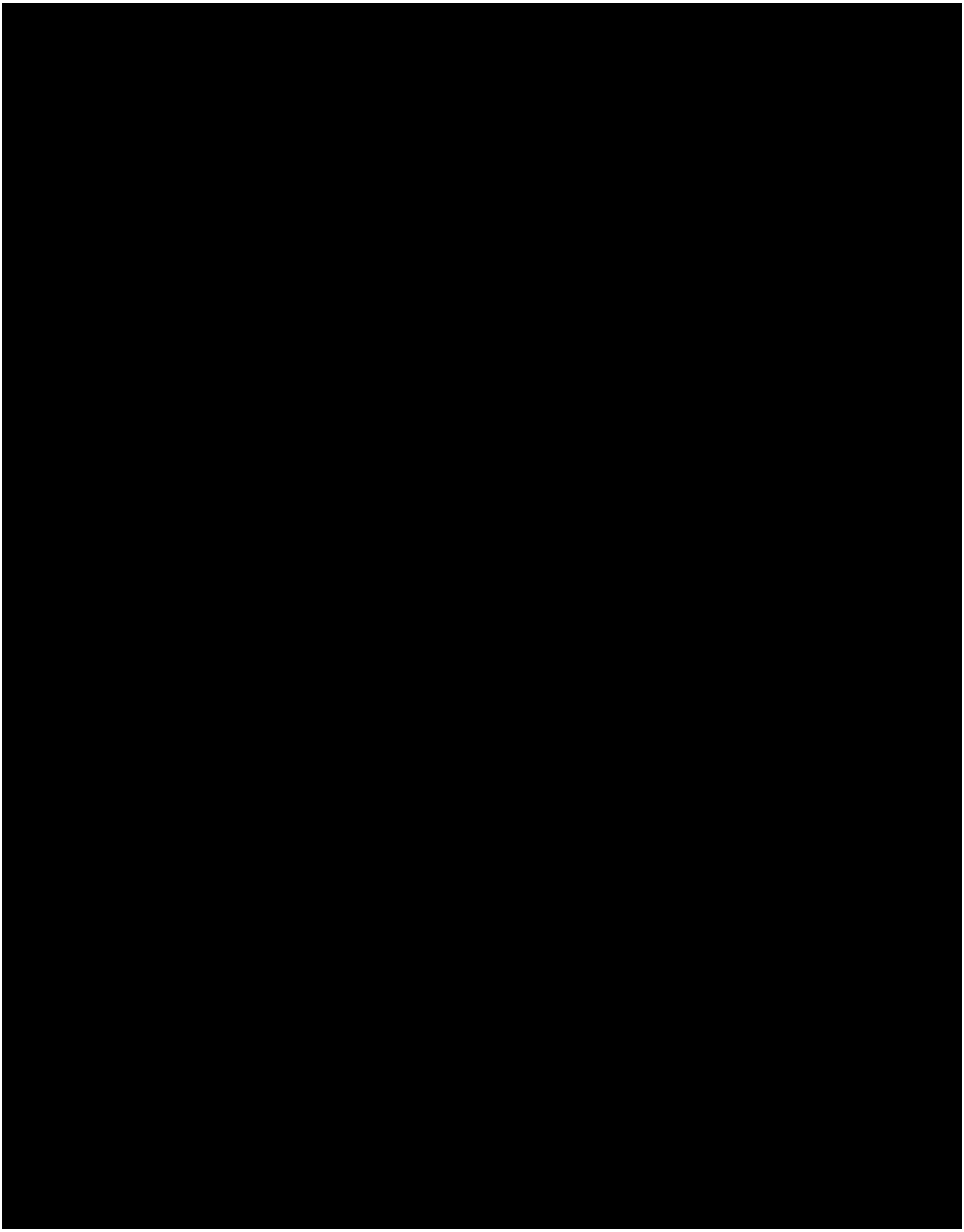

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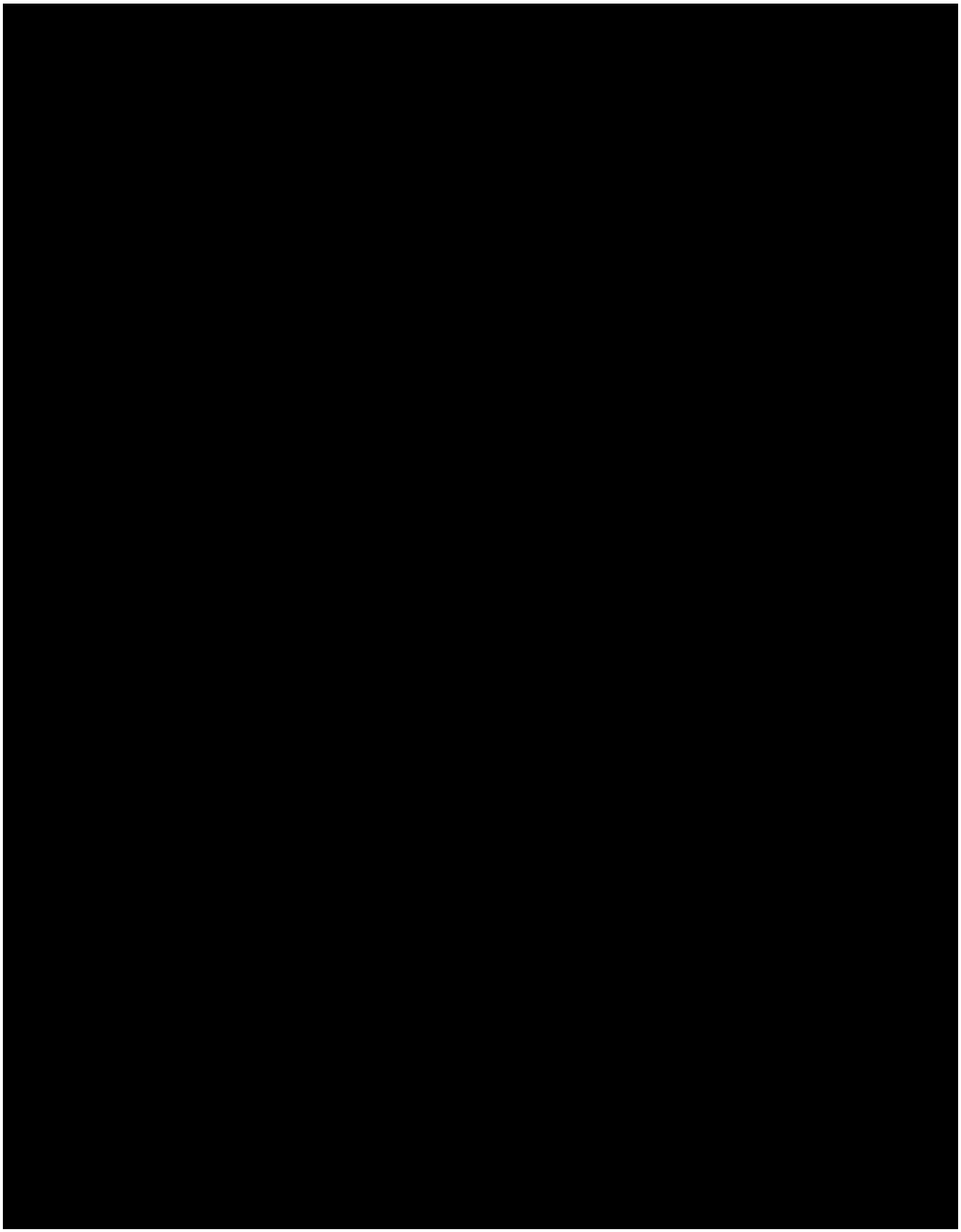

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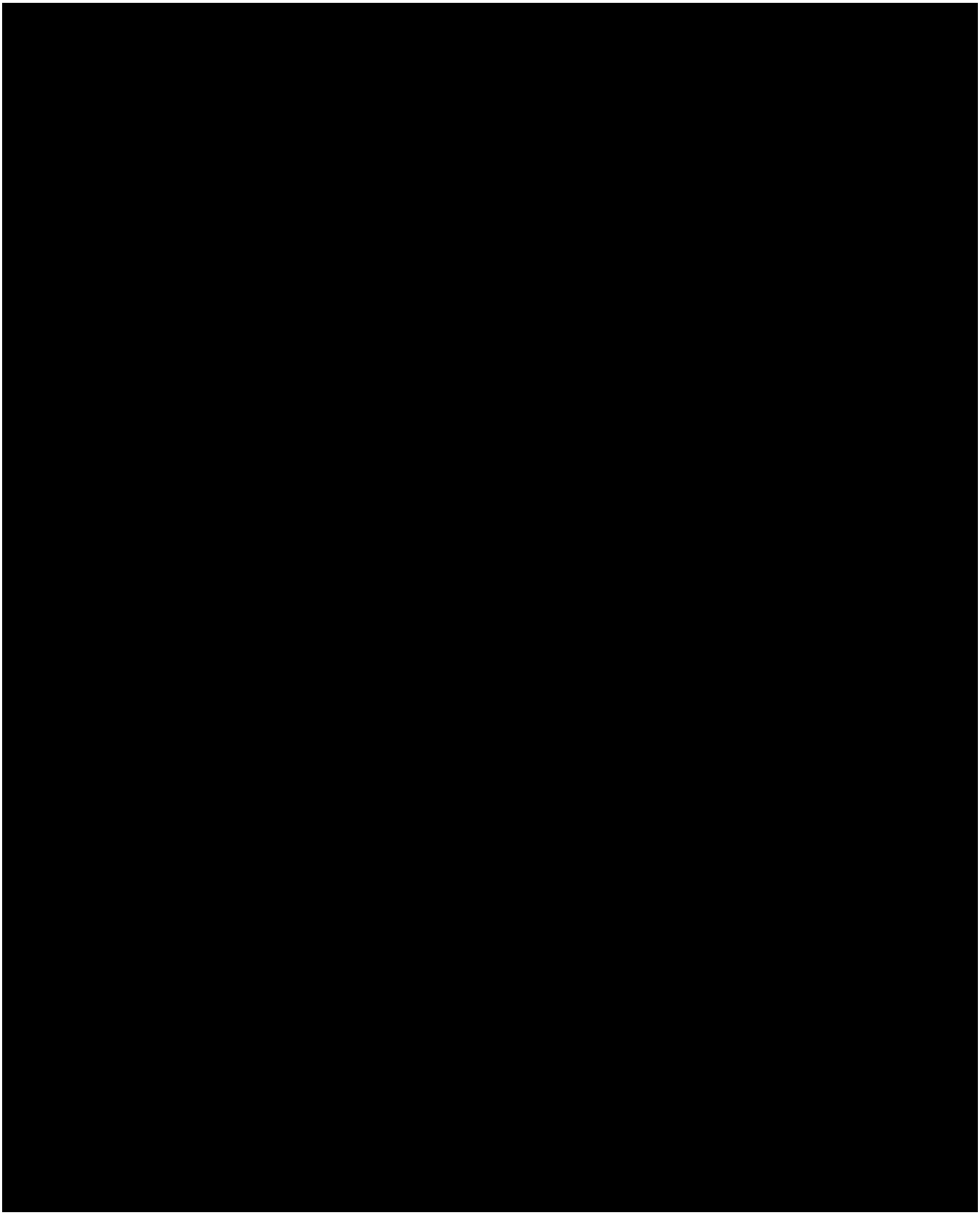

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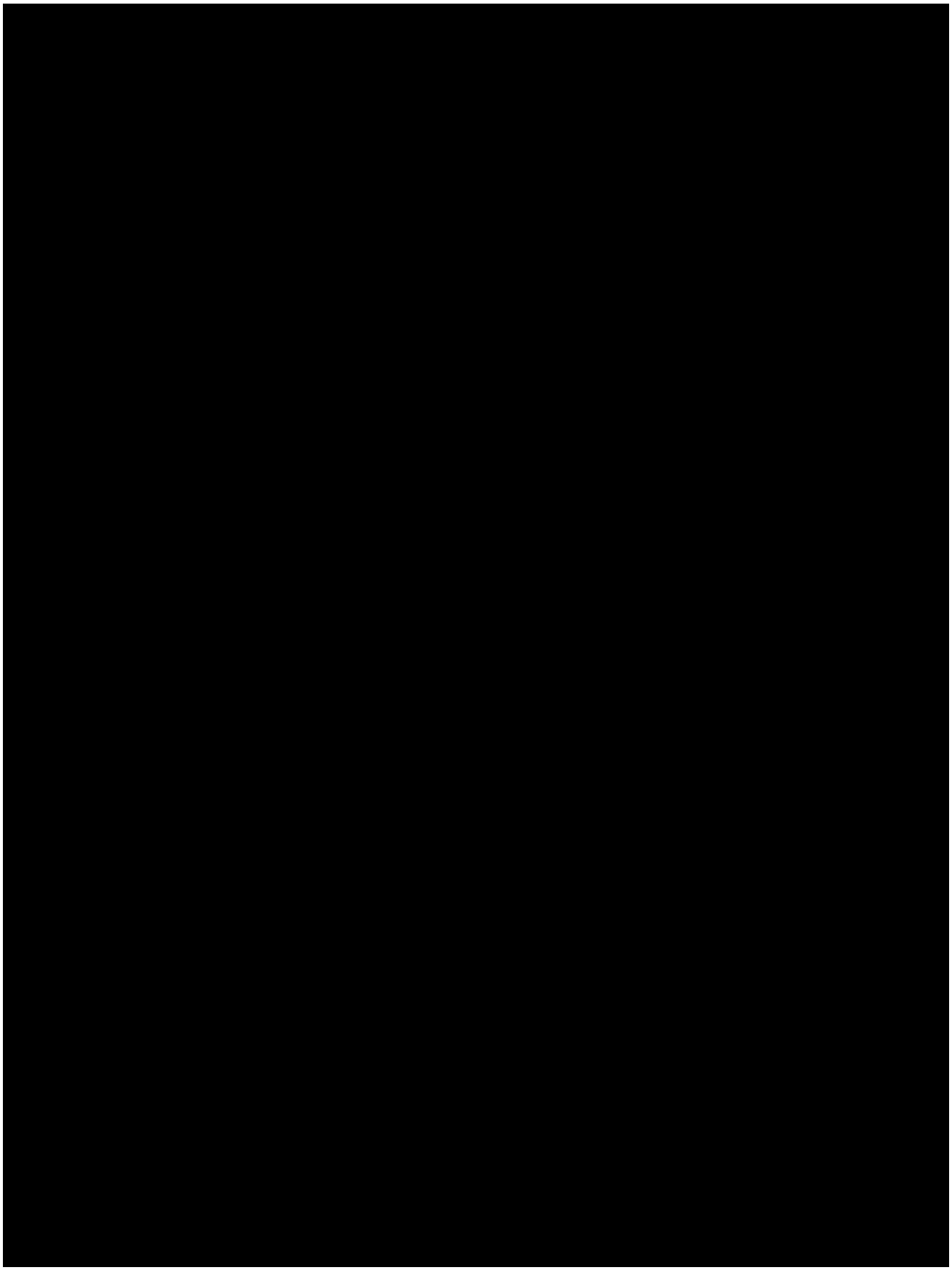

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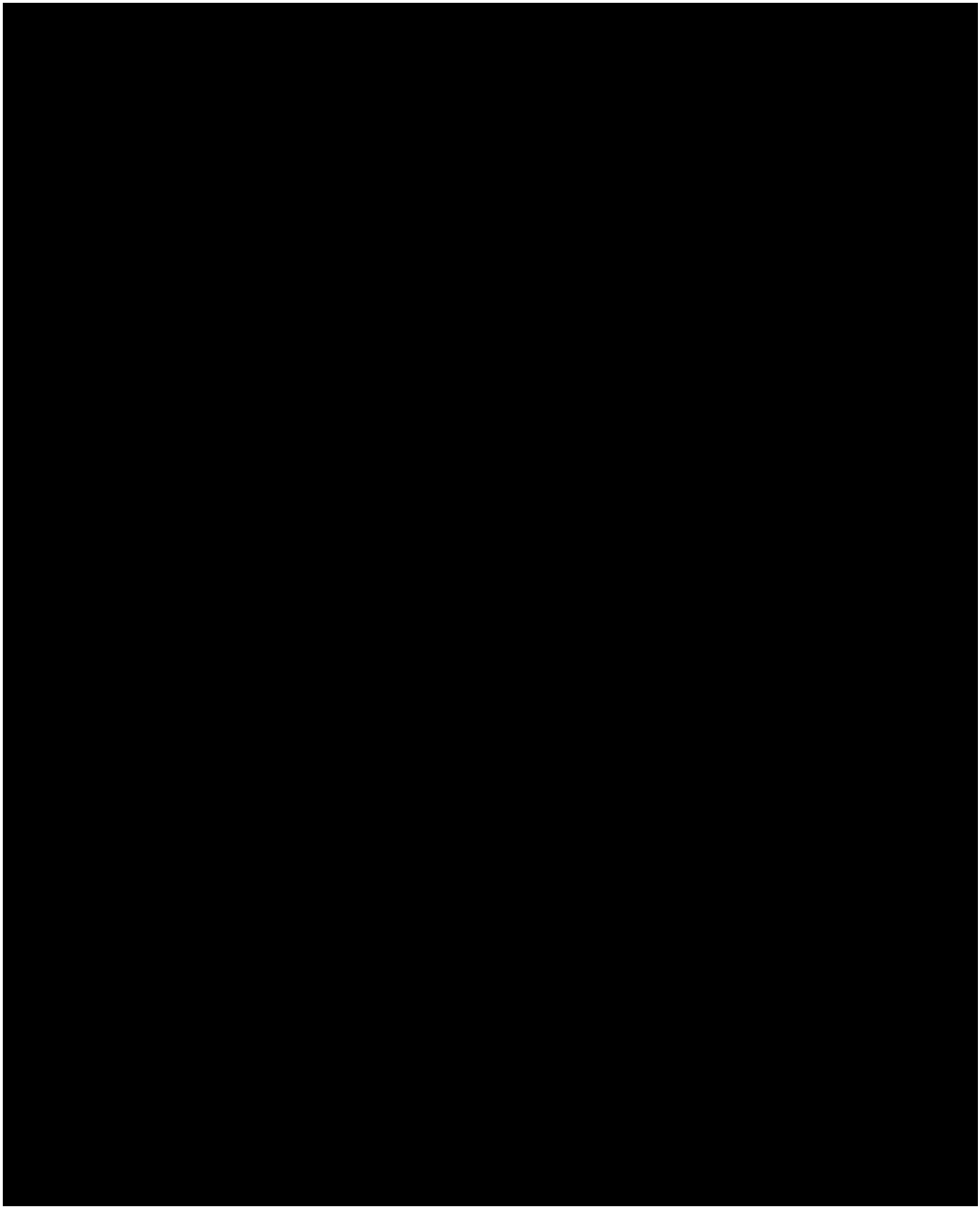

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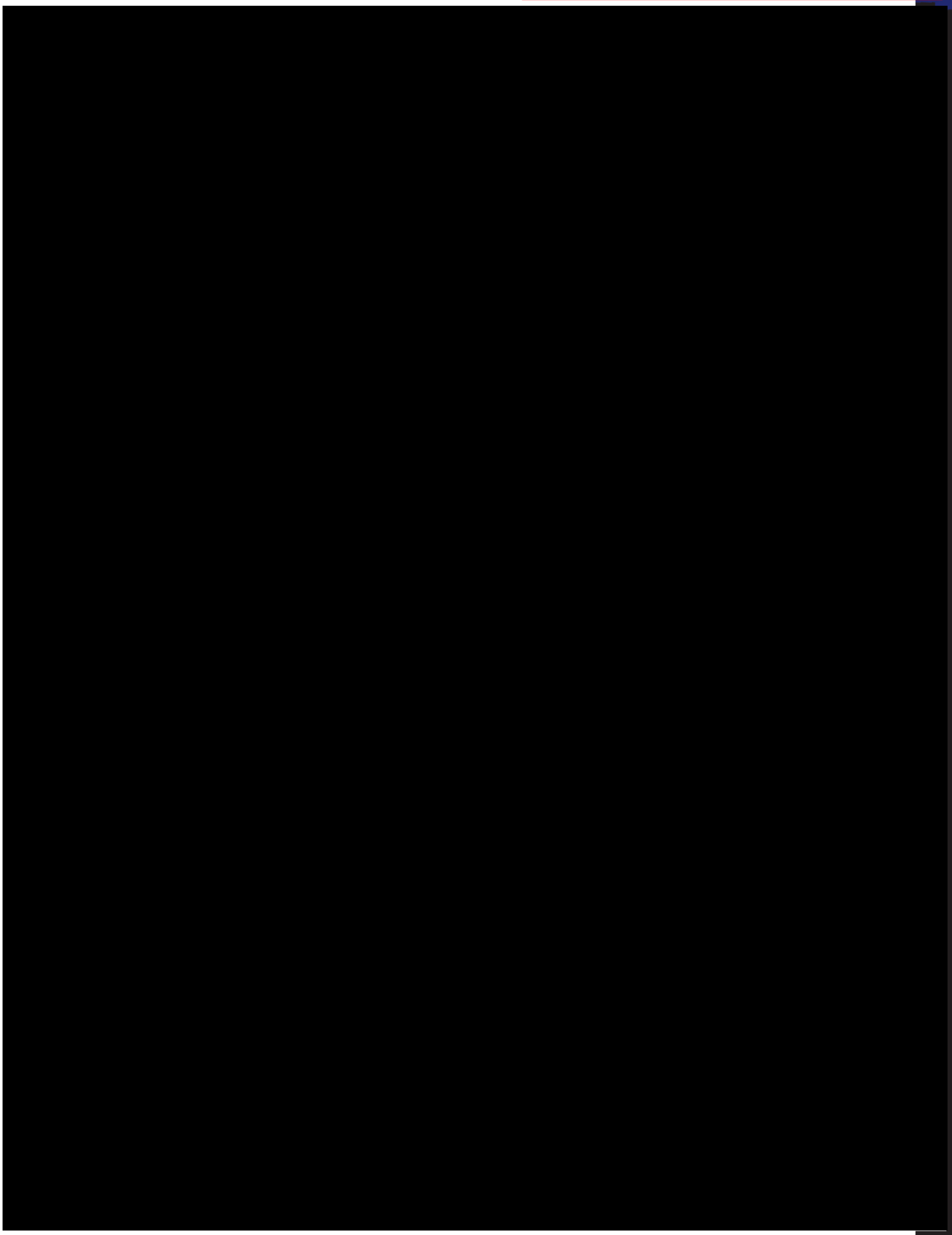

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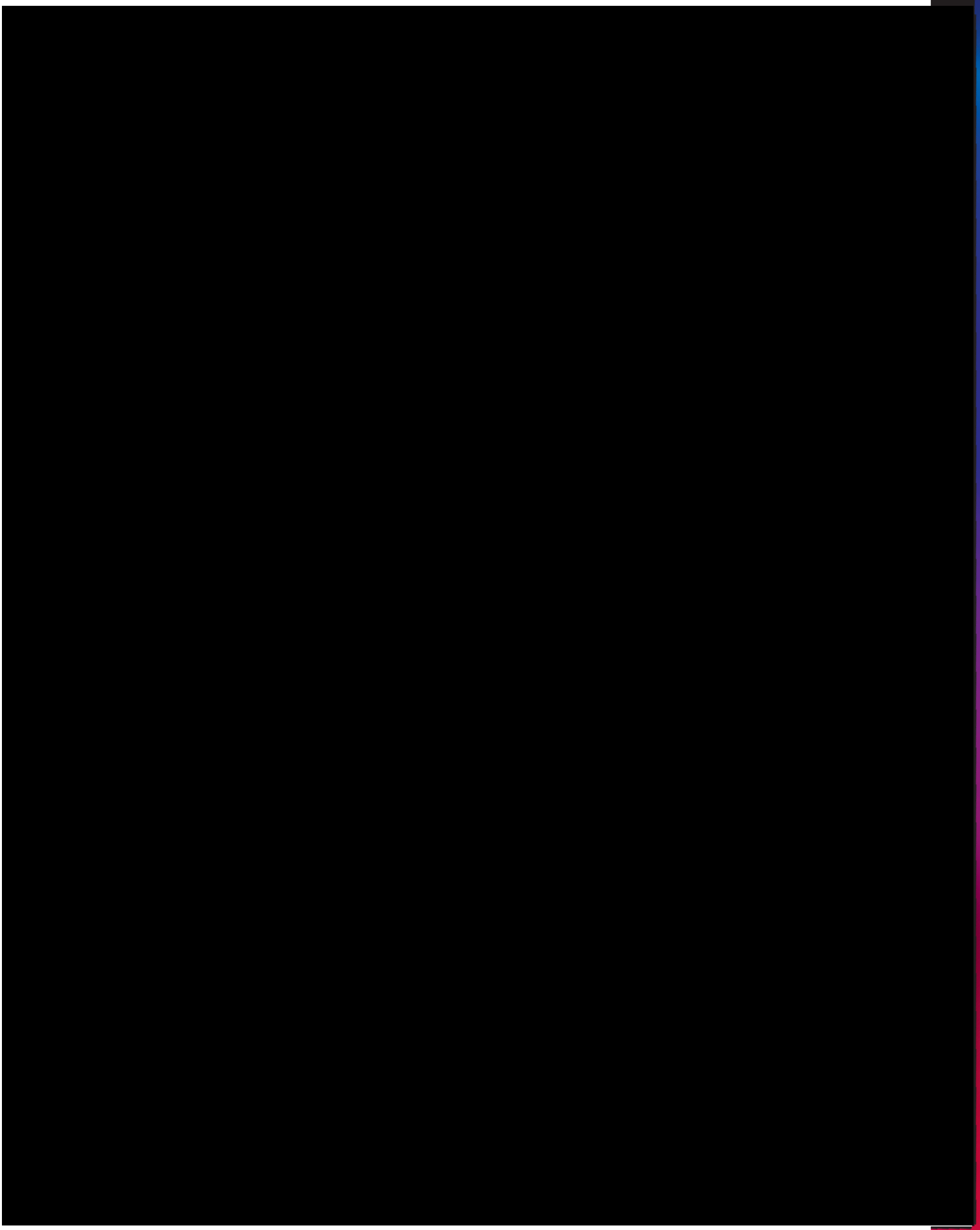

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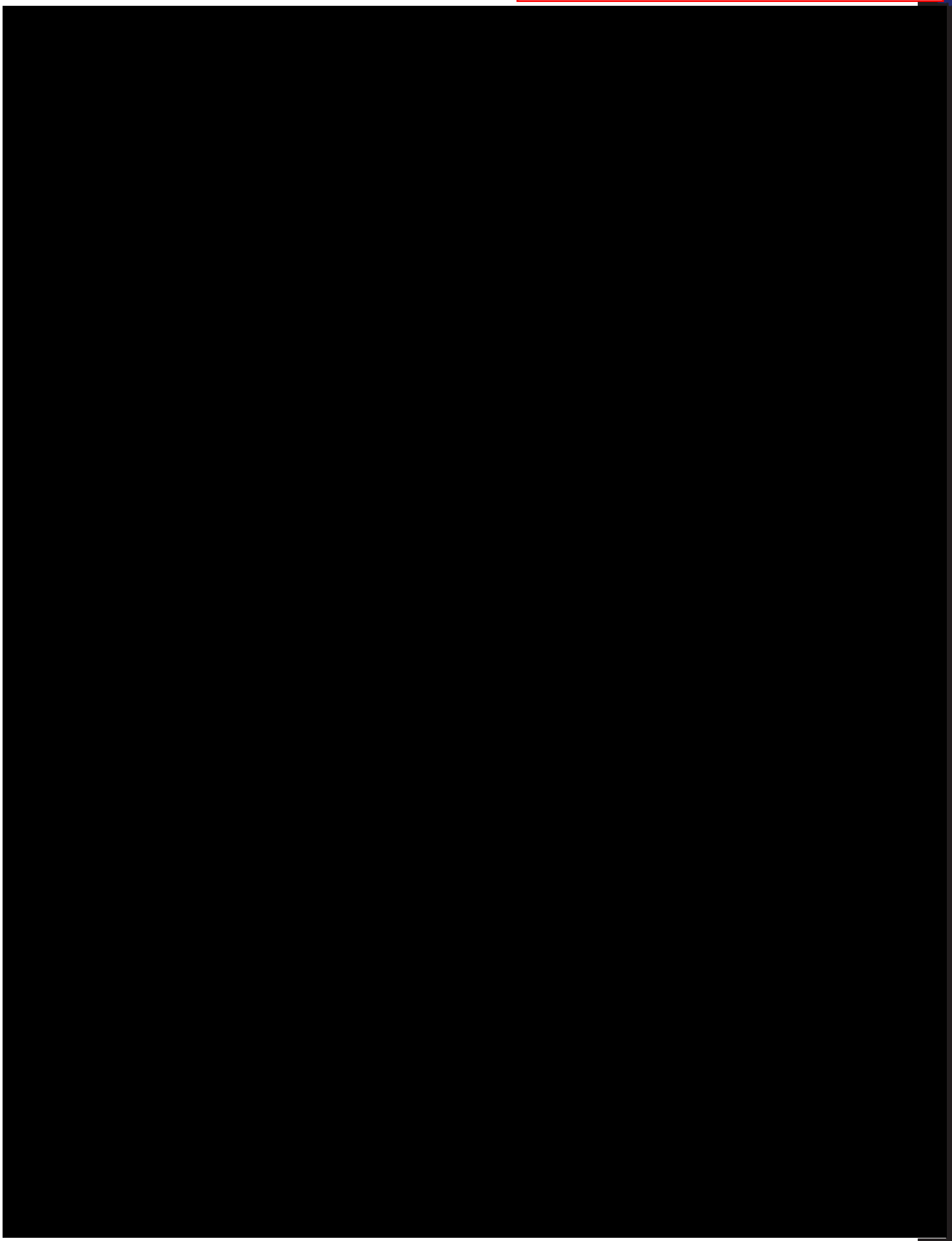

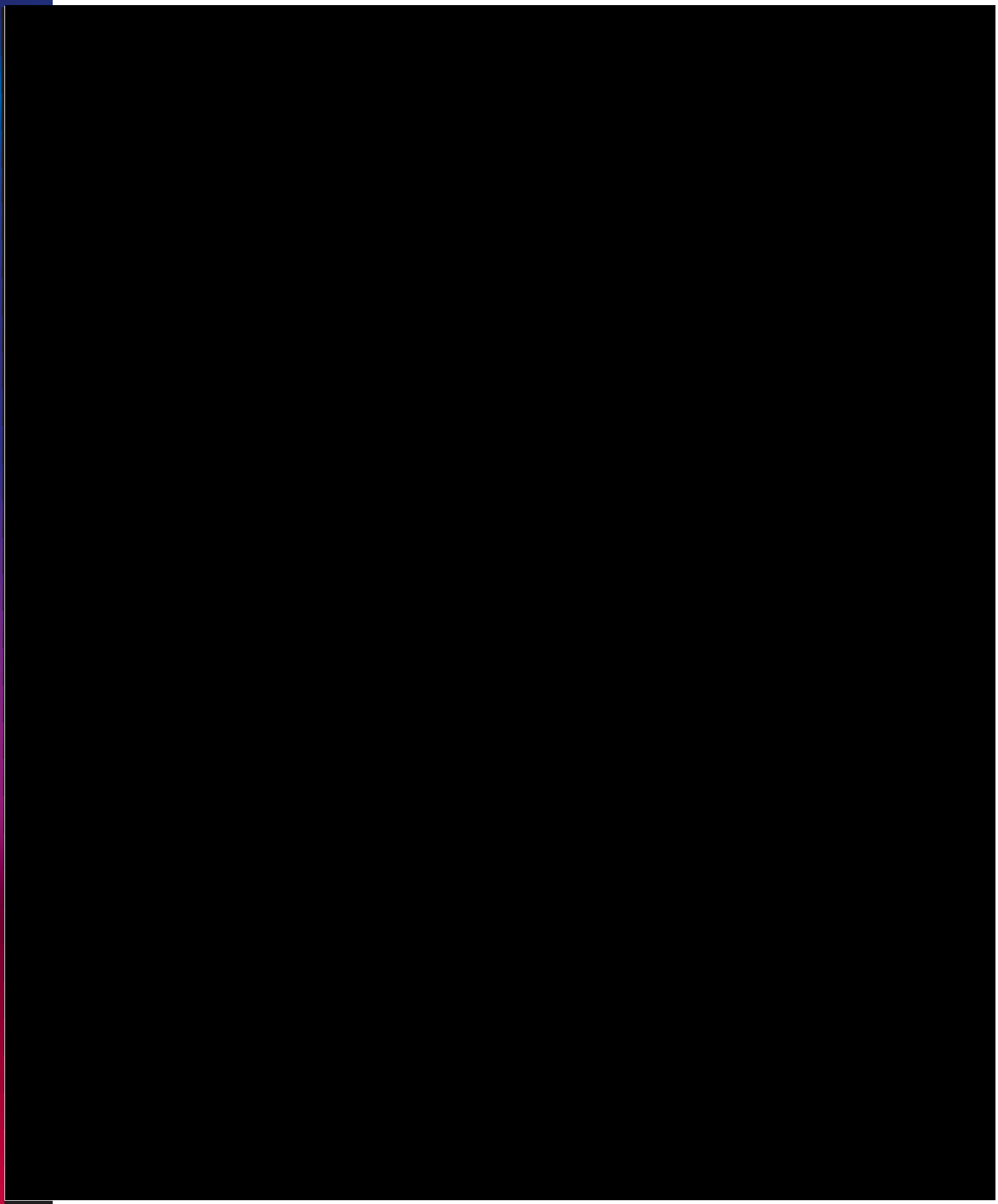

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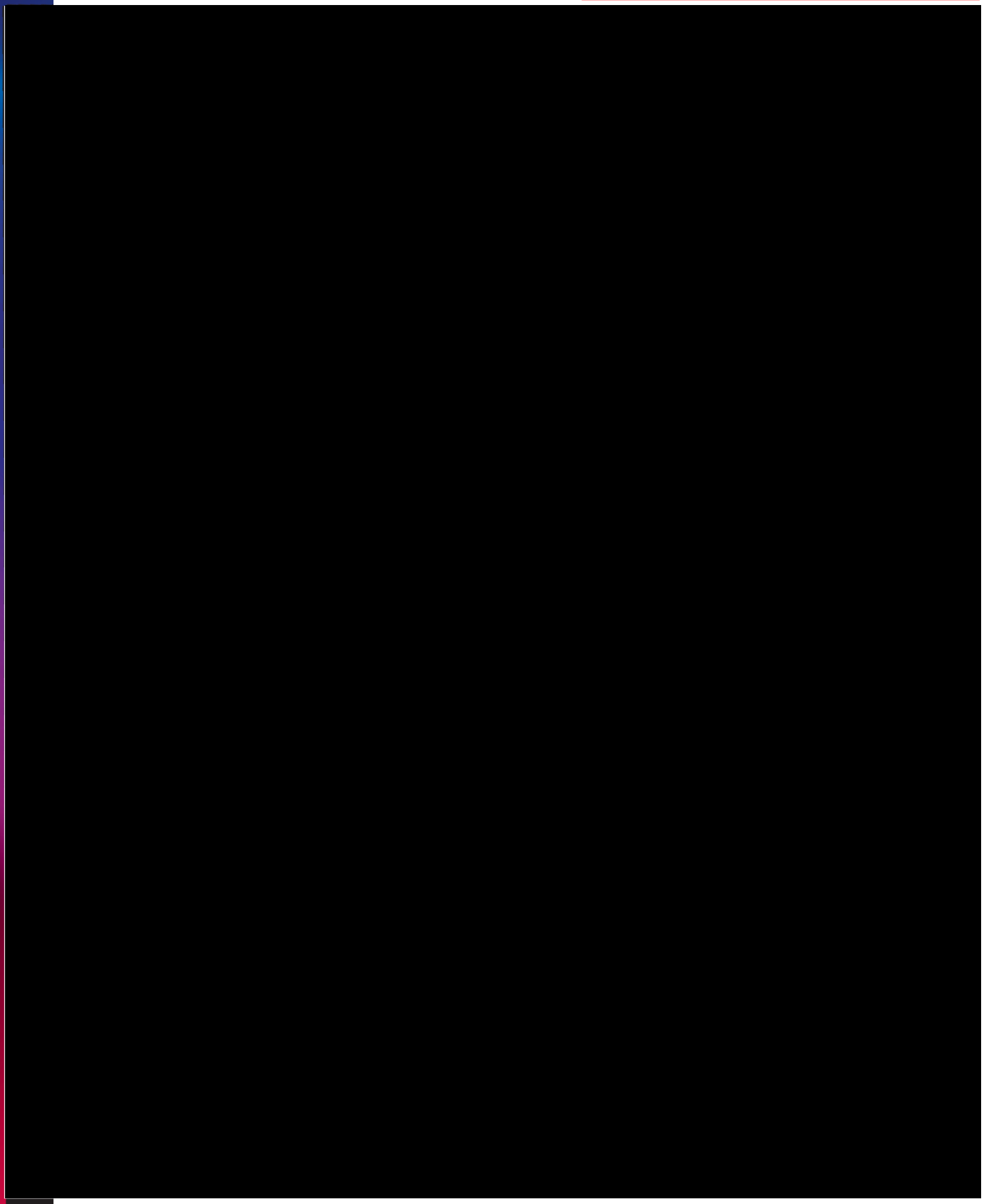

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7. Scratch Ticket Game Development

7.1 Staffing

At a minimum, the Successful Proposer must *provide the positions* required *under Section 4.2 of this RFP for the Texas Lottery account. If any staff proposed under Section 4.2 change during the term of any Contract resulting from this RFP, the Successful Proposer* shall *replace such staff with staff comparable in experience and training. That replacement* shall *be made subject to the Texas Lottery's approval. The Successful Proposer* shall *provide the resume of the person who is proposed to be hired or placed on the Texas Lottery's Account Team and* shall *receive written approval from the Texas Lottery prior to the person working on the account.*

Scientific Games will provide the positions required in Section 4.2 of this RFP for the Texas Lottery account. We understand that if any staff proposed under Section 4.2 change during the term of any contract resulting from this RFP, Scientific Games will replace such staff with staff comparable in experience and training. We understand that the replacement will be made subject to the Texas Lottery's approval. Scientific Games will provide the resume of the person who is proposed to hired or placed on the Texas Lottery's Account Team and will receive written approval from the Texas Lottery prior to the person working on the account.

7.2 Game Planning

7.2.1 Game Planning Services Support

Game planning services support will *be* required *of the Successful Proposer. The Successful Proposer* shall *work closely with the Texas Lottery to identify scratch ticket games that meet the criteria and requirements of the Texas Lottery. The Successful Proposer* shall *provide suggested game designs for inclusion in the plan. At a minimum, the Successful Proposer* shall *provide:*

Recommendations for each price point and theme, including the game name and play style, together with an album of representative tickets produced by the Successful Proposer. The recommendations should be made for tickets that are considered "industry best", have had positive responses in focus testing, have strong sales performance in other jurisdictions, and/or have indexed well in comparison with other games. Recommendations should be supported by trend and data analysis.

Game Development Services to include *but not be limited to graphic design, game design, artwork, prize structures and play style.*

In addition, newly developed ticket design concepts without prior sales history may be presented to the Texas Lottery for consideration.

We understand that we will be required to provide game planning services support. We will work closely with the Texas Lottery to identify scratch ticket games that meet the criteria and requirements of the Texas Lottery. We will provide the suggested game designs for inclusion in the plan.

Over the last two decades, Scientific Games has recommended thousands of games and produced more than 1,000 games for the Texas Lottery. During that time, we have worked closely with the Texas Lottery to identify instant ticket games to meet the criteria and requirements.

We will continue to provide suggested game designs for inclusion in the plan. In the following sections, Scientific Games has responded to each of the game planning requirements.

7.2.1.1 Recommendations for Price Point and Theme

Scientific Games will provide recommendations for each price point and theme, including the game name and play style, together with an album of representative tickets. The recommendations will be made for tickets that are considered "industry best", have had positive responses in focus testing, have strong sales performance in other jurisdictions, and/or have indexed well in comparison with other games. We will support our recommendations with trend and data analysis.

At Scientific Games, we take the role of game planning seriously. We know that the decisions made about the instant game products that go into the Texas marketplace are the primary determinants of ultimately reaching net revenue success. Part of being able to provide sound recommendations during game planning is the ability to rely on the most comprehensive information available on instant game products around the U.S. and abroad.

Since inception, Scientific Games has worked diligently to understand the variables that impact consumer demand of lottery products. Over the past 20 years in particular, we have made a concerted effort to develop systems that allow us to advance this understanding through increasing amounts of data and efficiencies by way of automation. These tools are unique to Scientific Games and we are proud of the marketing information systems we have built and are confident in their top-ranked status in the industry.

In the first portion of this section we present detailed information about our marketing information systems and the unique advantages they provide to the Texas Lottery. We will discuss the successes we have achieved with the Texas Lottery in designing and producing instant games that have performed well in the market. Next, we present our recommendations on price points and themes that we are confident will continue to move the Texas Lottery toward ever greater revenue. Finally, we include our **Instant Products Catalog** that contains representative tickets, which is provided in a separately bound volume.

Marketing Information Systems at Scientific Games

For years, our lottery customers have come to us in search of information that could help answer their questions about instant product performance. While we would always do our best to meet these requests, we realized that we couldn't always get the information as precisely or as quickly as we would have liked. As a result of these requests, we developed tools and systems that allow us and our primary customers to make use of a wealth of available industry data.

Through structure and automation, we are committed to solving many of the main impediments to good analysis. Two examples of this endeavor that are relevant to game planning for the Texas Lottery are our MAP™ platform and our GameGallery™ tool. Both are examples of our commitment to making the exorbitant amount of data available to our industry easily accessible, and in a format that helps our partners make the best decisions possible.

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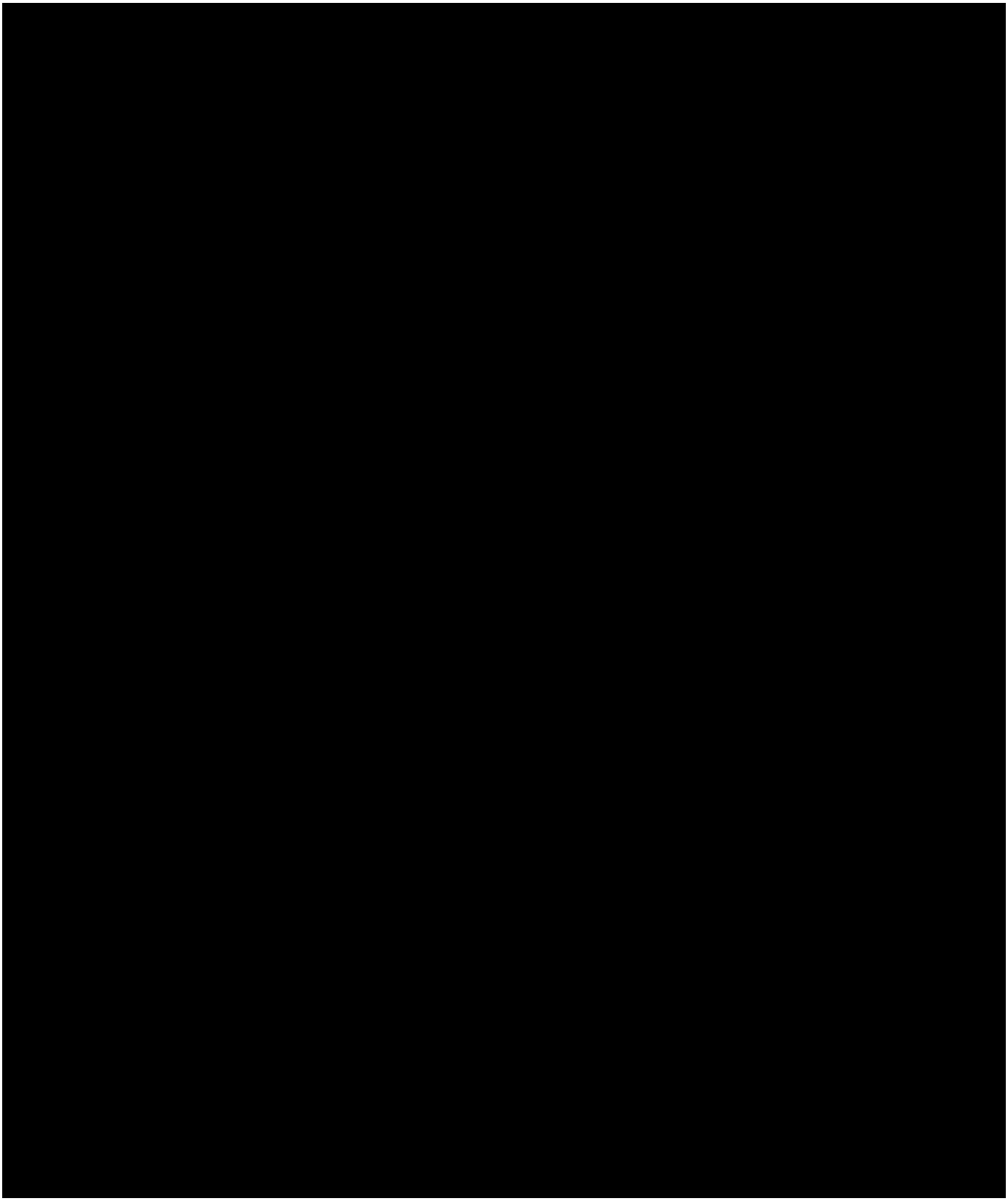

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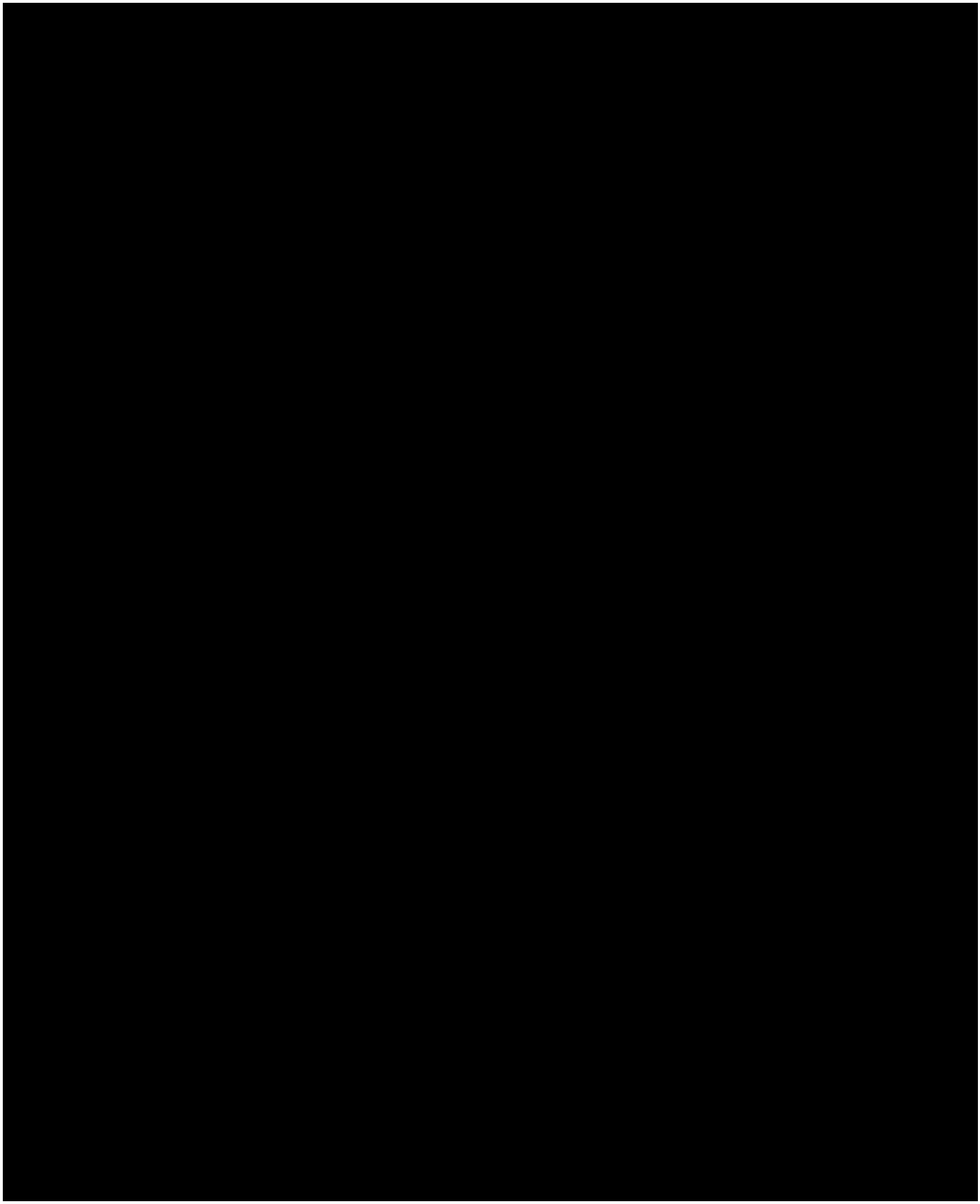

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Success in Texas

As evidenced above, Scientific Games has invested significantly in building tools that assist customers with the instant game planning process. However, the best tools in the world are only useful if the information gleaned from them leads to successful game launches. Fortunately, this has been the case in Texas. **Figure 7-3** showcases all Scientific Games scratch games indexing 100 or higher over the last five calendar years excluding Loteria games from the calculation.

Figure 7-3: Scientific Games Produces High Indexing Games for the Texas Lottery

GameID	Game Number	Game Name	Price Point	No Measure Value
188135	2112	50X	$5.00	241.0
176709	2004	DIAMOND MINE 9X	$5.00	181.0
202285	2195	MONOPOLY 50X	$5.00	179.0
202267	2193	MONOPOLY 10X	$1.00	162.0
190650	2161	BINGO EXTRA	$2.00	161.0
188156	2113	100X	$10.00	157.0
176208	1848	25X THE MONEY	$5.00	157.0
187098	2059	777	$10.00	156.0
186911	2035	777	$2.00	151.0
170857	1735	HIT $50,000	$2.00	151.0
188993	2052	$50,000 BONUS CASHWORD	$3.00	147.0
190450	2164	$100,000 VIP CASHWORD	$5.00	143.0
216060	2213	MONEY MULTIPLIER	$5.00	141.0
217417	2253	$200,000 EXTREME Cash	$5.00	139.0
190390	2162	BREAK THE BANK	$2.00	139.0
176859	2011	$50 or $100!	$10.00	138.0
172880	1802	BREAK THE BANK	$2.00	138.0
189257	2151	777	$2.00	137.0
178097	2071	Lucky Dog	$1.00	136.0
174816	1826	$500 FRENZY	$5.00	136.0
165415	1644	$200,000,000 CASH BLOWOUT	$10.00	136.0
178632	2080	BREAK THE BANK	$2.00	134.0
175808	1858	BREAK THE BANK	$2.00	134.0
170843	1740	HIT $1,000,000	$20.00	134.0
175807	1857	Weekly Half Grand	$1.00	133.0
217428	2248	$250,000 50X Cashword	$10.00	131.0
216489	2240	BREAK THE BANK	$2.00	131.0
198644	2180	BONUS 7	$5.00	131.0
215773	2207	JAMES BOND 007	$5.00	130.0
202268	2194	MONOPOLY 30X CROSSWORD	$3.00	129.0
175155	1833	LUCKY NO. 7	$5.00	128.0
173026	1808	BONUS BREAK THE BANK	$5.00	127.0
175118	1861	INSTANT BINGO	$2.00	126.0
176462	1862	BONUS BREAK THE BANK	$5.00	125.0
172896	1799	$100,000 SUPER CASHWORD	$5.00	125.0
177699	2023	DAZZLING DOLLARS X9	$5.00	124.0
176939	2024	Wild 9s	$1.00	124.0
188887	2121	Lady Luck	$5.00	123.0
221098	2355	20Xtra	$2.00	122.0
175448	1834	Willy Wonka Golden Ticket	$10.00	122.0
172921	1760	WORD GAMES	$3.00	122.0

Figure 7-3: Scientific Games Produces High Indexing Games for the Texas Lottery

GameID	Game Number	Game Name	Price Point	No Measure Value
189274	2166	$250,000 50X Cashword	$10.00	120.0
176743	1897	Texas Lottery BLACK	$10.00	120.0
174088	1817	GOLDEN TICKET	$5.00	120.0
171833	1795	INSTANT BINGO	$2.00	120.0
202286	2196	MONOPOLY 100X	$10.00	119.0
173552	1811	$100,000 CASH	$5.00	119.0
215643	2208	$50 OR $100!	$10.00	118.0
198752	2178	MONEY	$20.00	118.0
189527	2139	TRIPLE PLAY	$2.00	118.0
195189	2168	$50,000 BONUS CASHWORD	$3.00	117.0
180234	2050	SUPER 9s	$1.00	117.0
219174	2291	WILLY WONKA Golden Ticket	$5.00	116.0
195190	2224	$250,000 50X Cashword	$10.00	116.0
185438	2083	$250,000 50X Cashword	$10.00	115.0
216364	2226	$250,000 50X Cashword	$10.00	114.0
217412	2260	LADY LUCK 7	$5.00	113.0
217134	2233	GOLD MINE 9X	$5.00	113.0
175617	1870	ULTIMATE MILLIONS	$50.00	113.0
172398	1779	SUPER BREAK THE BANK	$20.00	113.0
220983	2353	$500,000 JACKPOT	$10.00	112.0
220964	2351	$5,000 JACKPOT	$1.00	112.0
174234	1820	WILD CASH BONANZA	$5.00	111.0
220105	2309	$100 MILLION CASH PAYOUT	$10.00	110.0
176569	1896	Texas Lottery SILVER	$5.00	109.0
217676	2283	NEON 7s	$2.00	107.0
190878	2060	WEEKLY GRAND	$2.00	107.0
190392	2120	DOUBLE MATCH	$2.00	107.0
219382	2312	MILLIONAIRE CLUB	$50.00	106.0
218714	2337	$5 MILLION FORTUNE	$50.00	106.0
191038	2115	Wild Cash	$2.00	106.0
219759	2299	LUCKY DOG	$2.00	105.0
191057	2165	BINGO TIMES 20	$5.00	105.0
190961	2146	Amazing 8s	$2.00	105.0
180159	2058	Blackjack	$1.00	105.0
176277	1837	$100,000 JACKPOT	$5.00	105.0
172949	1767	WIN IT ALL	$1.00	105.0
220696	2336	POWER 10X	$10.00	103.0
187186	2104	Winning Millions	$50.00	103.0
219366	2290	WINNER WINNER CHICKEN DINNER	$1.00	102.0
217406	2254	$500,000 EXTREME Cash	$10.00	102.0
209782	2188	ICY HOT 7s	$1.00	102.0

Figure 7-3: Scientific Games Produces High Indexing Games for the Texas Lottery

GameID	Game Number	Game Name	Price Point	No Measure Value
170880	1784	BONUS BREAK THE BANK	$5.00	101.0
219825	2293	CASH Celebration!	$30.00	100.0
188136	2114	300X	$30.00	100.0

During the course of our current contract, the Scientific Games Texas Lottery account team has been able to keep abreast of the industry and bring to the Lottery a number of successful scratch game concepts and promotions for consideration. The following is a highlight of a few key successes.

Innovation Successes

Product Promotion

In close partnership with the Texas Lottery, we created the $5 Million Vegas Challenge™ second-chance promotion in 2018 after more than a year of brainstorming ideas. The promotion has proven to be one of the most innovative and successful promotions ever done in the lottery industry. Culminating in a very exclusive experiential trip prize, this family of games and subsequent promotional event award large sums of money and also fit well within the Texas Lottery's overall budget. The promotion and funding model covers the primary value-adds of the family of games, including holographic stock in one family, Sparkle® in another and licensing fees in a third. This way, the promotion, paid out of the prize structure, covers the cost of these value-adds and has no impact on the Lottery's instant budget.

To date, we have launched three promotions around a family of games and have issued more than $5 million in $100 checks to players throughout Texas. In 2021, we held the first two events in Las Vegas and awarded a total of $4.9 million, including one individual winner of $2.5 million.

The promotion and innovative funding model have set a new standard for second-chance promotions, which we could only accomplish through close collaboration between the Scientific Games and Texas Lottery teams. $5 Million Vegas Challenge has established itself as its own brand in Texas, and players want to be part of the exclusive event. The Lottery has now used this innovative funding model across all the Texas Lottery's families of games and other individual game promotions.

In close collaboration with the Texas Lottery and all other participating Lotteries, Scientific Games created a custom promotion called *ROAD TO $1 MILLION*. Along with Arizona, Illinois and New Mexico, the Texas Lottery launched a game called *ROUTE 66™ Road to $1 Million!* in June 2020. By way of their non-winning scratch ticket, players had a chance to be entered into a promotional second-chance drawing to win a trip to Los Angeles, California. While in Los Angeles, each trip prize winner had the opportunity to play in the *ROAD TO $1 MILLION* Contest. The *ROAD TO $1 MILLION* event was held in 2021 and was a huge success with one lucky player from Texas winning $1 million. This once in a lifetime experiential prize could only be achieved through our deep understanding and commitment

to the development of our industry leading Multi-State Linked Games. Scientific Games teams including Design, Drawings, Interactive and Fulfillment, all come together to make these exciting events come to life. We look forward to partnering with you on many more innovative promotions in the future.

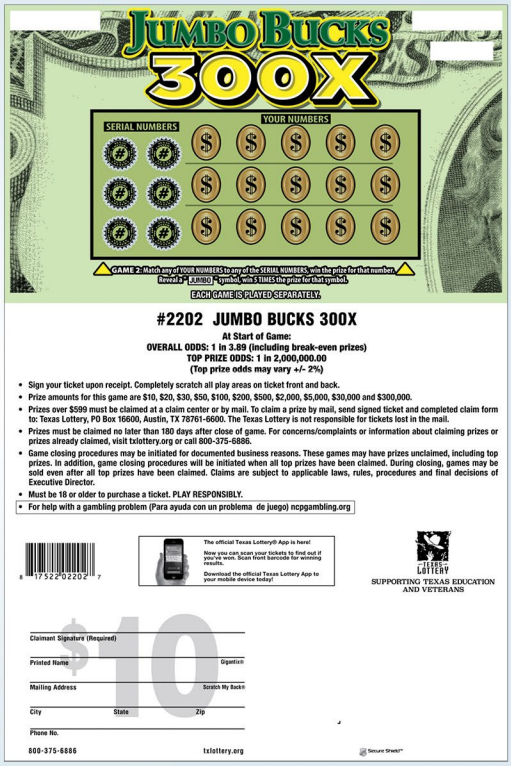
Scratch My Back

Furthermore, the Texas Lottery embraced one of the most successful product innovations in lottery history with the introduction of several Scratch My Back games. This industry-leading innovation has become an important component of product portfolios around the country and has developed a loyal following among players.

$20
TEXAS LOTTERY®
200X
THE CASH
$1,000,000 TOP PRIZE!
SCRATCH THE BACK FOR 3 BONUS GAMES!
BONUS
X X
BONUS
X X
Reveal 2 matching prize amounts in the same BONUS, win that amount.
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win the prize for that number. Reveal a "2X" symbol, win DOUBLE the prize for that symbol. Reveal a "5X" symbol, win 5 TIMES the prize for that symbol. Reveal a "10X" symbol, win 10 TIMES the prize for that symbol. Reveal a "20X" symbol, win 20 TIMES the prize for that symbol. Reveal a "200X" symbol, win 200 TIMES the prize for that symbol.
WINNING NUMBERS
$ $ $ $ $ $ $ $ $ $
YOUR NUMBERS
42 CHANCES TO WIN!
VOID

#2418 200X THE CASH
At Start of Game: [520]100
OVERALL ODDS: 1 in 3.80 (including break-even prizes)
TOP PRIZE ODDS: 1 in 2,010,000.00
(Top prize odds may vary +/- 2%)
• Sign your ticket upon receipt. Completely scratch all play areas on ticket.
• Prize amounts for this game are $20, $40, $50, $100, $250, $400, $1,000, $10,000 and $1,000,000.
• Prizes over $599 must be claimed at a claim center or by mail. To claim a prize by mail, send signed ticket and completed claim form to: Texas Lottery, PO Box 16600, Austin, TX 78761-6600. The Texas Lottery is not responsible for tickets lost in the mail.
• Prizes must be claimed no later than 180 days after close of game. For concerns/complaints or information about claiming prizes or prizes already claimed, visit texaslottery.com or call 800-375-6886.
• Game closing procedures may be initiated for documented business reasons. These games may have prizes unclaimed, including top prizes. In addition, game closing procedures will be initiated when all top prizes have been claimed. During closing, games may be sold even after all top prizes have been claimed. Claims are subject to applicable laws, rules, procedures and final decisions of Executive Director.
• Must be 18 or older to purchase a ticket. PLAY RESPONSIBLY.
• For help with a gambling problem (Para ayuda con un problema de juego) ncpgambling.org
The official Texas Lottery® App is here!
Now you can scan your tickets to find out if you've won. Scan front barcode for winning results.
Download the official Texas Lottery App to your mobile device today!
8 17522 02418 2
TEXAS LOTTERY
SUPPORTING TEXAS EDUCATION AND VETERANS
Match any of YOUR NUMBERS to the WINNING NUMBER in the same BONUS GAME, win prize for that number.
BONUS GAME 1
BONUS GAME 2
BONUS GAME 3
WINNING NUMBER
YOUR NUMBERS
Claimant Signature (Required)
Printed Name
Mailing Address
City
State
Zip
Phone No.
$20
VOID
2418-VOID001-001[025]
800-375-6886
Secure Shield™
texaslottery.com

$10
EACH GAME IS PLAYED SEPARATELY.
TEXAS LOTTERY
JUMBO BUCKS
300X
SCRATCH THE BACK FOR ANOTHER GAME!
$300,000 TOP PRIZE!
BONUS BUCKS
BONUS
BUCK
BONUS BUCKS: Reveal 2 matching prize amounts in the same BONUS BUCK, win that amount.
GAME 1: Match any of YOUR NUMBERS to any of the SERIAL NUMBERS, win the prize for that number. Reveal a "JUMBO" symbol, win 5 TIMES the prize for that symbol. Reveal a "10X" symbol, win 10 TIMES the prize for that symbol. Reveal a "300X" symbol, win 300 TIMES the prize for that symbol.
SERIAL NUMBERS
YOUR NUMBERS
70 CHANCES TO WIN!
VOID001-VOID


JUMBO BUCKS
300X
SERIAL NUMBERS
YOUR NUMBERS
GAME 2: Match any of YOUR NUMBERS to any of the SERIAL NUMBERS, win the prize for that number. Reveal a "JUMBO" symbol, win 5 TIMES the prize for that symbol.
EACH GAME IS PLAYED SEPARATELY.
#2202 JUMBO BUCKS 300X
At Start of Game:
OVERALL ODDS: 1 In 3.89 (including break-even prizes)
TOP PRIZE ODDS: 1 in 2,000,000.00
(Top prize odds may vary +/- 2%)
• Sign your ticket upon receipt. Completely scratch all play areas on ticket front and back.
• Prize amounts for this game are $10, $20, $30, $50, $100, $200, $500, $2,000, $5,000, $30,000 and $300,000.
• Prizes over $599 must be claimed at a claim center or by mail. To claim a prize by mail, send signed ticket and completed claim form to: Texas Lottery, PO Box 16600, Austin, TX 78761-6600. The Texas Lottery is not responsible for tickets lost in the mail.
• Prizes must be claimed no later than 180 days after close of game. For concerns/complaints or information about claiming prizes or prizes already claimed, visit txlottery.org or call 800-375-6886.
• Game closing procedures may be initiated for documented business reasons. These games may have prizes unclaimed, including top prizes. In addition, game closing procedures will be initiated when all top prizes have been claimed. During closing, games may be sold even after all top prizes have been claimed. Claims are subject to applicable laws, rules, procedures and final decisions of Executive Director.
• Must be 18 or older to purchase a ticket. PLAY RESPONSIBLY.
• For help with a gambling problem (Para ayuda con un problema de juego) ncpgambling.org
The official Texas Lottery® App is here!
Now you can scan your tickets to find out if you've won. Scan front barcode for winning results.
Download the official Texas Lottery App to your mobile device today!
SUPPORTING TEXAS EDUCATION AND VETERANS
$10
Claimant Signature (Required)
Printed Name
Signature
Mailing Address
Scratch My Back®
City
State
Zip
Phone No.
800-375-6886
txlottery.org

Sparkle

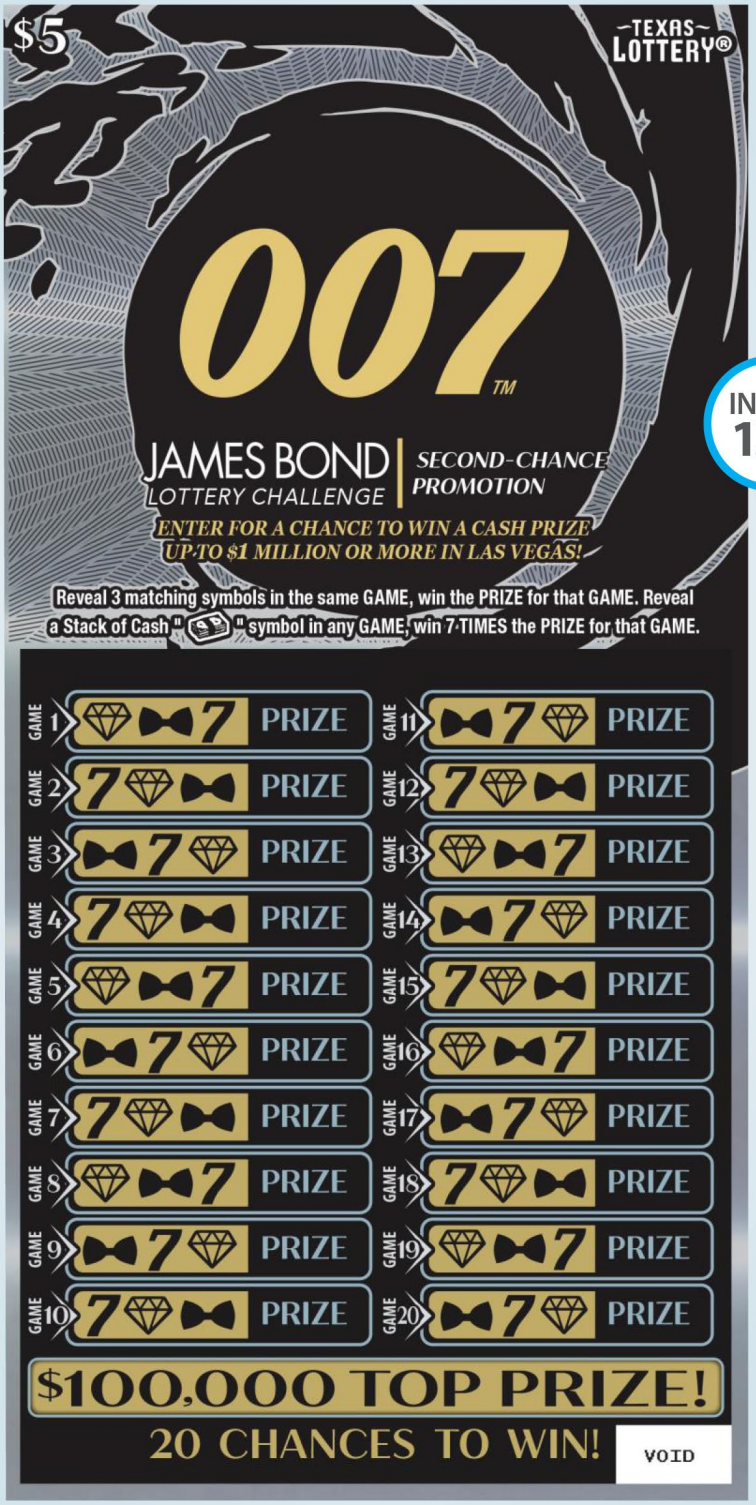
The Texas Lottery has always been an early adopter of new printing techniques that enhance the design and/or play action of games. Sparkle is an example of an industry leading design innovation that the Texas Lottery has supported from the beginning and the performance of the games have been very successful. In partnership with the Texas Lottery, we continuously evaluate what games might benefit from the use of Sparkle in order to achieve the greatest success.

Sparkle Games in 2022

TEXAS LOTTERY®
$50
MILLIONAIRE CLUB
MILLIONAIRE CLUB
PRIZES STARTING AT $75!
$1,000,000 TOP PRIZE!
CLUB BONUS
CLUB BONUS
CLUB BONUS
CLUB BONUS
CLUB BONUS: Reveal 2 matching prize amounts in the same CLUB BONUS, win that amou
INDEX 106
WINNING NUMBERS
YOUR NUMBERS
39 CHANCES TO WIN!
VOID
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win the prize for that number. Reveal a Gold Bar " " symbol, win the prize for that symbol instantly. Reveal a " 2X " symbol, win DOUBLE the prize for that symbol.
Reveal a " 5X " symbol, win 5 TIMES the prize for that symbol.
Reveal a " 10X " symbol, win 10 TIMES the prize for that symbol.
Reveal a " 20X " symbol, win 20 TIMES the prize for that symbol.

Licensed Property Successes

In 2020, the Texas Lottery was one of the biggest supporters of our licensed property linked game *James Bond 007*™. The game featured a James Bond Lottery Challenge second-chance promotion with the chance to win up to $1 million or more in Las Vegas.


$5
TEXAS LOTTERY®
007™
JAMES BOND LOTTERY CHALLENGE
SECOND-CHANCE PROMOTION
ENTER FOR A CHANCE TO WIN A CASH PRIZE UP TO $1 MILLION OR MORE IN LAS VEGAS!
Reveal 3 matching symbols in the same GAME, win the PRIZE for that GAME. Reveal a Stack of Cash " " symbol in any GAME, win 7 TIMES the PRIZE for that GAME.
INDEX 130
GAME 1 PRIZE
GAME 2 PRIZE
GAME 3 PRIZE
GAME 4 PRIZE
GAME 5 PRIZE
GAME 6 PRIZE
GAME 7 PRIZE
GAME 8 PRIZE
GAME 9 PRIZE
GAME 10 PRIZE
GAME 11 PRIZE
GAME 12 PRIZE
GAME 13 PRIZE
GAME 14 PRIZE
GAME 15 PRIZE
GAME 16 PRIZE
GAME 17 PRIZE
GAME 18 PRIZE
GAME 19 PRIZE
GAME 20 PRIZE
$100,000 TOP PRIZE!
20 CHANCES TO WIN!
VOID

Family of Games Success

Scientific Games and the Texas Lottery have been industry leaders in developing and growing the use of the 'Family of Games' launch strategy. Scientific Games has partnered with the Texas Lottery in some of the most successful launches over the current contract term. The $5 price point of the MONOPOLY family of games reached an index of 179 with the $1 game right behind indexing at 162.

$10
TEXAS LOTTERY®
$500,000
JACKPOT
Enter the $5 Million Vegas Challenge® 2nd Chance Promotion!
Receive 10 Entries for Each
$500,000 JACKPOT Ticket Entered!
See Back for Drawing Information.
$500,000
TOP PRIZE!
SEE BACK FOR PLAY INSTRUCTIONS.
WINNING NUMBERS
YOUR NUMBERS
5 CHANCES TO
$5
TEXAS LOTTERY®
$200,000
JACKPOT
Enter the $5 Million Vegas Challenge® 2nd Chance Promotion!
Receive 5 Entries for Each
$200,000 JACKPOT Ticket Entered!
See Back for Drawing Information.
$200,000 TOP PRIZE
SEE BACK FOR PLAY INSTRUCTIONS.
WINNING NUMBERS
YOUR NUMBERS
$20
TEXAS LOTTERY®
$1,000,000
JACKPOT
Enter the $5 Million Vegas Challenge® 2nd Chance Promotion!
Receive 20 Entries for Each
$1,000,000 JACKPOT Ticket Entered!
See Back for Drawing Information.
$1,000,000
TOP PRIZE!
SEE BACK FOR PLAY INSTRUCTIONS.
WINNING NUMBERS
YOUR NUMBERS
30 CHANCES TO WIN!
VOID
$1
TEXAS LOTTERY®
$5,000
JACKPOT
Enter the $5 Million Vegas Challenge® 2nd Chance Promotion!
See Back for Drawing Information.
$5,000
TOP PRIZE!
WINNING NUMBER
YOUR NUMBERS
Match any of YOUR NUMBERS to the WINNING NUMBER, win the prize for that number. Reveal a "2X" symbol, win DOUBLE the prize for that symbol.
VOID

Game Design Successes

Scientific Games made significant investment in our equipment to produce the first of its kind, HD Games™. Once again, the Texas Lottery saw the potential of this innovation and has launched several games to date that utilize HD imaging. This patent pending innovation is high-definition variable imaging, which allows much sharper definition and detail in the imaged symbols, fonts and barcodes. This enhancement sharpens the clarity of the imaged elements, increases the visibility of human-readable numbers, captions and improves the FailSafe® barcodes. We continue to explore the possibilities with HD imaging and how it can further add value to instant games.

$5
TEXAS LOTTERY®
88 FORTUNES®
$100,000 TOP PRIZE!
Reveal a Coin " " symbol, win the PRIZE for that symbol.
Reveal a " 2X " symbol, win DOUBLE the PRIZE for that symbol.
Reveal a " 5X " symbol, win 5 TIMES the PRIZE for that symbol.
Reveal an " 88 " symbol, win $88 instantly!
$ PRIZE
20 CHANCES TO WIN!
VOID

$5
TEXAS LOTTERY®
88 FORTUNES®
$100,000 TOP PRIZE!
Reveal a Coin " " symbol, win the PRIZE for that symbol.
Reveal a " 2X " symbol, win DOUBLE the PRIZE for that symbol.
Reveal a " 5X " symbol, win 5 TIMES the PRIZE for that symbol.
Reveal an " 88 " symbol, win $88 instantly!
HSHOE $25 TWYFIV
PEACH $5,000 FIVTHO
VAULT $100 ONEHUN
BIRD $10 TENDOL
CARDS $500 FIVHUN
PURSE $5 FIVDOL
CHIPS $100 ONEHUN
WINS $100,000 ONHNTHO
LEMON $5 FIVDOL
GRAPES $25 TWYFIV
ROLL $500 FIVHUN
ORANGE $10 TENDOL
PEAR $50 FIFTY
POTGLD $15 FIFTN
STACK $100 ONEHUN
TURTLE $15 FIFTN
CLOVER $5,000 FIVTHO
VASE $25 TWYFIV
GOLD $10 TENDOL
SHIP $50 FIFTY
1234567890123
VOID

Glimmering Gifts features our proprietary play action, Linked Play, and combines it with holographic symbols under the scratch-off coating. We customized the symbols to fit within Texas' requirements. This exciting way to play enhances the play experience and stimulates player excitement as the only game with holographic play symbols.

Additionally we took our hot foil stamping method, Sparkle, and created an exciting and unique horizontal ticket. We can even printed Sparkle directly on top of the overprint area to add more excitement to play spots.

Scientific Games' Marketing Information Systems for Game Planning

The Texas Lottery has one of the most successful lines of scratch games in the U.S. With that status, the Lottery deserves to have the most sophisticated tools available to them to help with game planning. We look forward to continuing to provide this type of support well into the future.

Our approach to marketing and market research has evolved over the years as distribution methods, consumer buying habits, and technology all continue to shift and change the way our industry does business. What was true five years ago isn't necessarily true today and we are constantly examining our approach to marketing and market research to ensure that our customers have the very best information to help grow their sales and maximize their bottom line. The following is a brief explanation of Scientific Games' approach to marketing and market research and how our customers benefit from having us as their marketing partner.

As any marketing student knows, the Four P's of Marketing—Product, Price, Place and Promotion—is an acknowledgement that there is no single, discreet component of the marketing process, but several inter-dependent components that must all be in place for the most efficient exchange of goods and services to occur. It was on the Four P's of Marketing that Scientific Games created its industry-renowned 15 Determinants of Demand.

15 Determinants of Demand

We base our recommendations to the Texas Lottery on a foundation of drivers that have come to define Scientific Games' approach to the scratch game business: the 15 Determinants of Demand. These determinants leverage our continuous drive to understand the key drivers of the scratch product, purchasing consumer behavior, market drivers such as product and price, and retails trends that drive sales performance. Using this framework, we analyze, compare and contrast the performance of the scratch game product in any jurisdiction against another to identify opportunities for growth. This analysis enables us to devise a comprehensive strategy, product portfolio and marketing execution plan that will drive incremental revenues and profits for the good causes the Texas Lottery supports.

TPIA §552.110/552.1101

Each determinant uniquely impacts the demand for a lottery product, with the most powerful results coming from the careful amalgamation of these elements. Raising payouts, for example, can impact sales. But any increase in payout should be tightly coupled with prize structures that rely on the game size, which is driven by launch cycle. Simply raising payouts without consideration of these other elements runs the risk of consumers not seeing or feeling the changes in value and excitement that a payout increase can create.

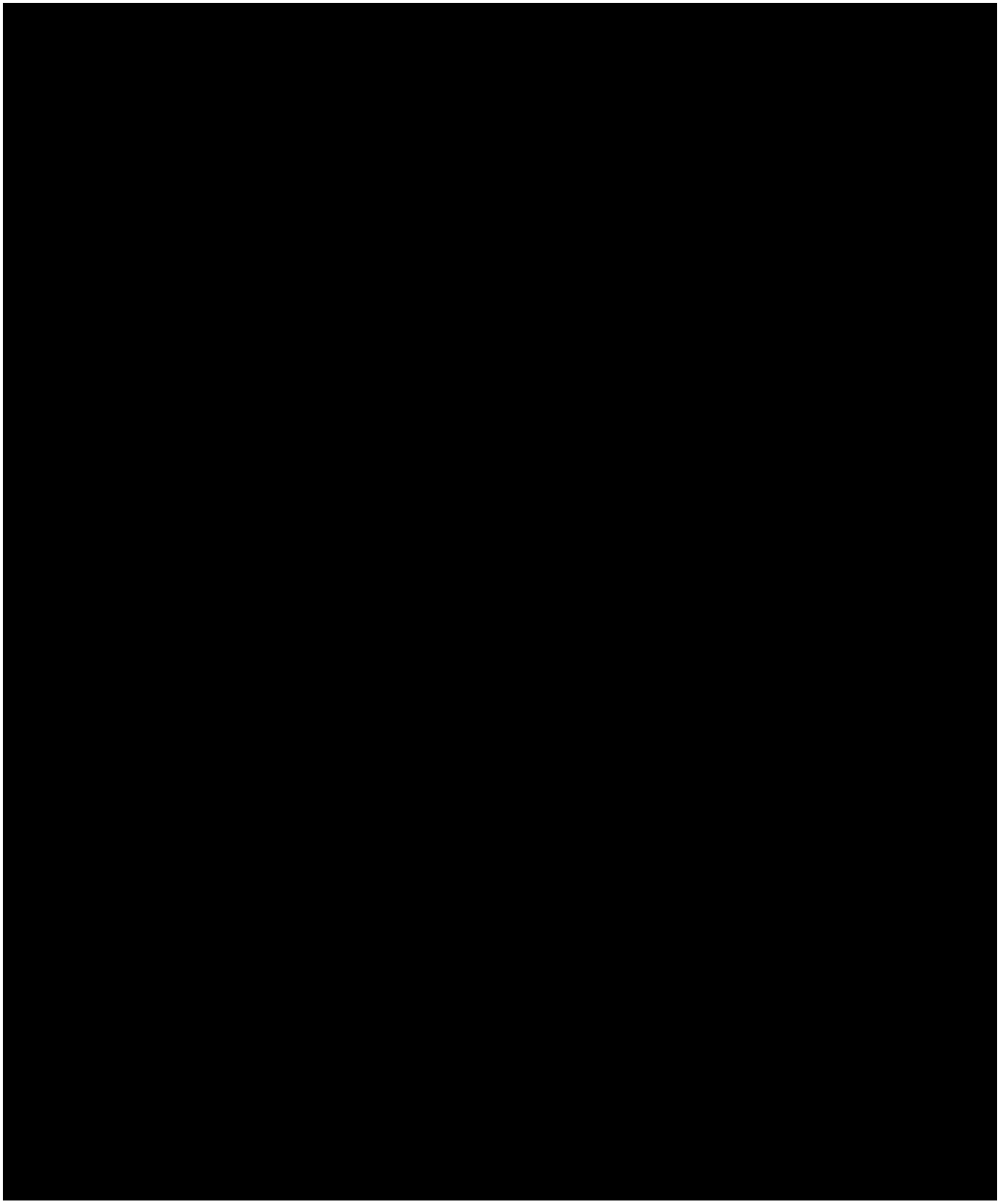
Leveraging nearly 50 years of experience, our worldwide footprint, our category and portfolio management framework and our innovative insights, we look forward to working with the Lottery to help define strategic visions for scratch product growth. The 15 Determinants of Demand have stood the test of time because they are rooted in the essential truths of our business.

Examples of Concepts by Price Point and Theme of Top Performing Games

Scientific Games will continue working with the Texas Lottery team each year to conduct successful game planning sessions providing accurate and current game performance information from the proprietary Scientific Games MAP™ database. These recommendations will be strong and steeped in fact and solid performance metrics.

CONFIDENTIAL INFORMATION BEGINS HERE

TPIA §552.110/552.1101



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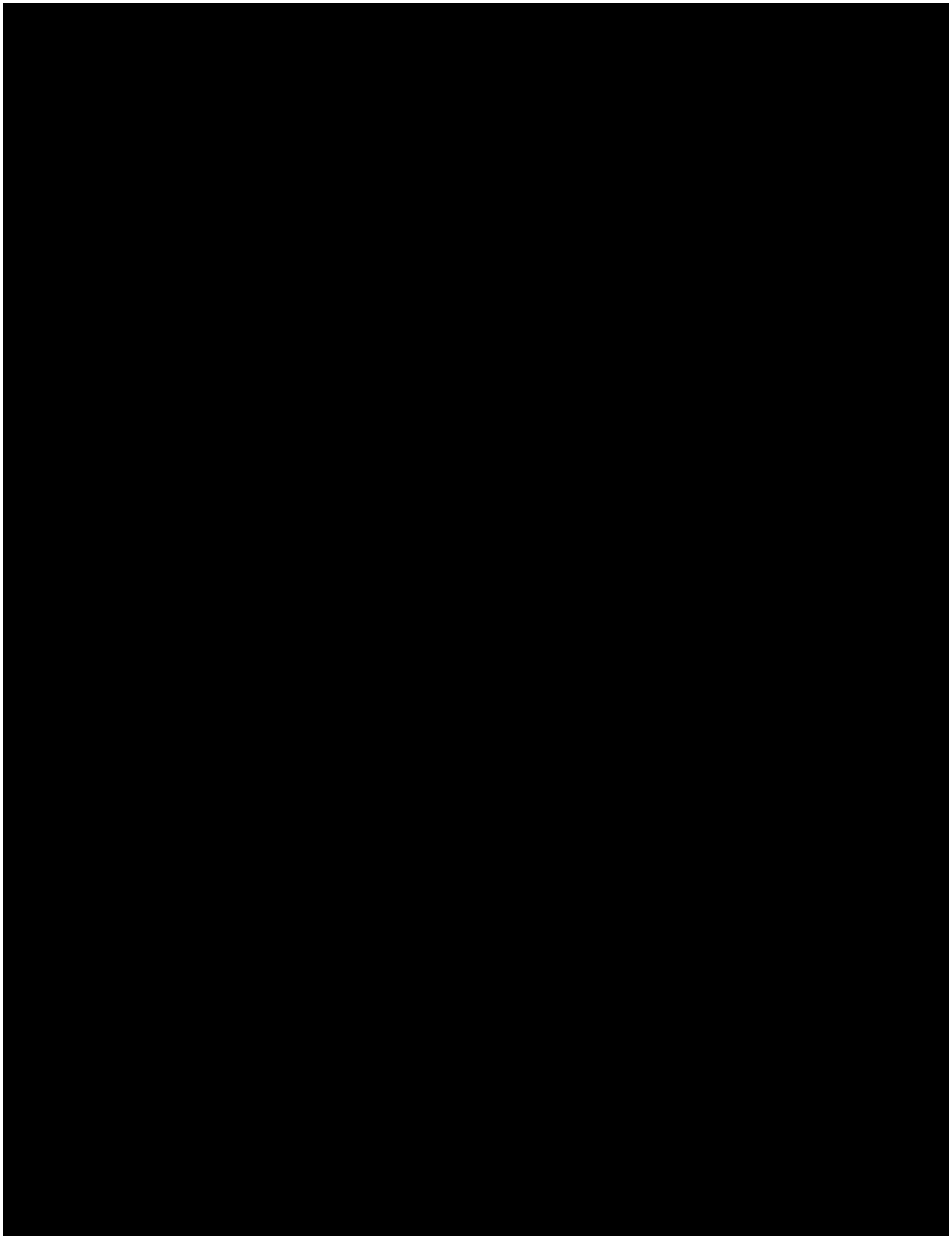

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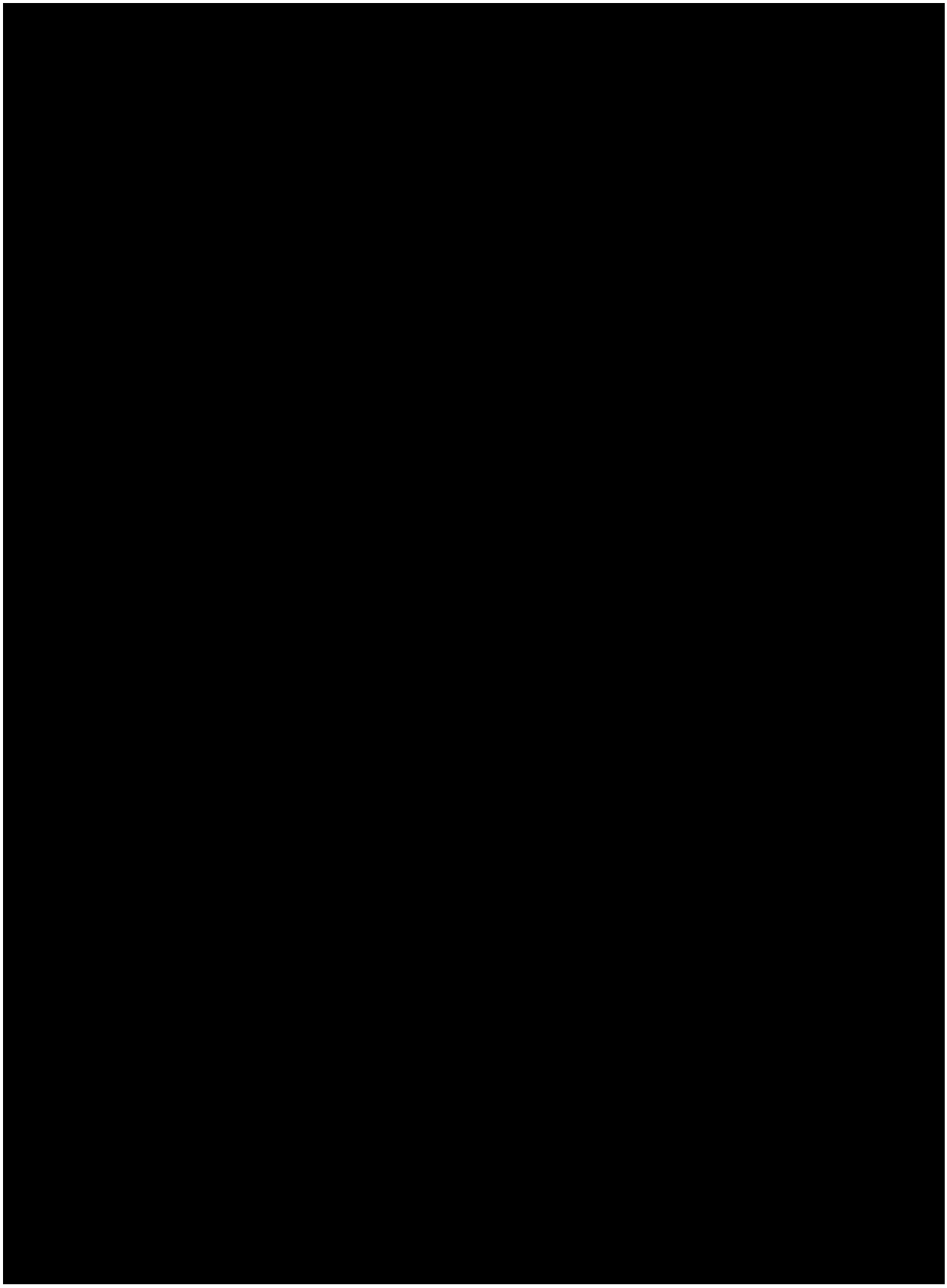

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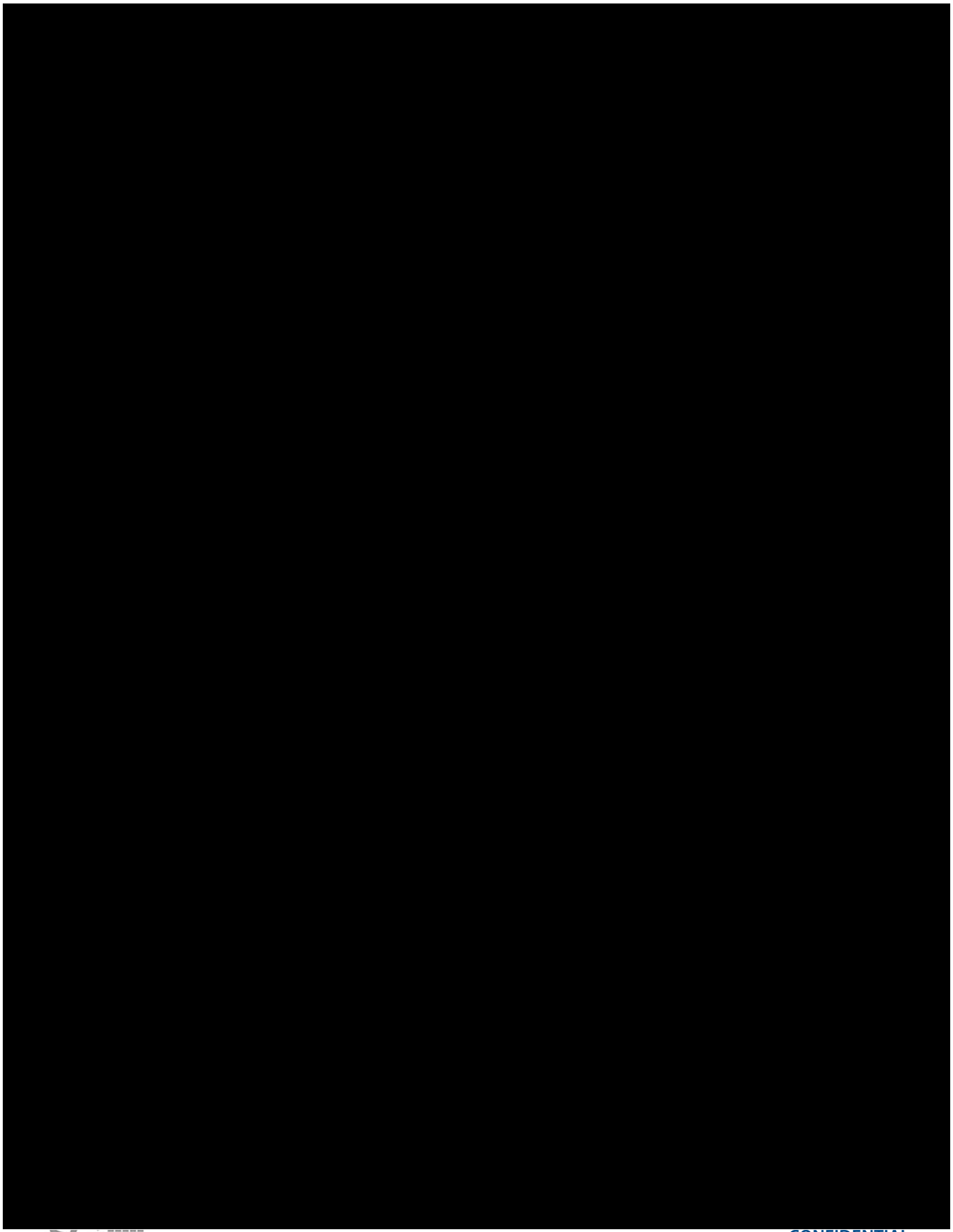

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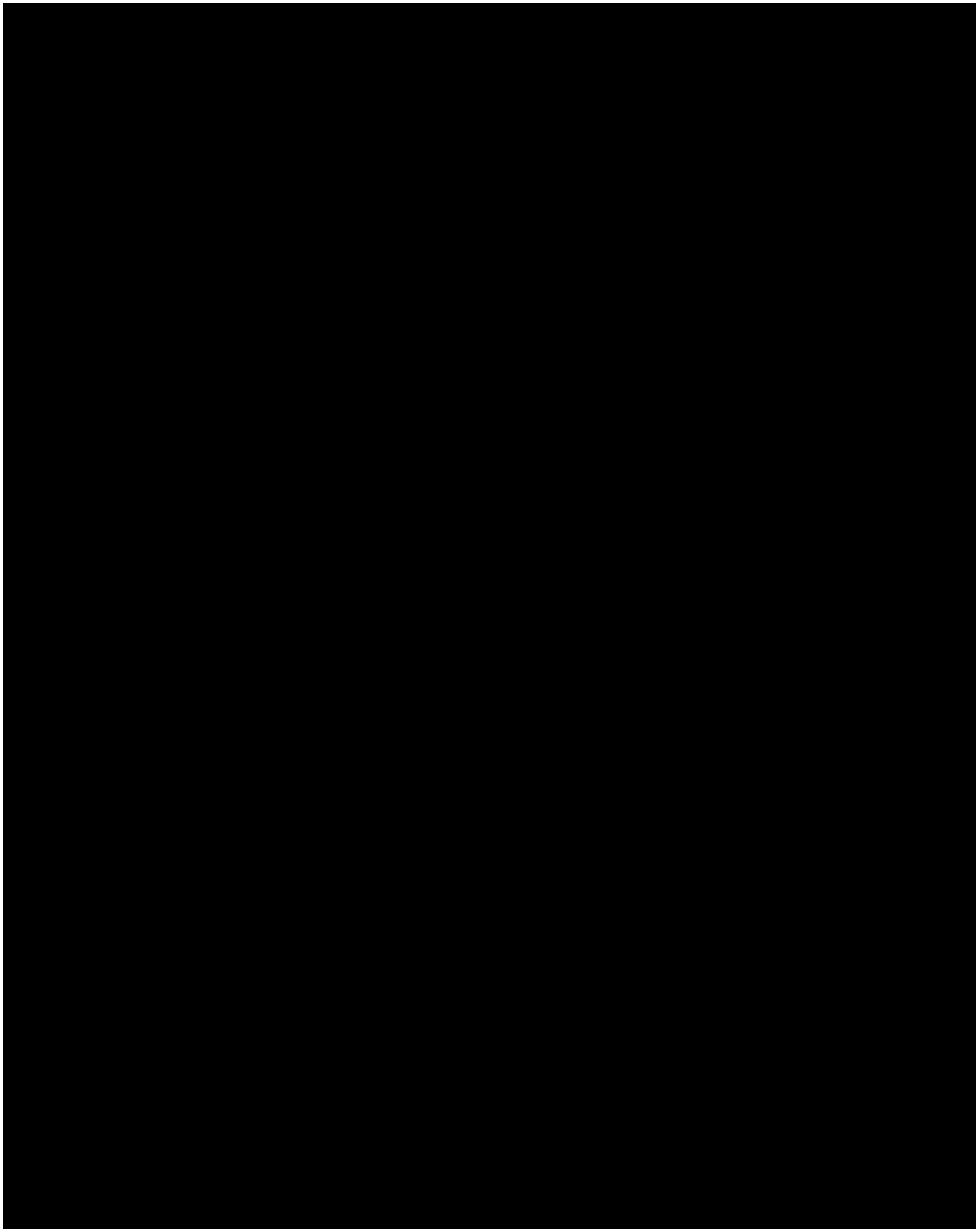
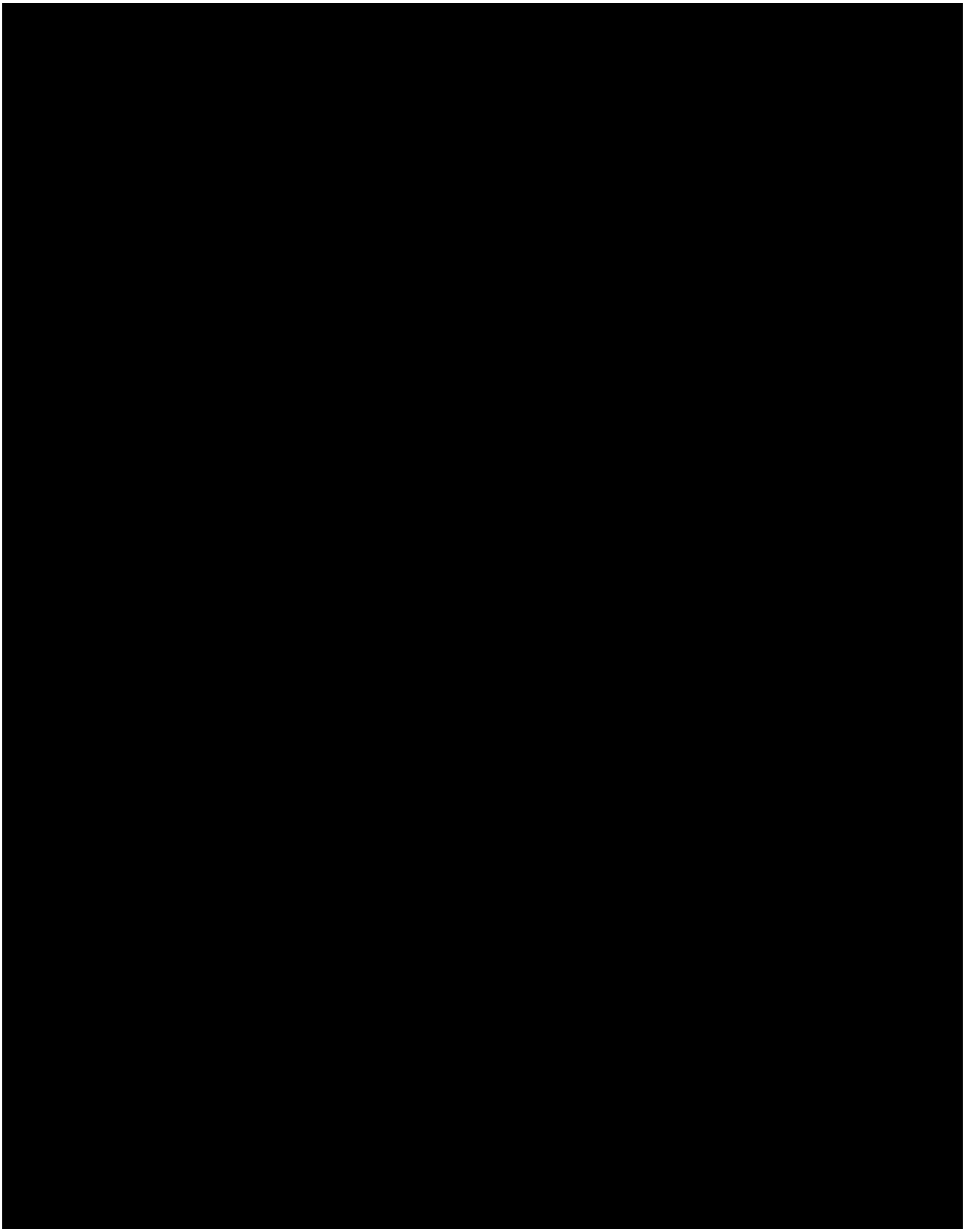
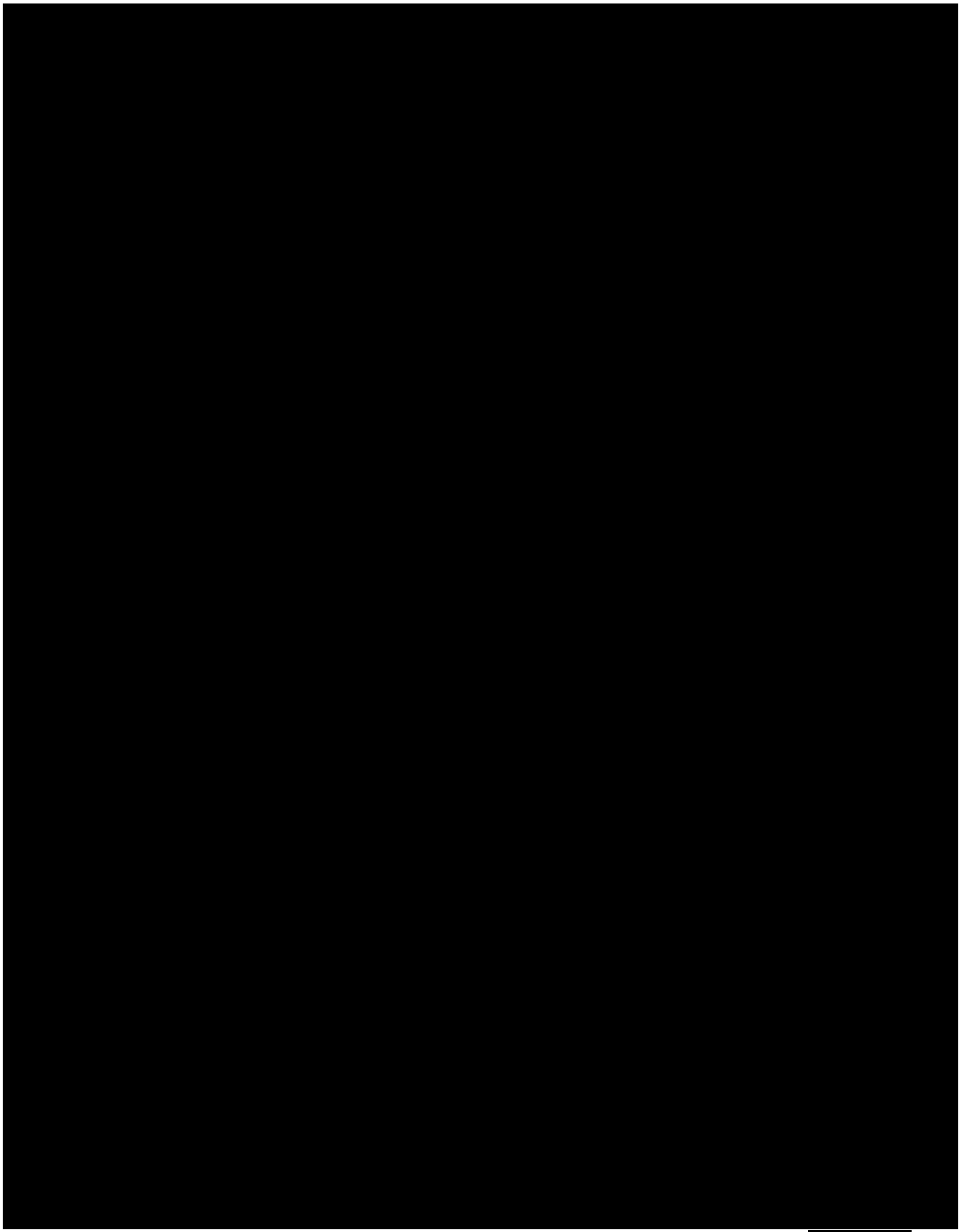


TPIA §552.110/552.1101



TPIA §552.110/552.1101



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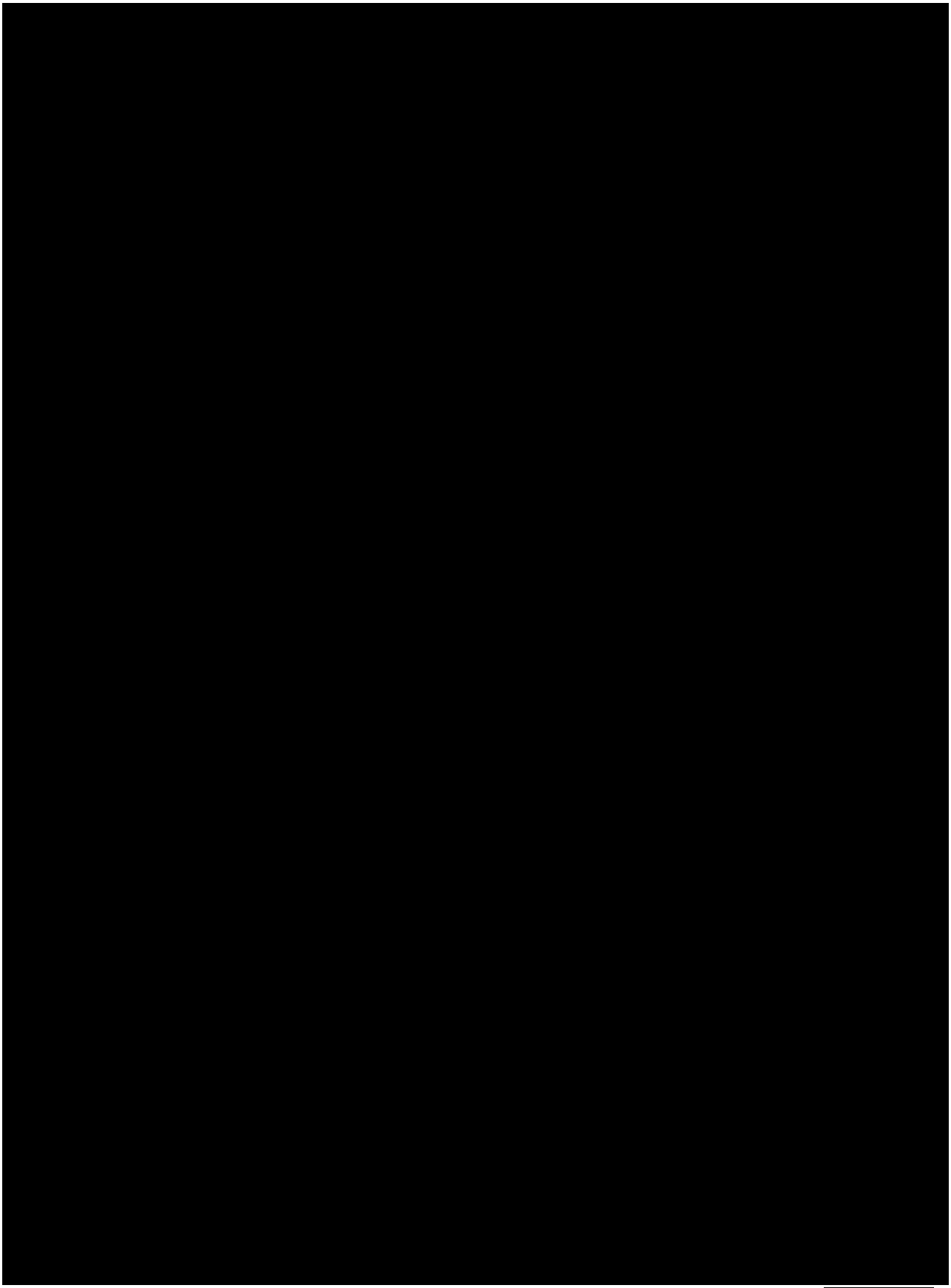
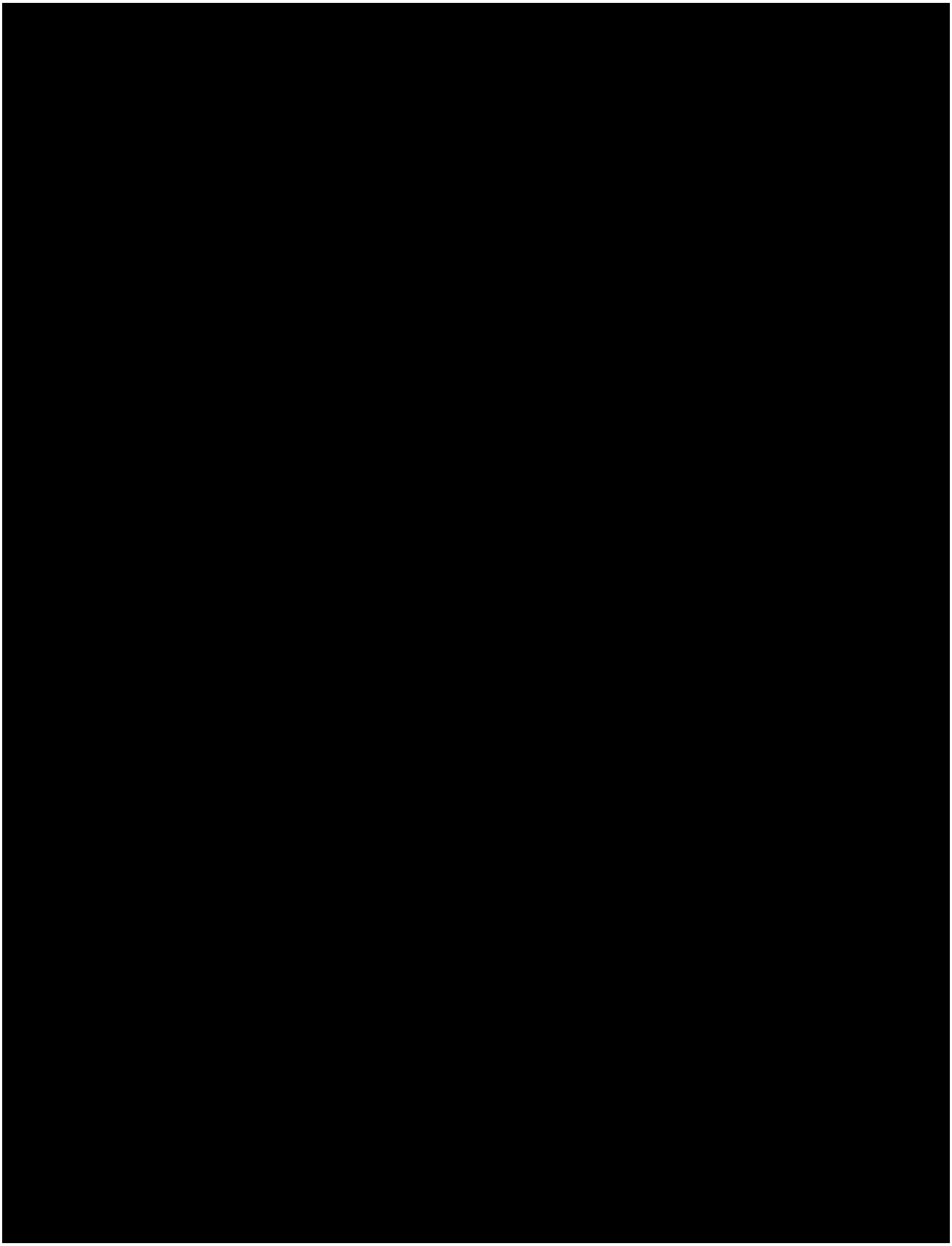


TPIA §552.110/552.1101



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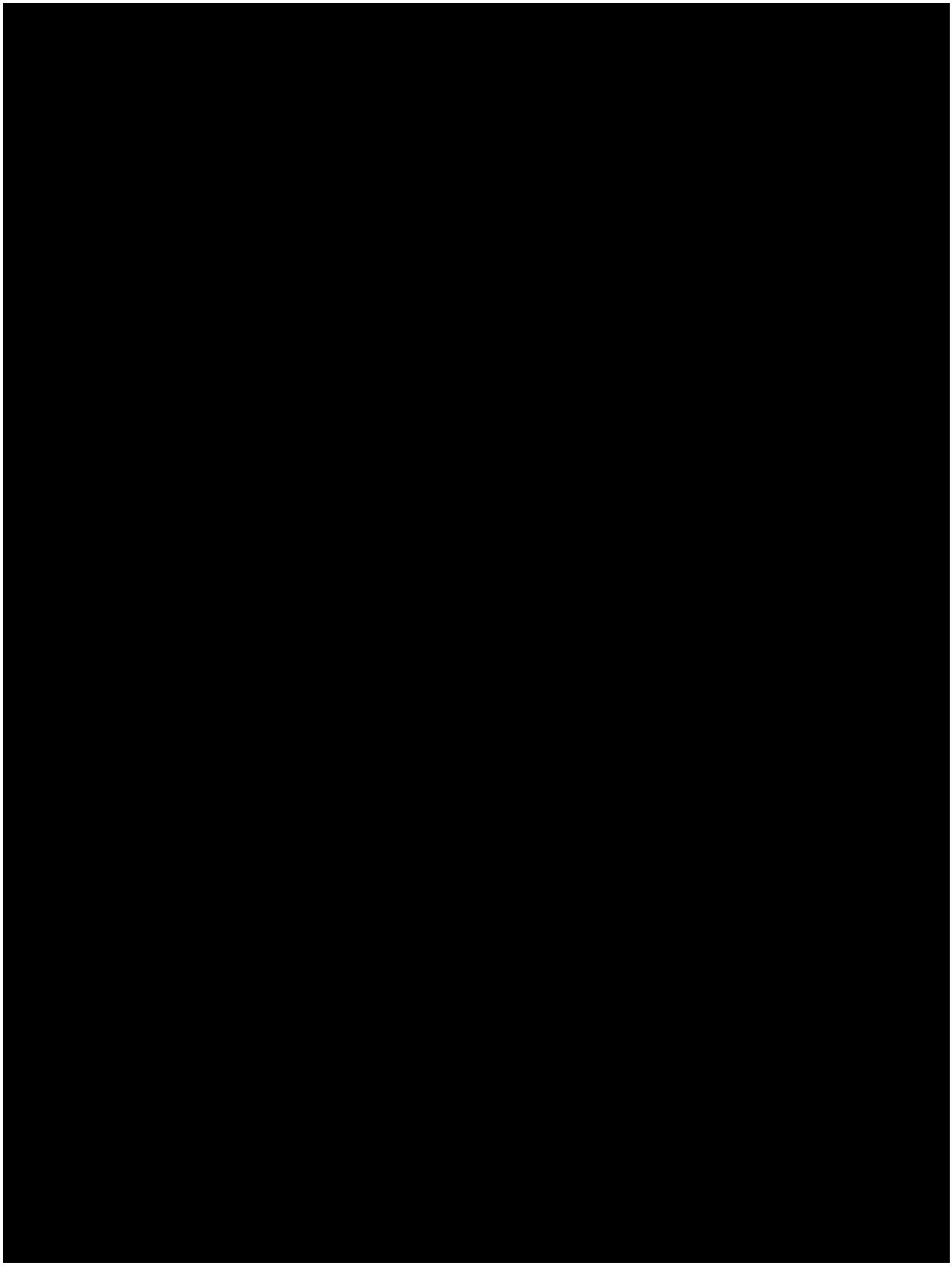

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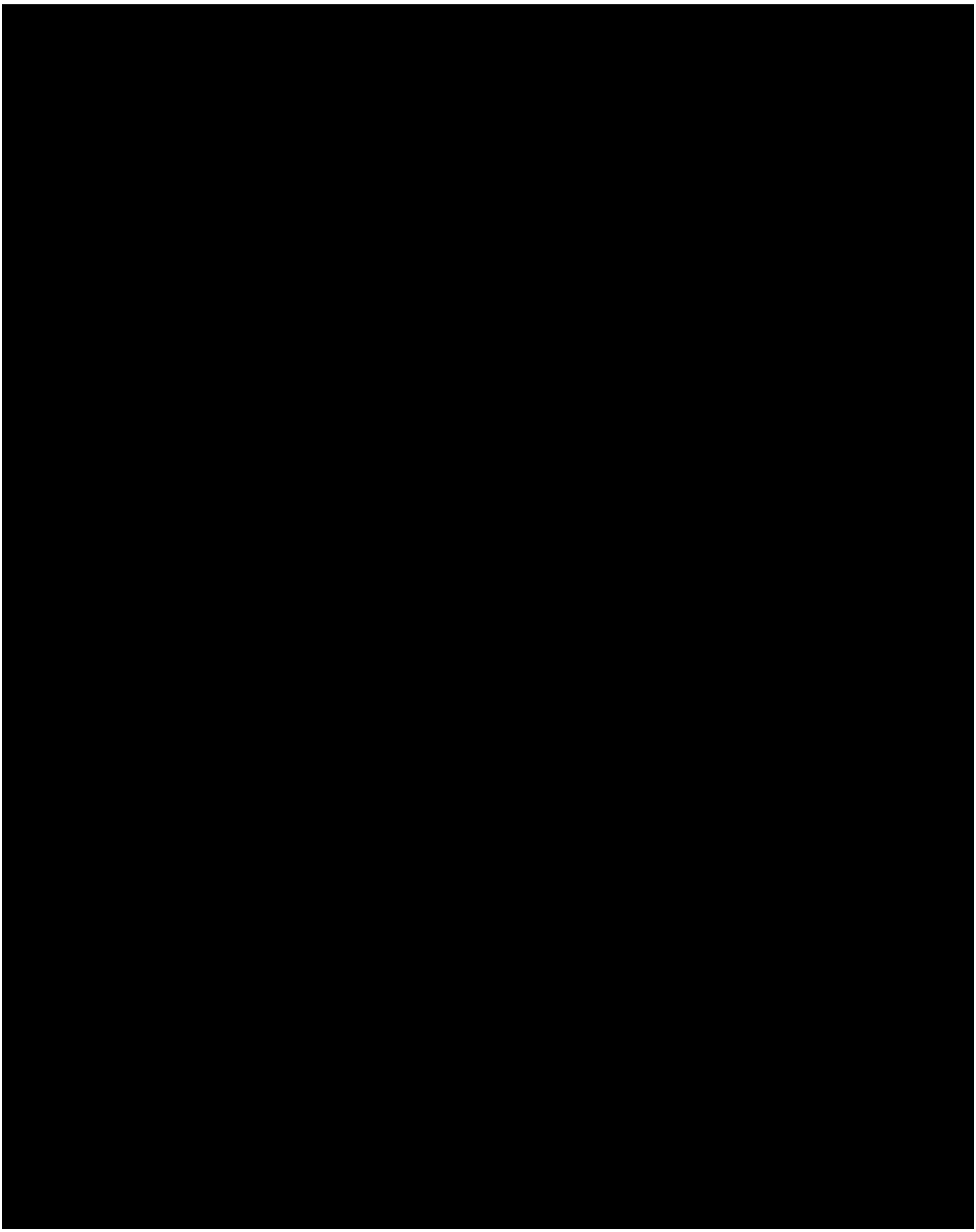

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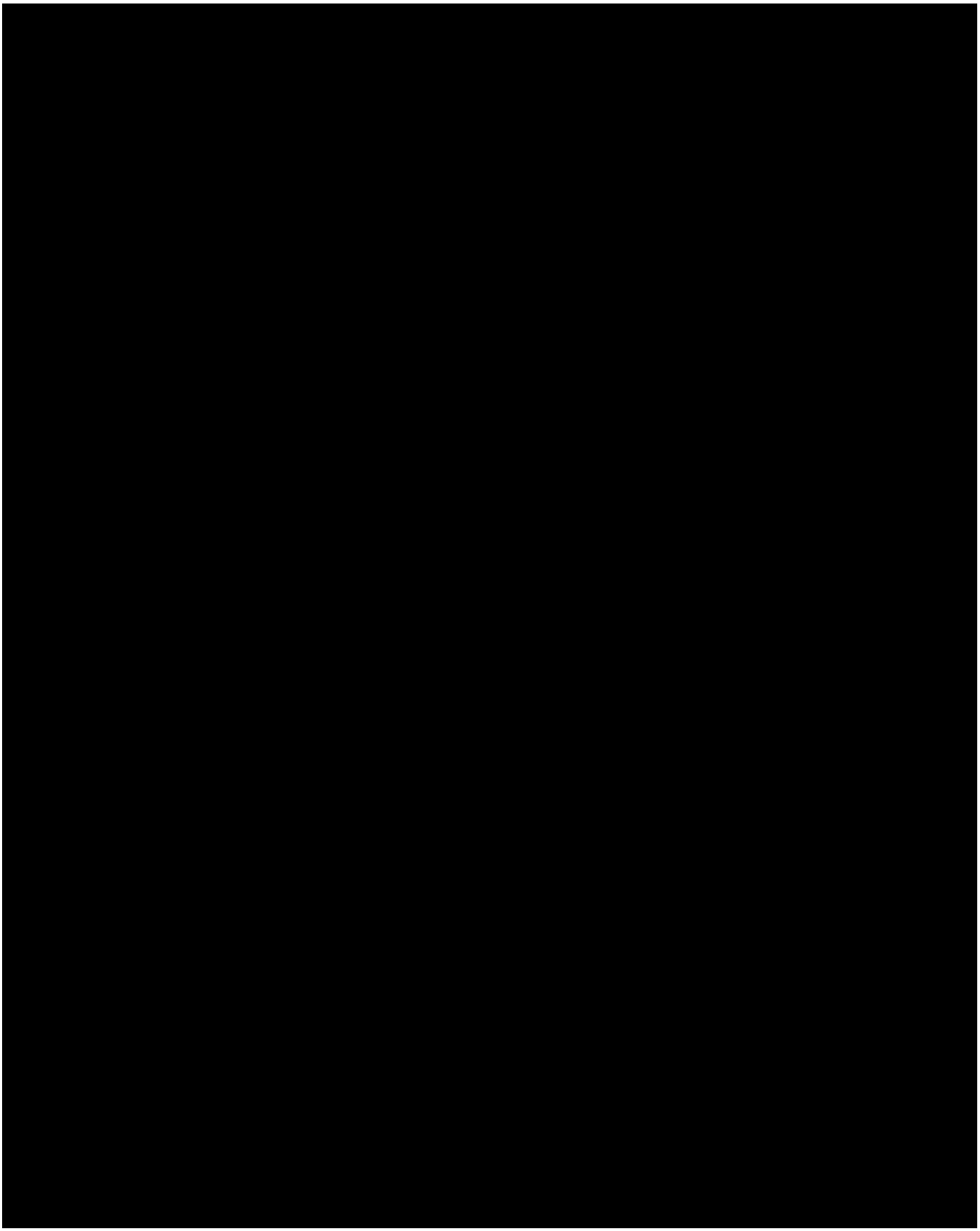

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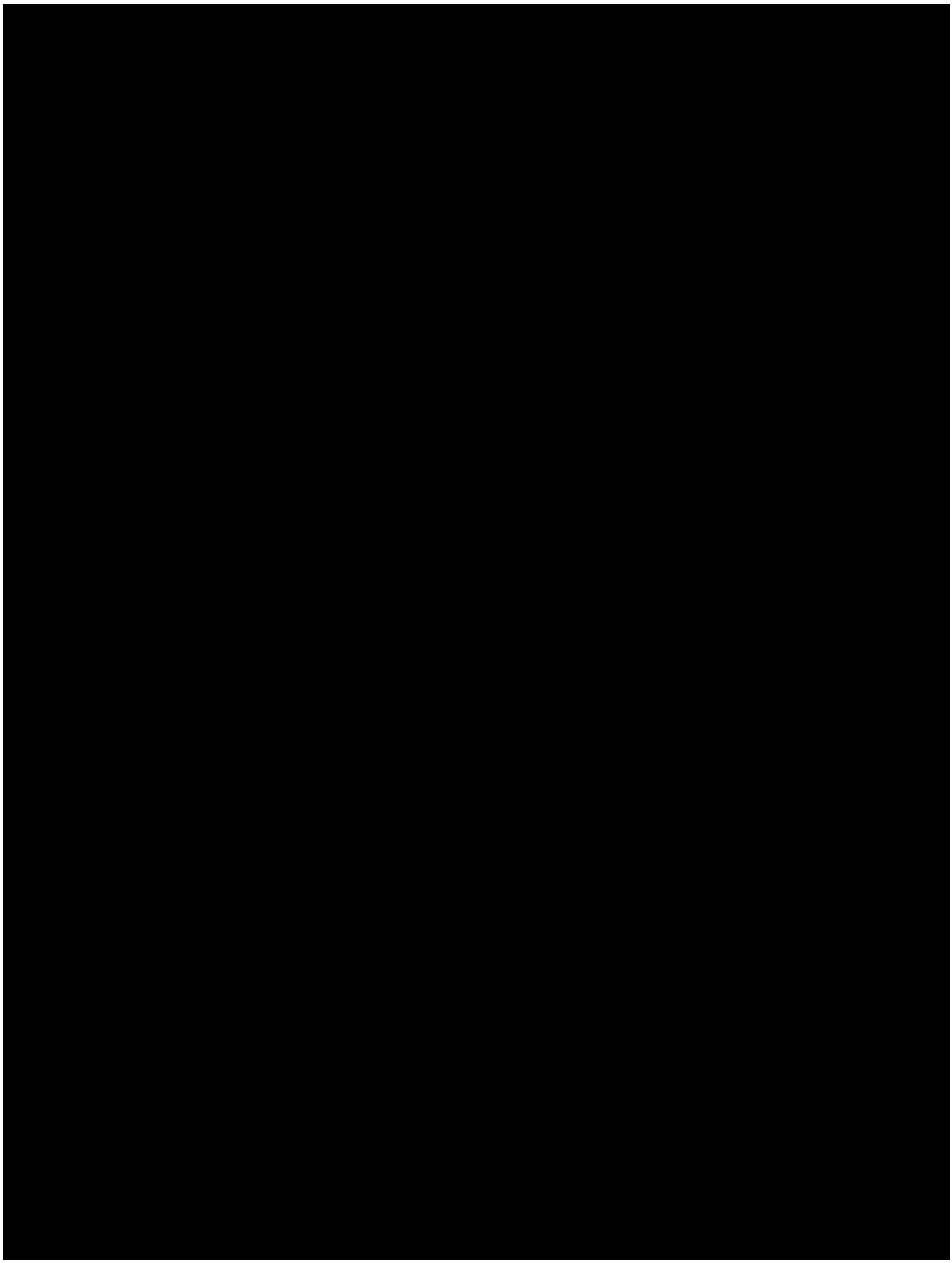

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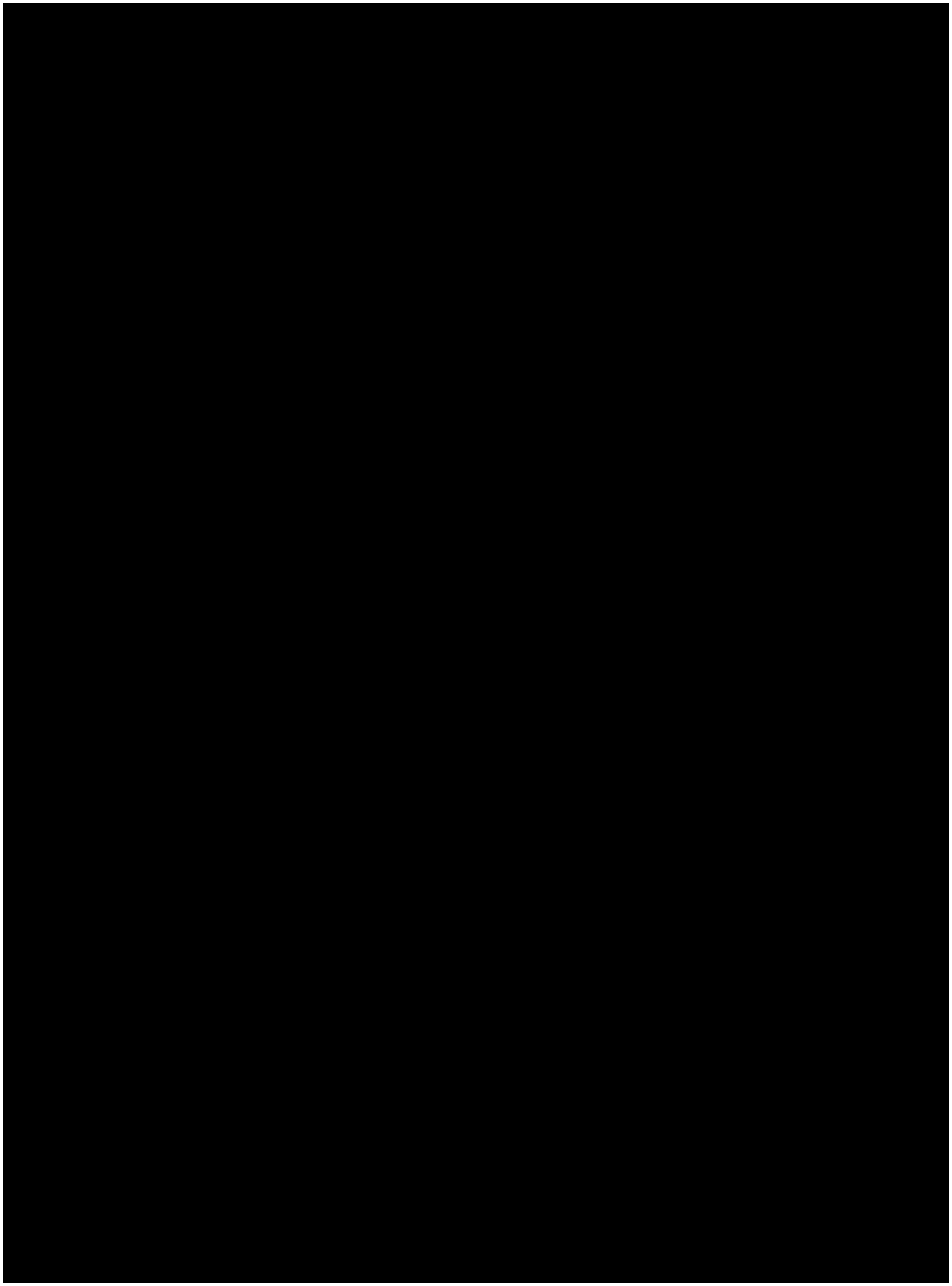

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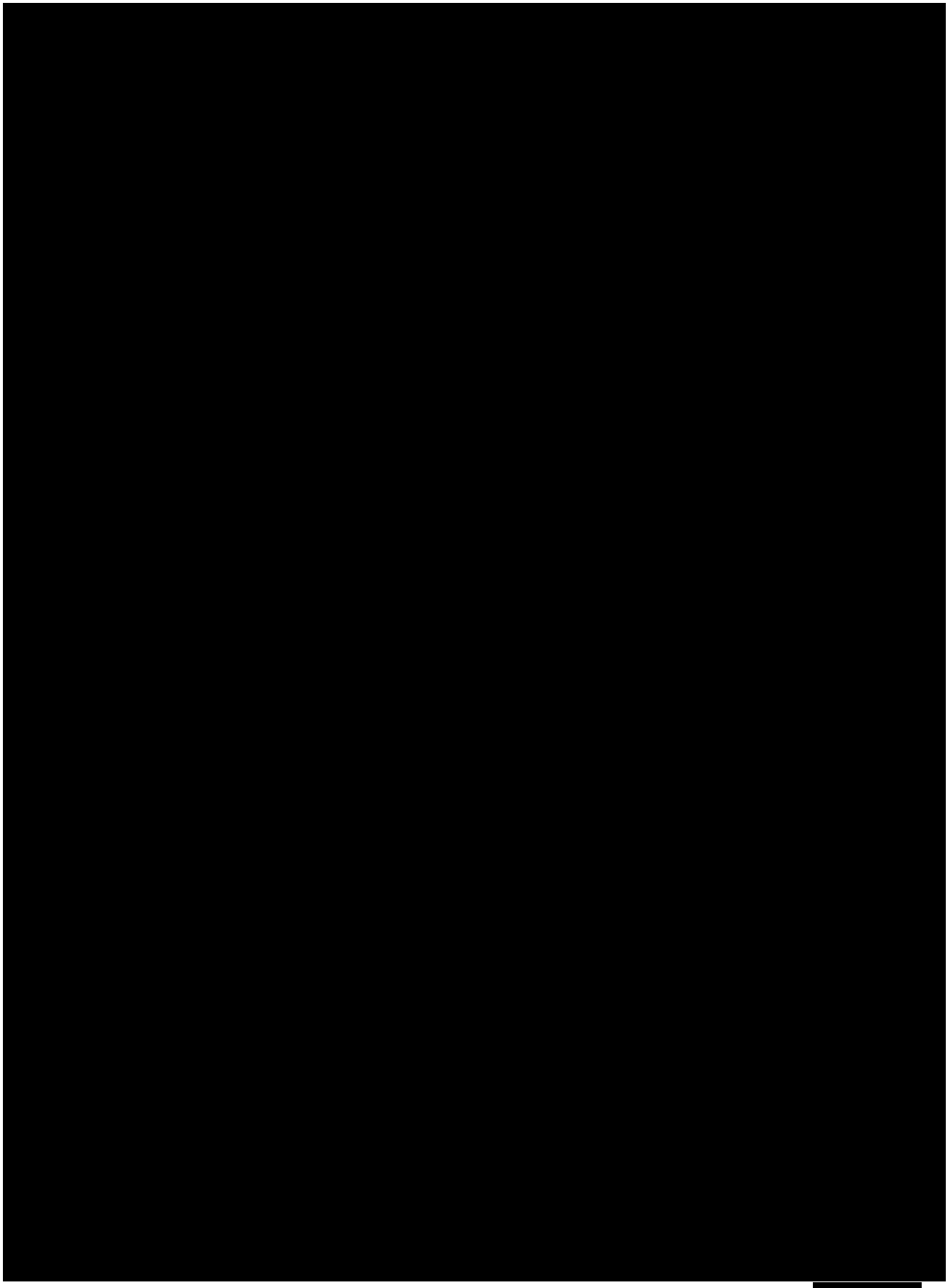

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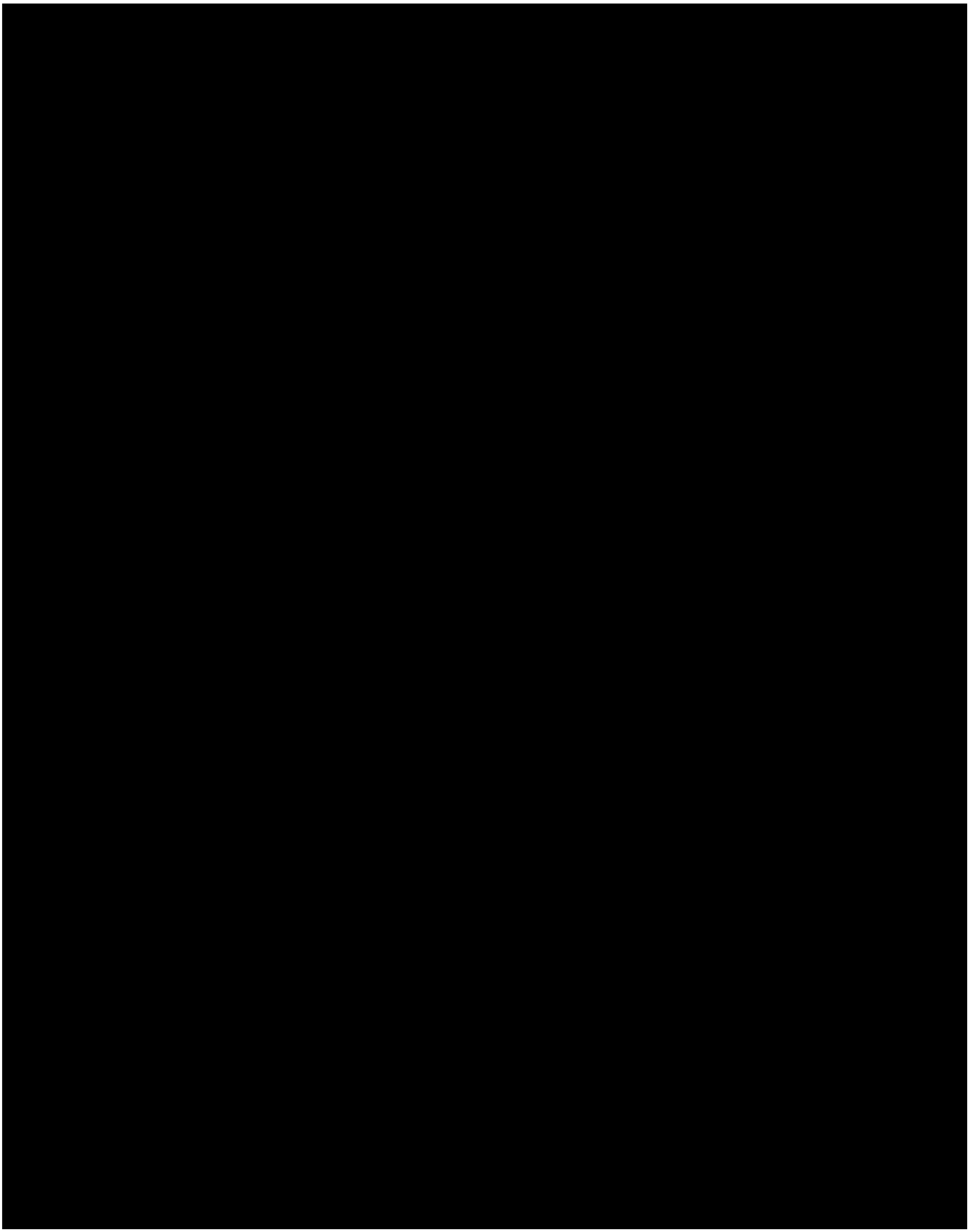

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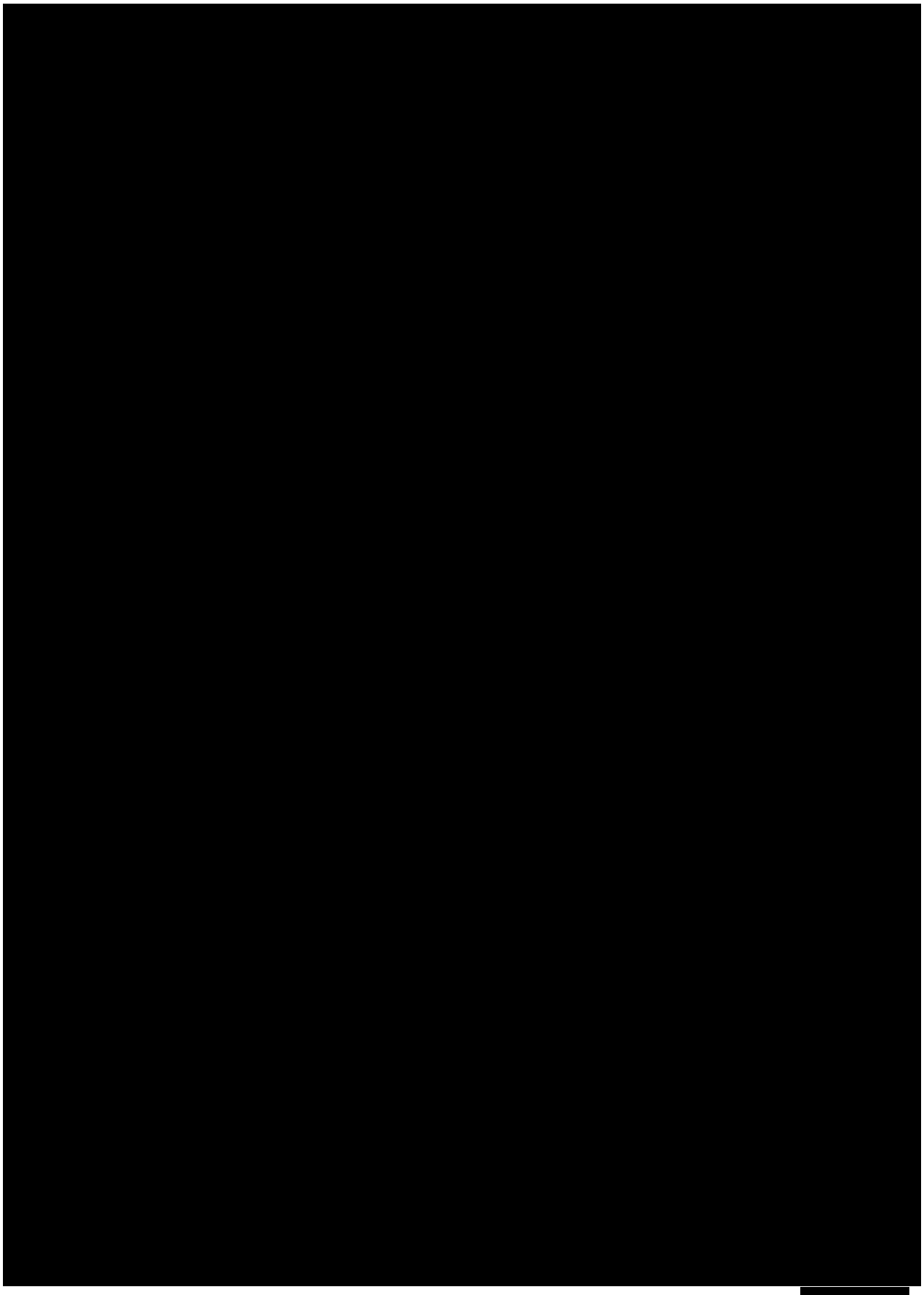

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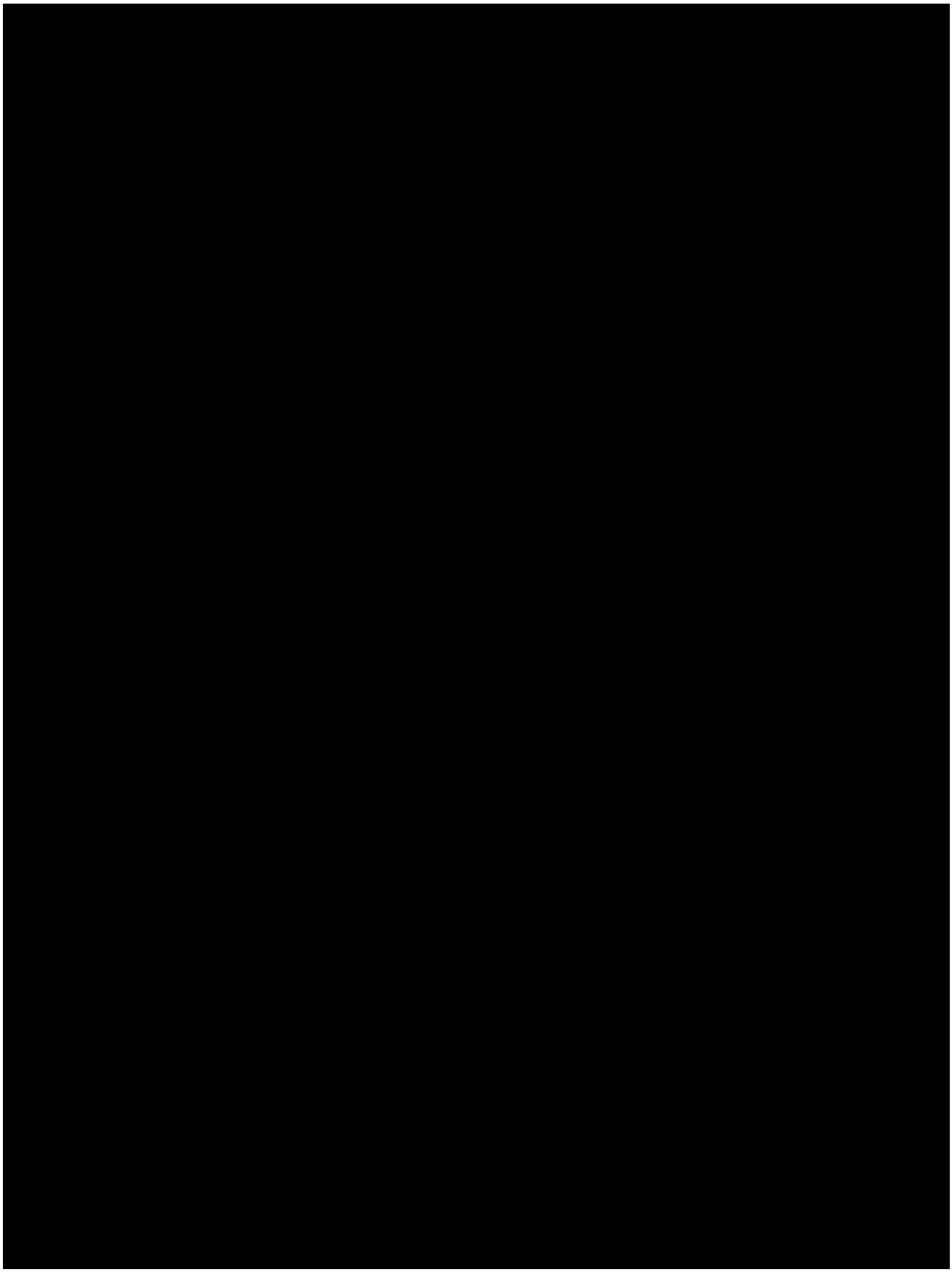

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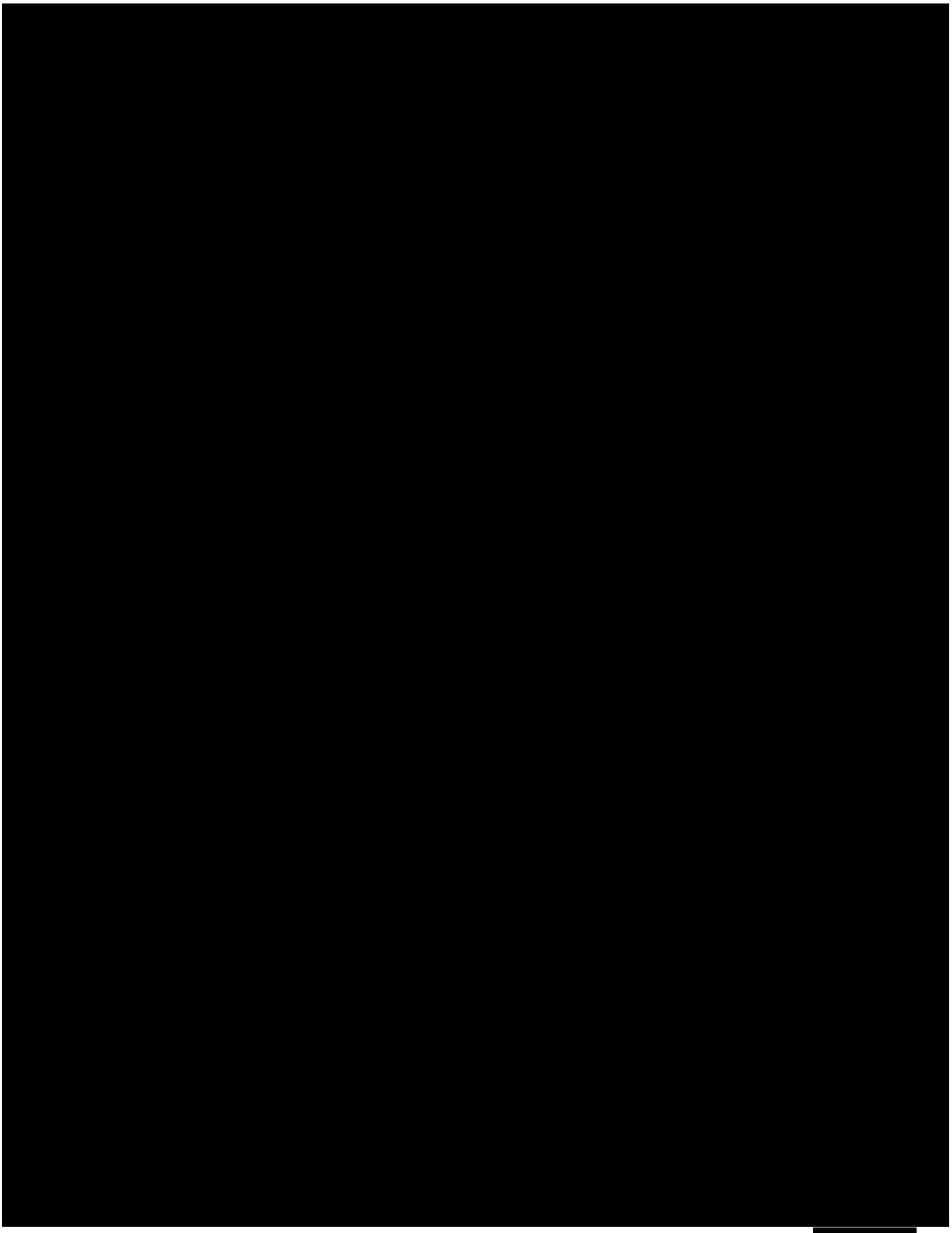

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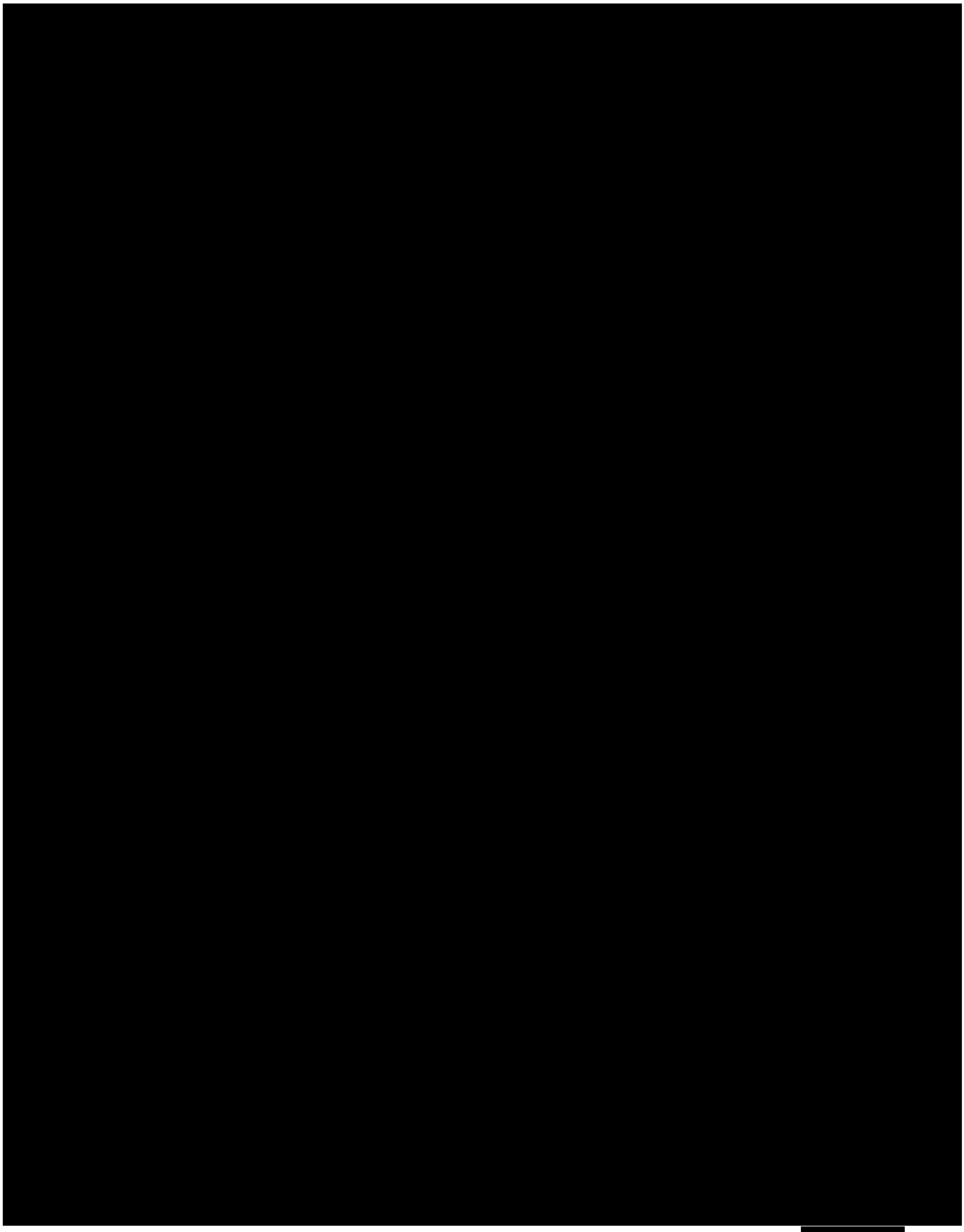

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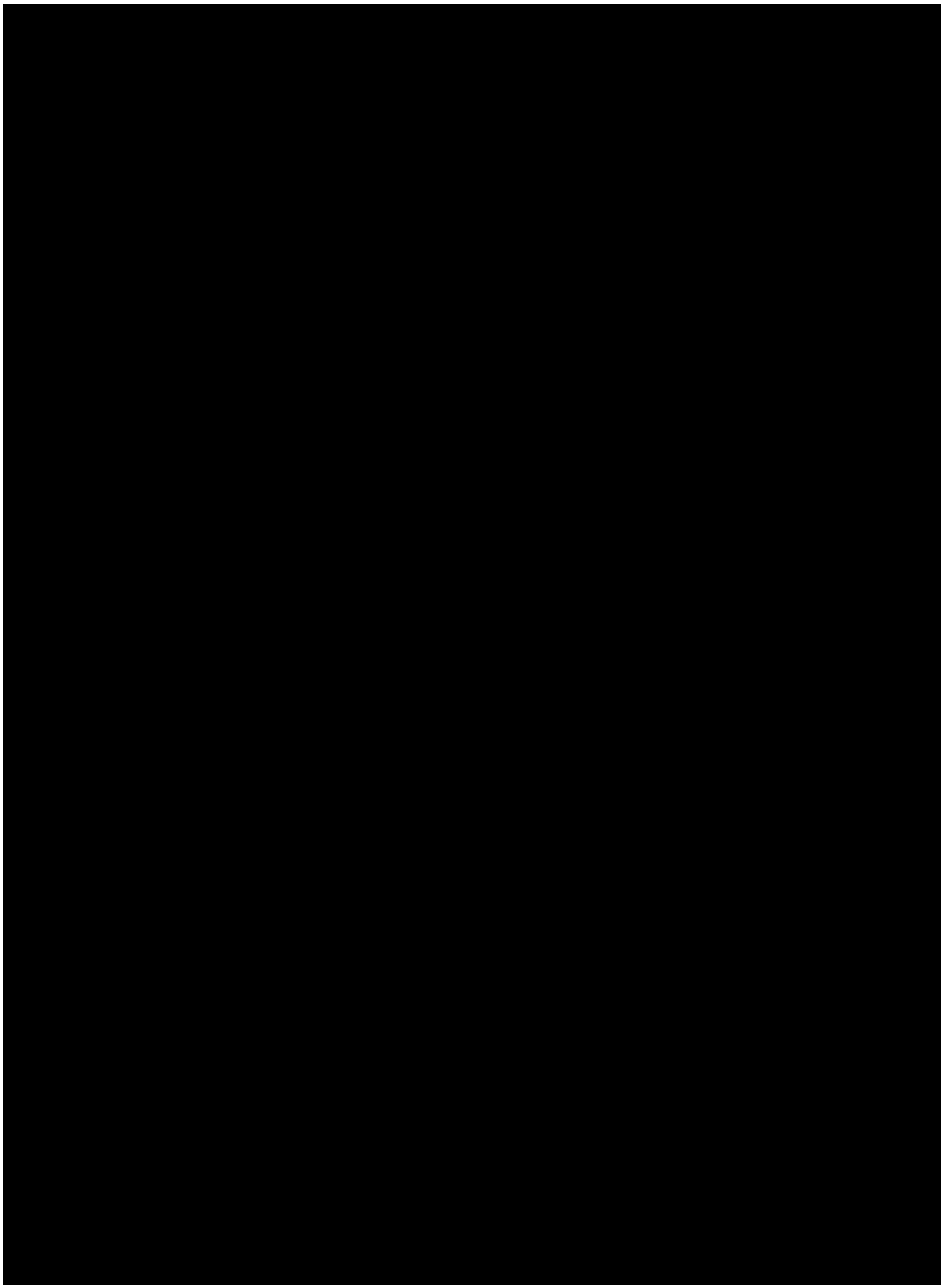

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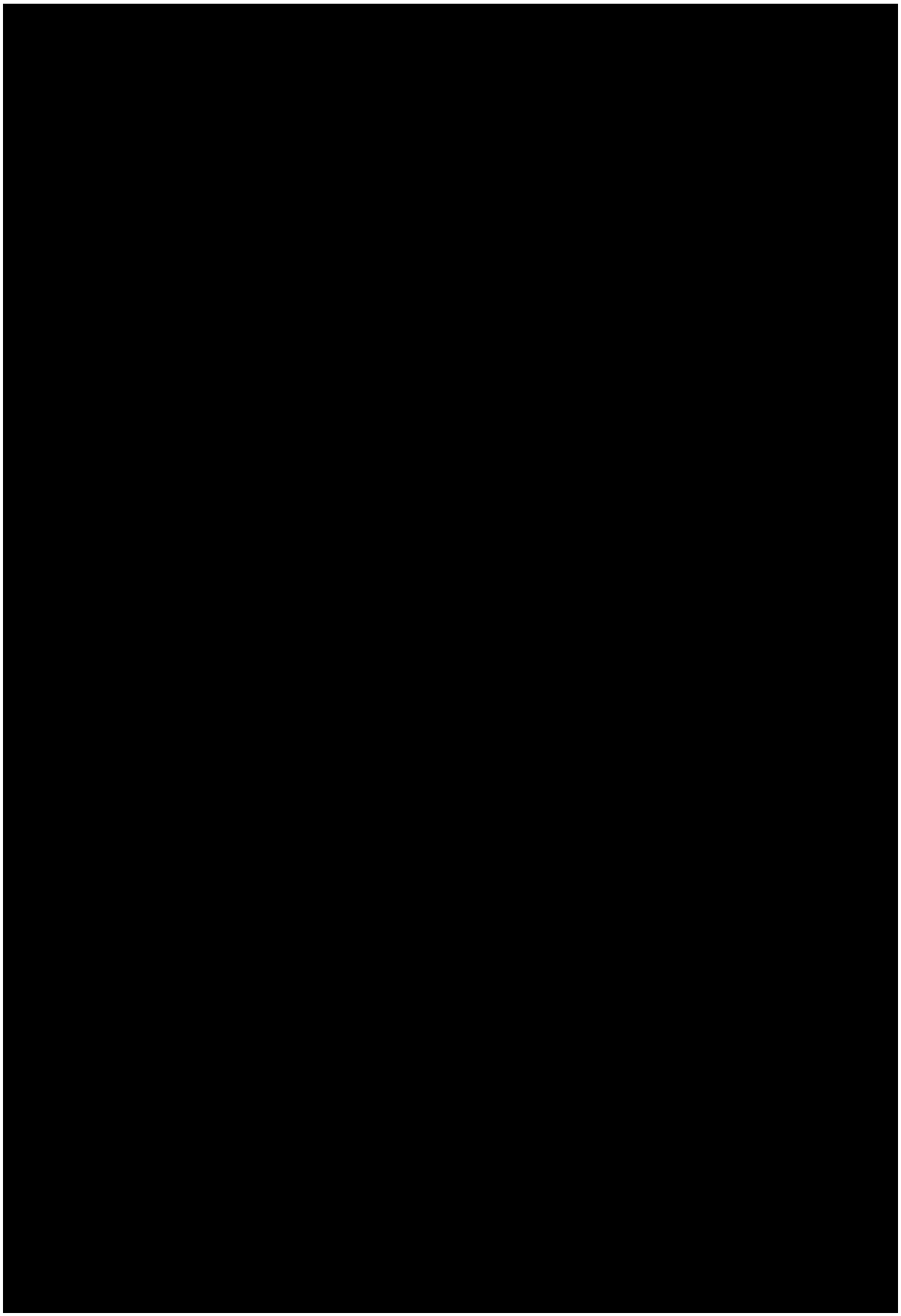

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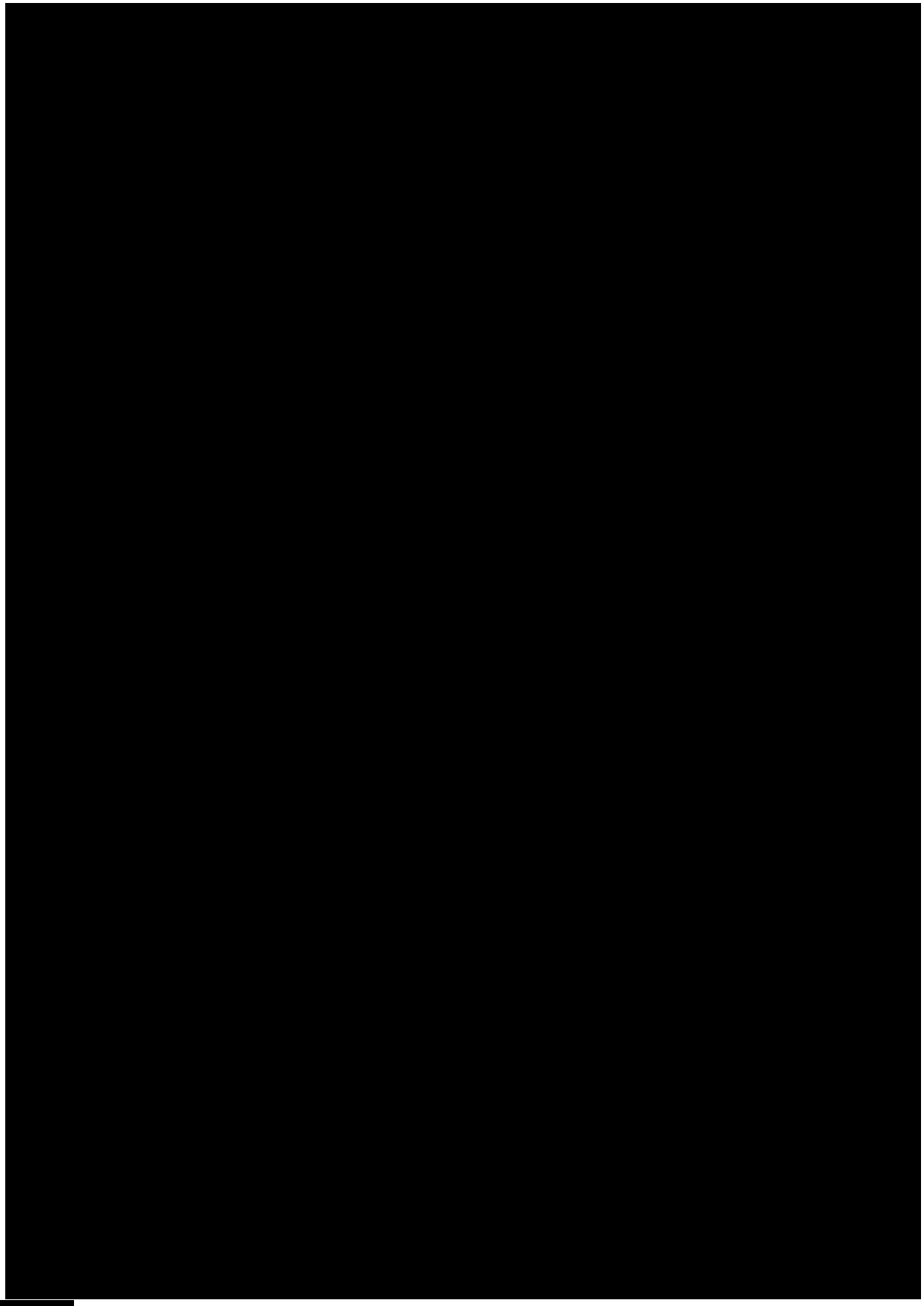

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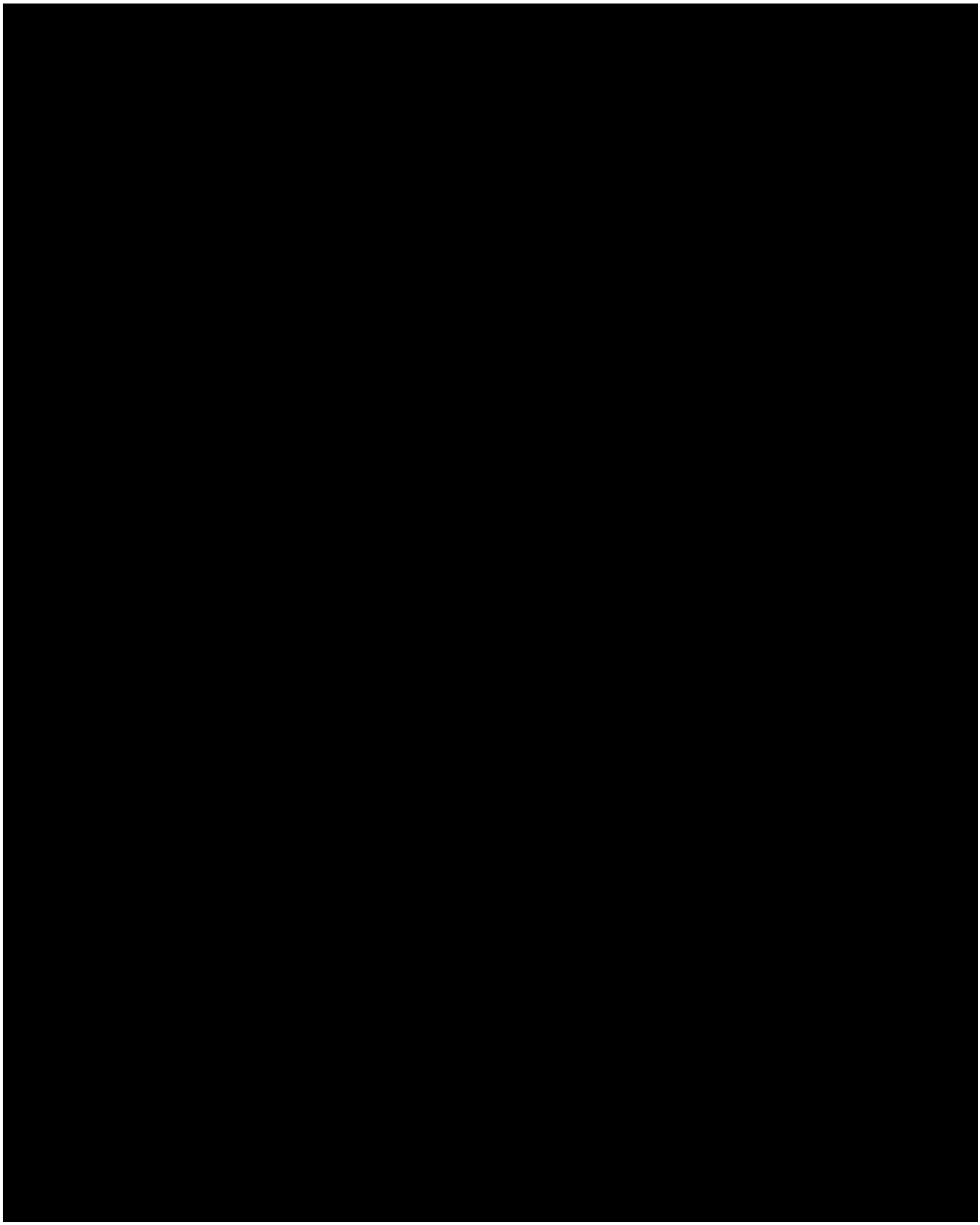

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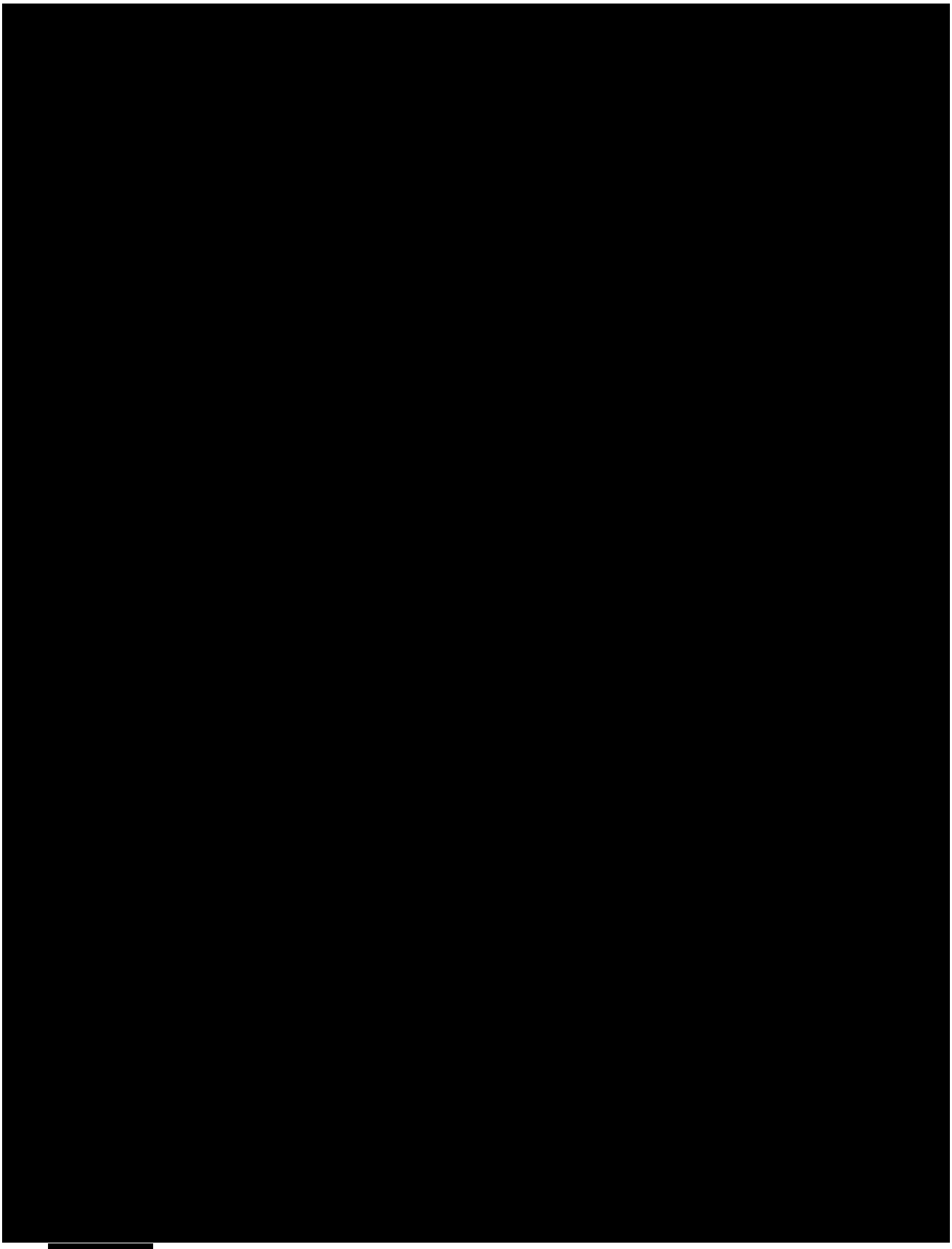

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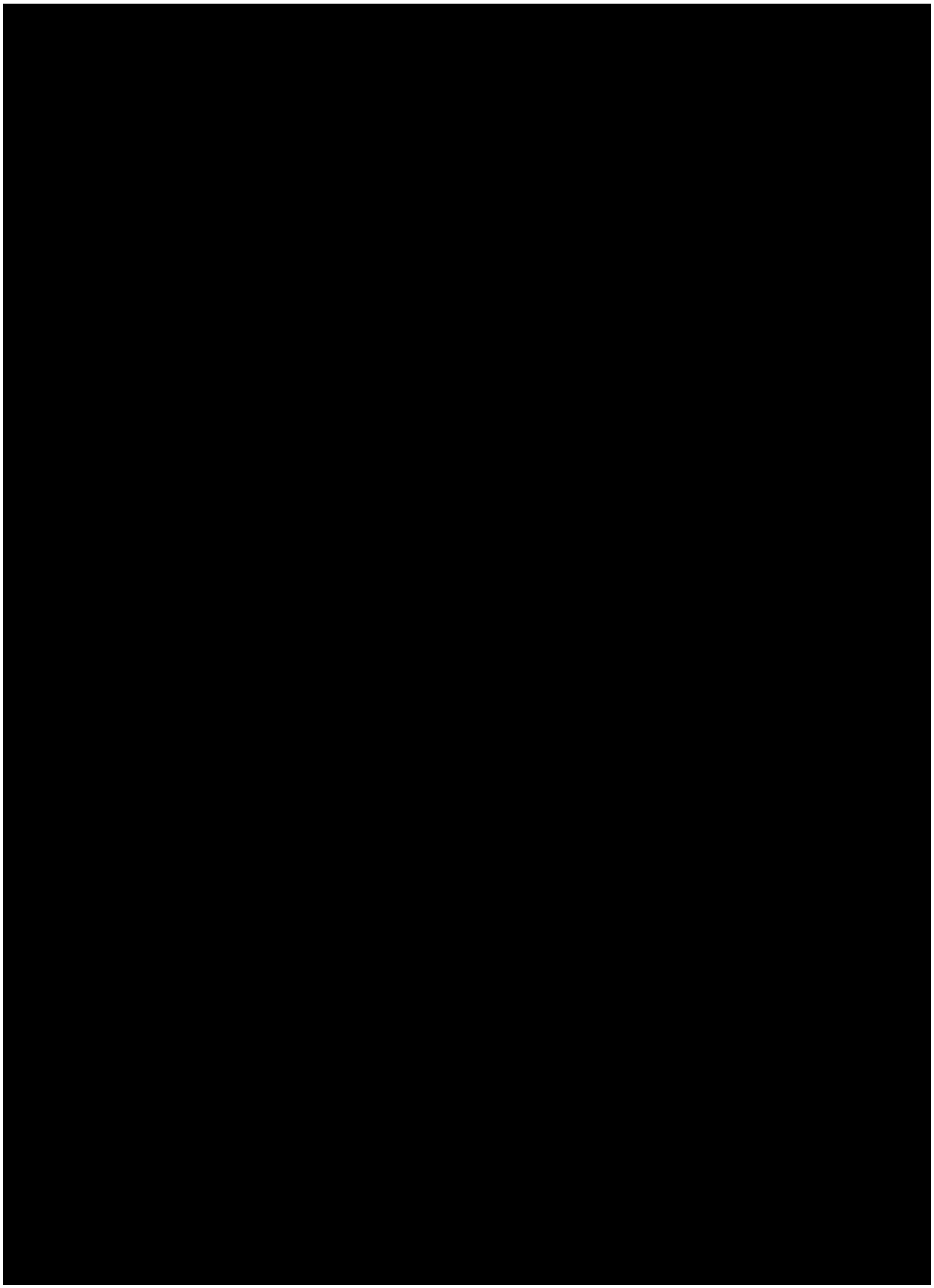

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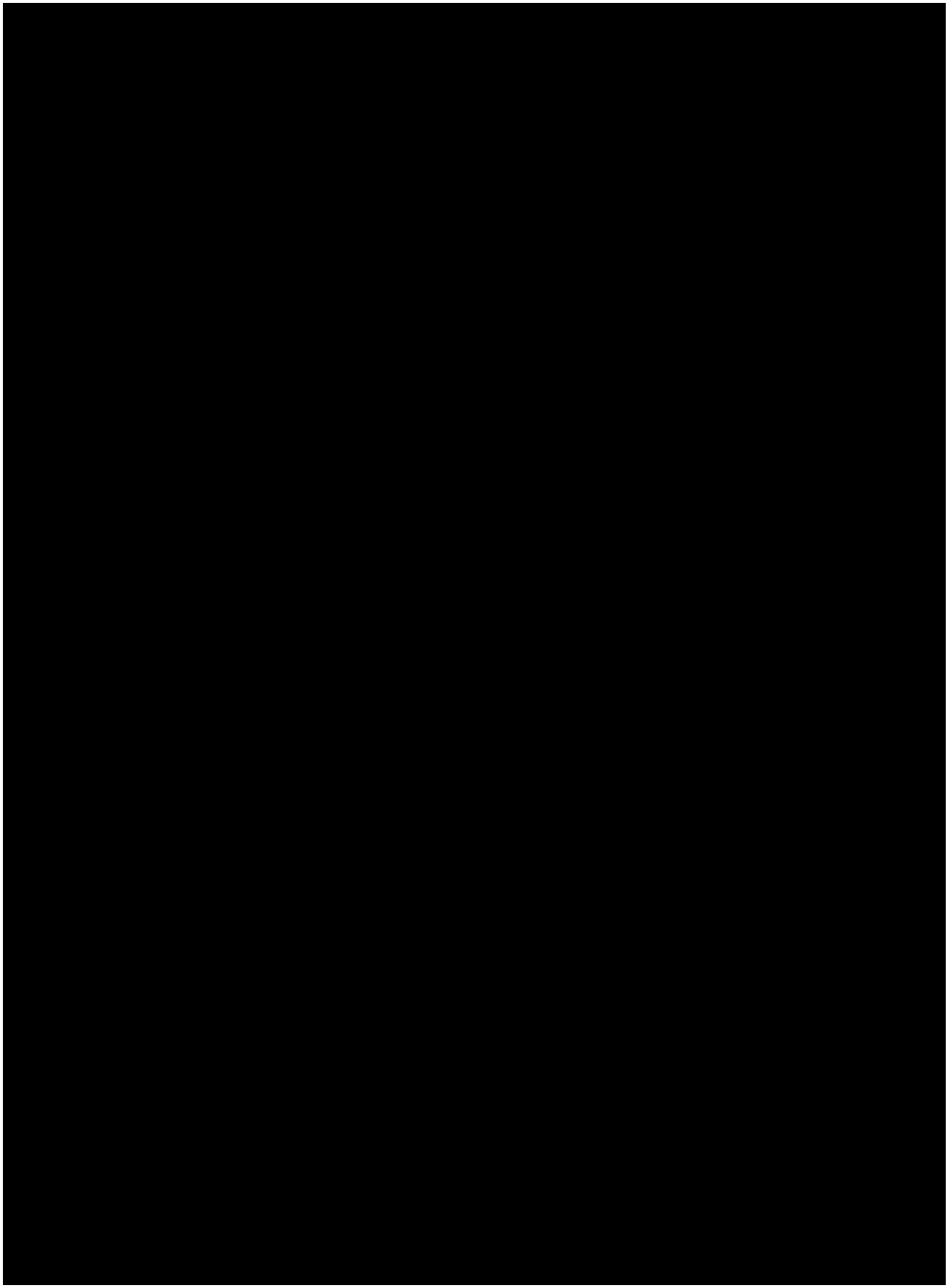

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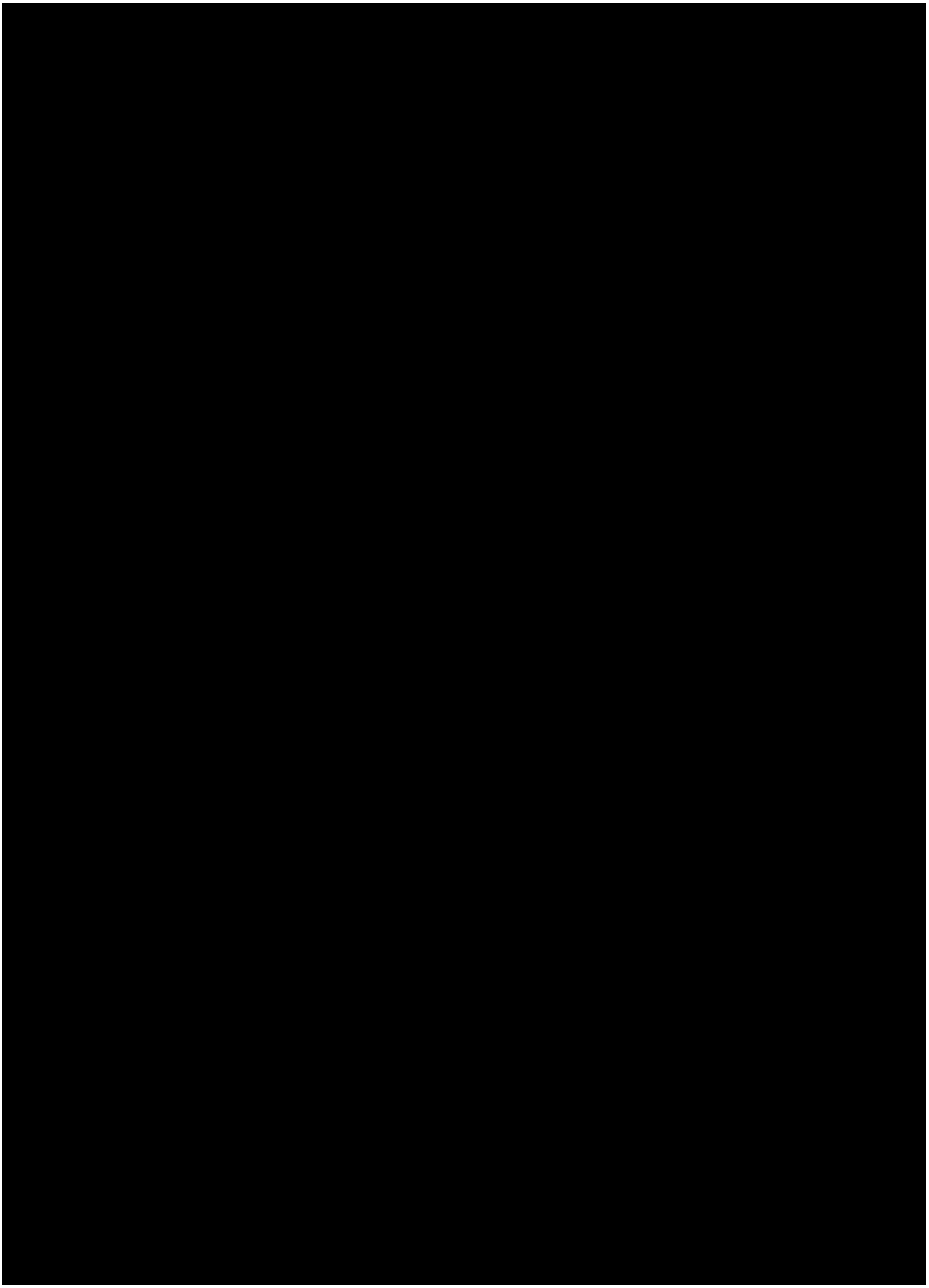

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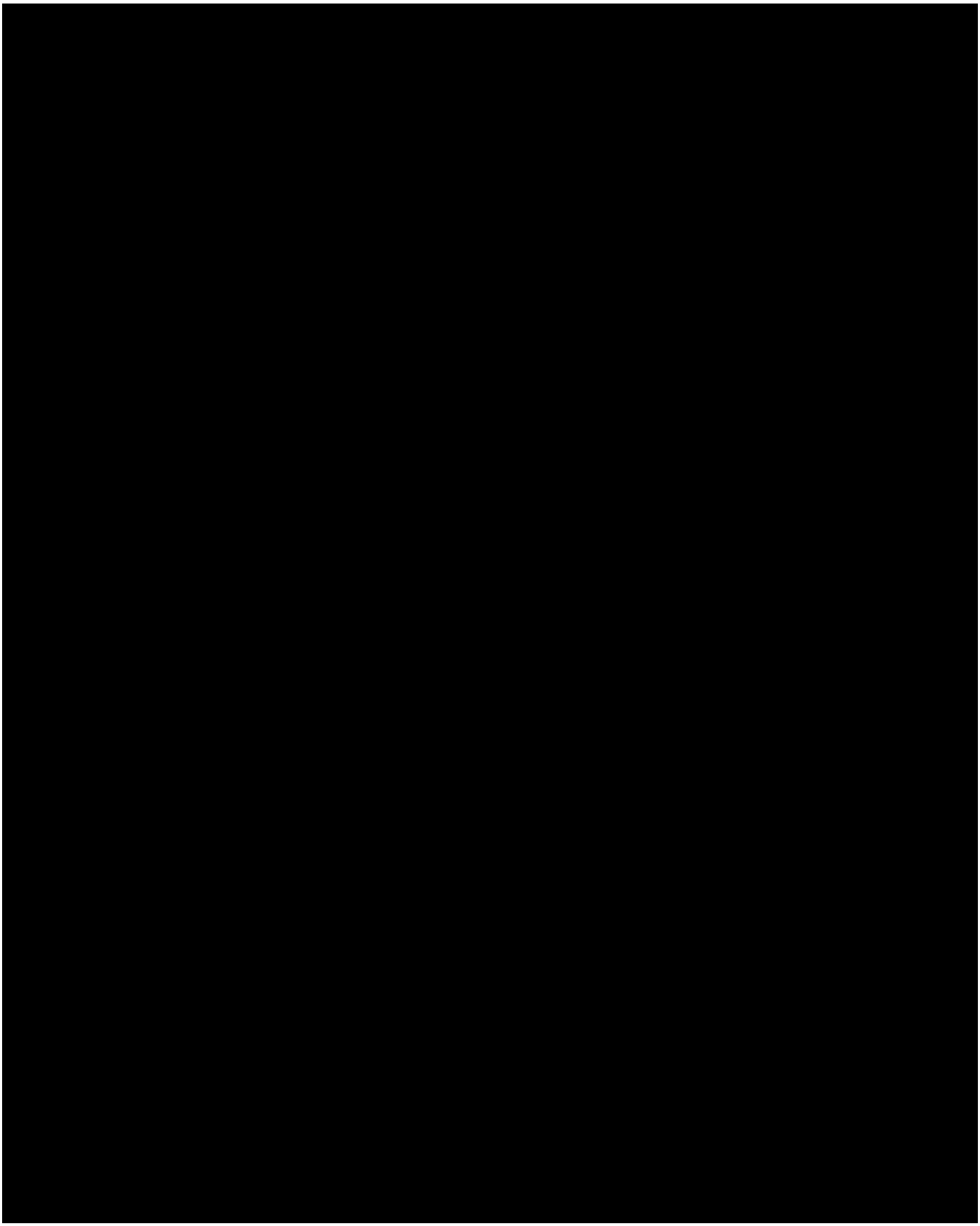

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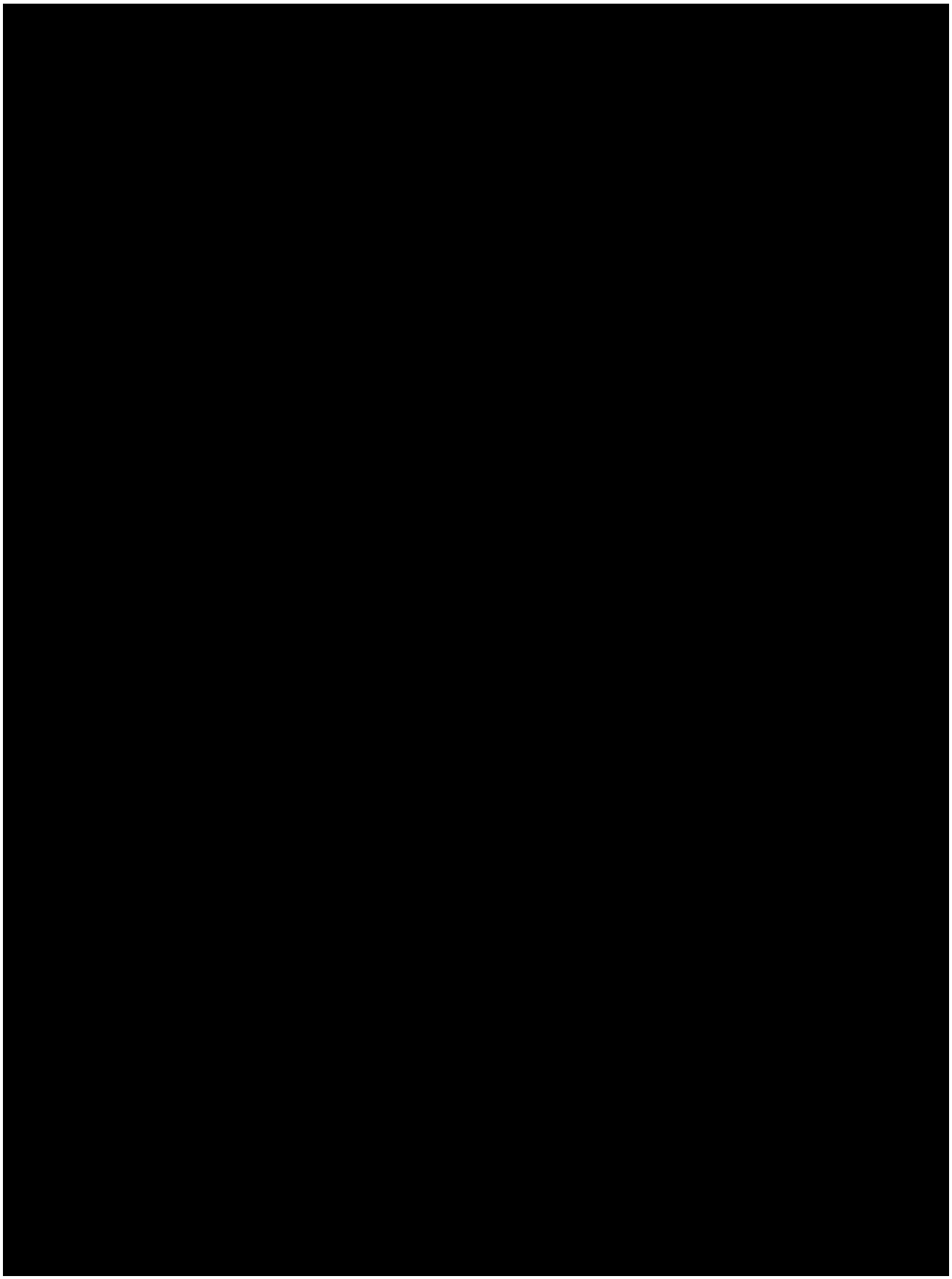

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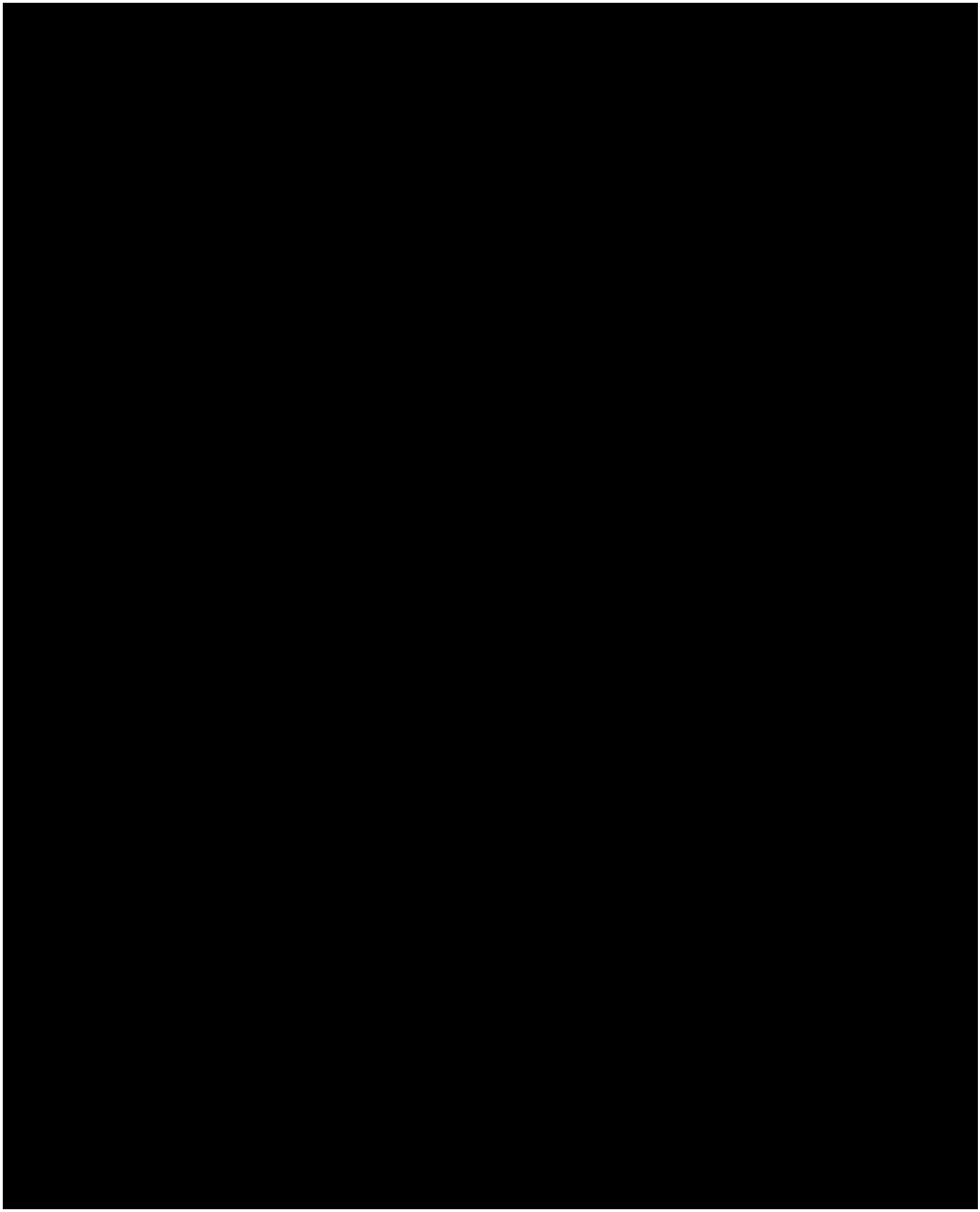

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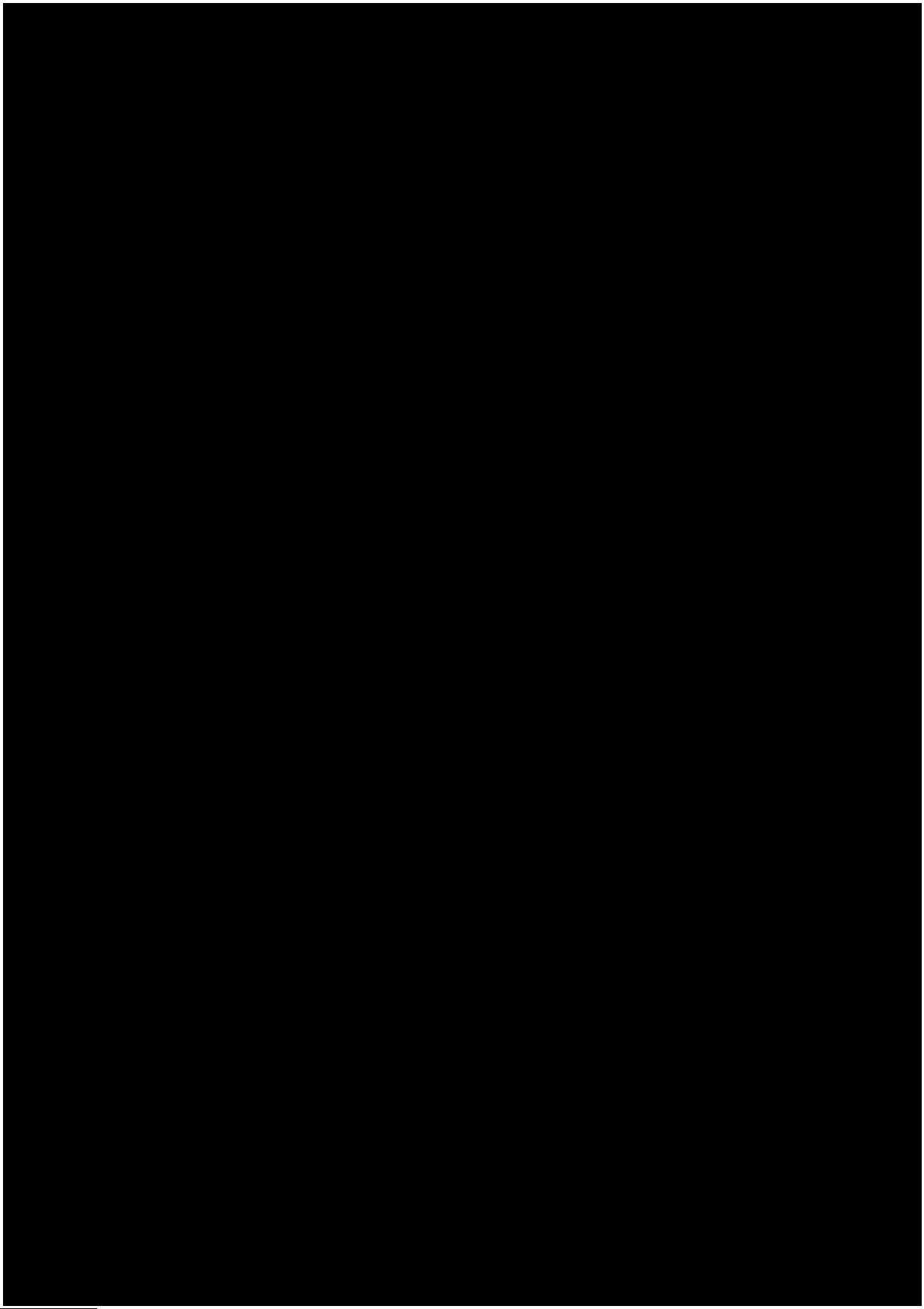

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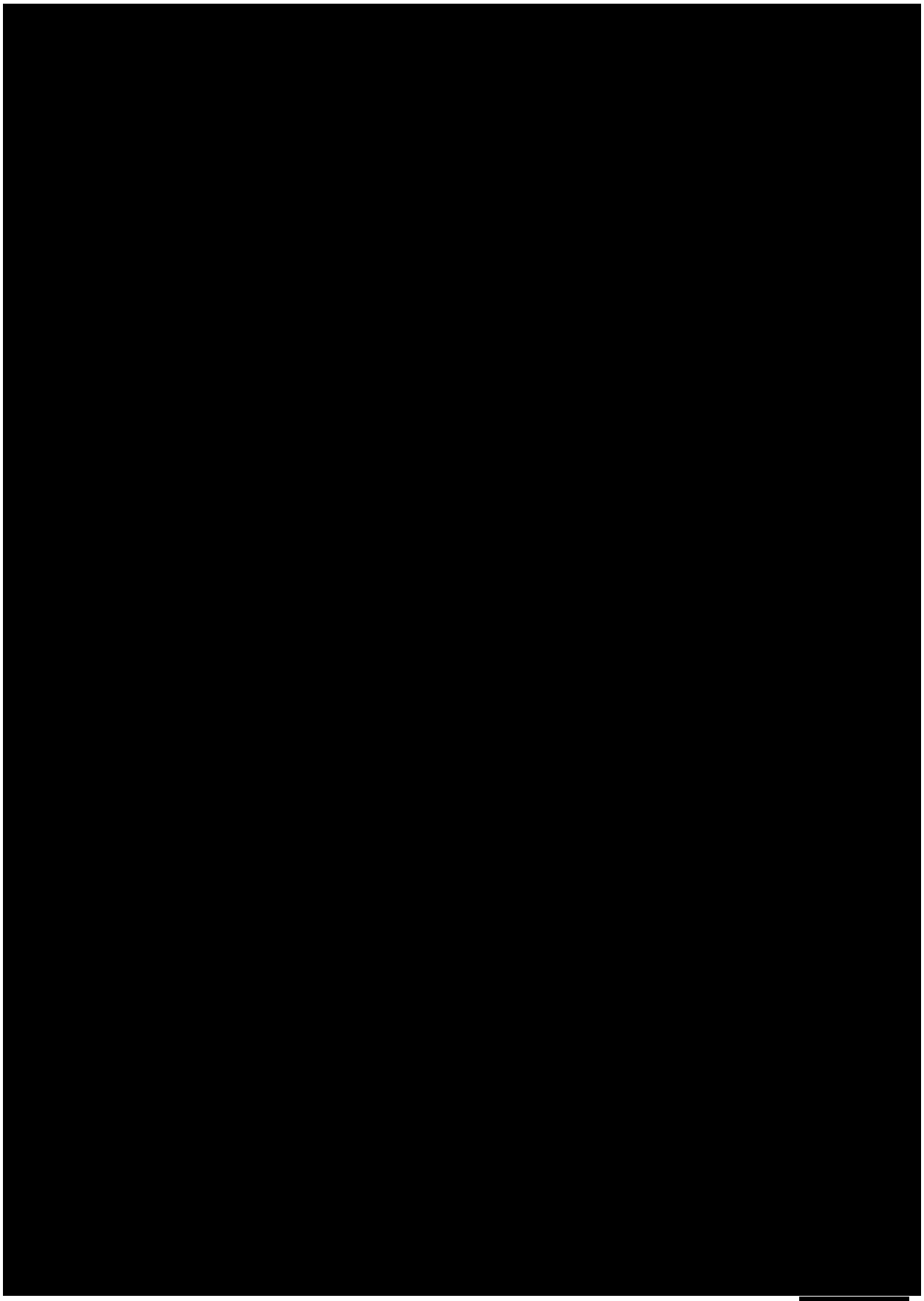

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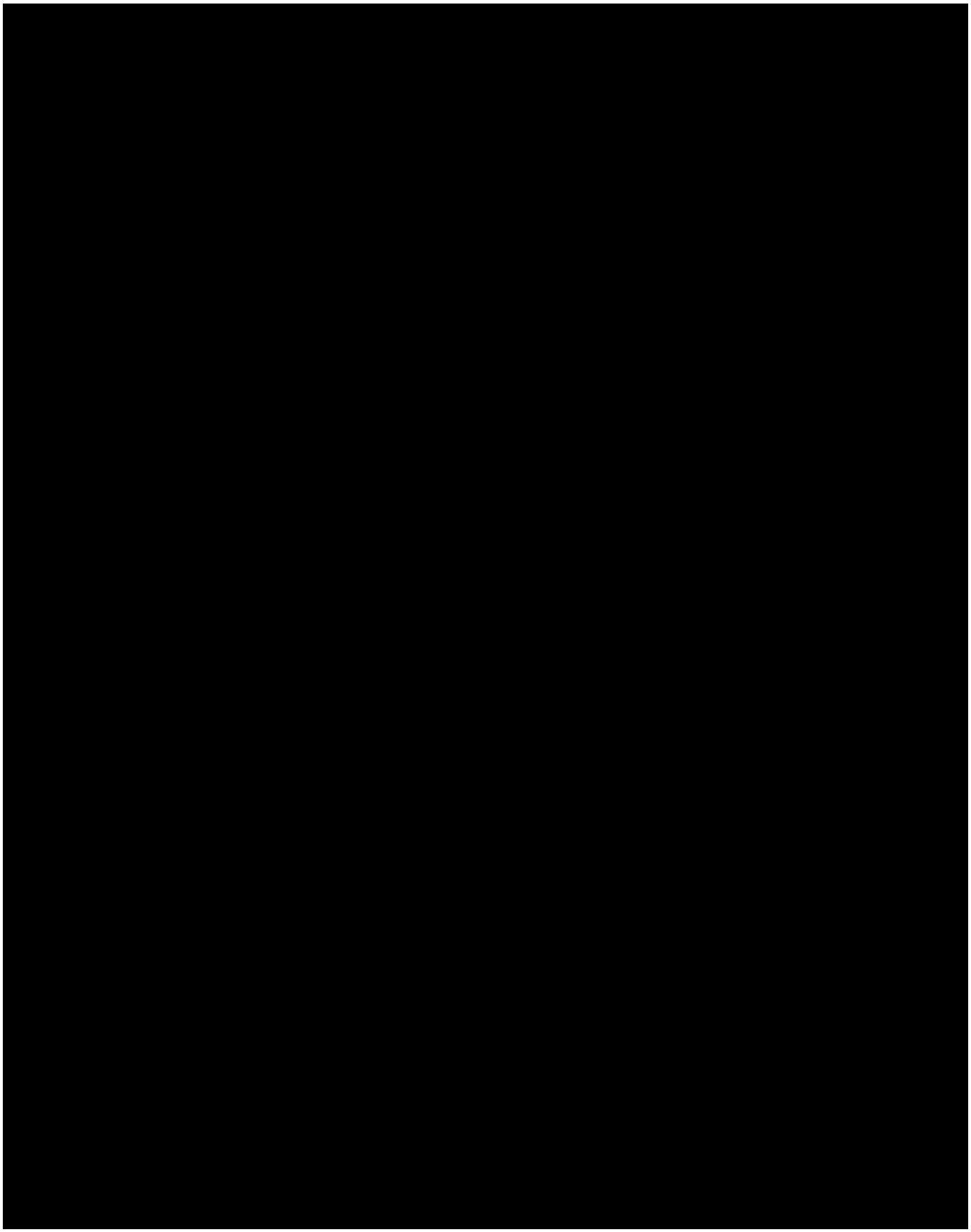

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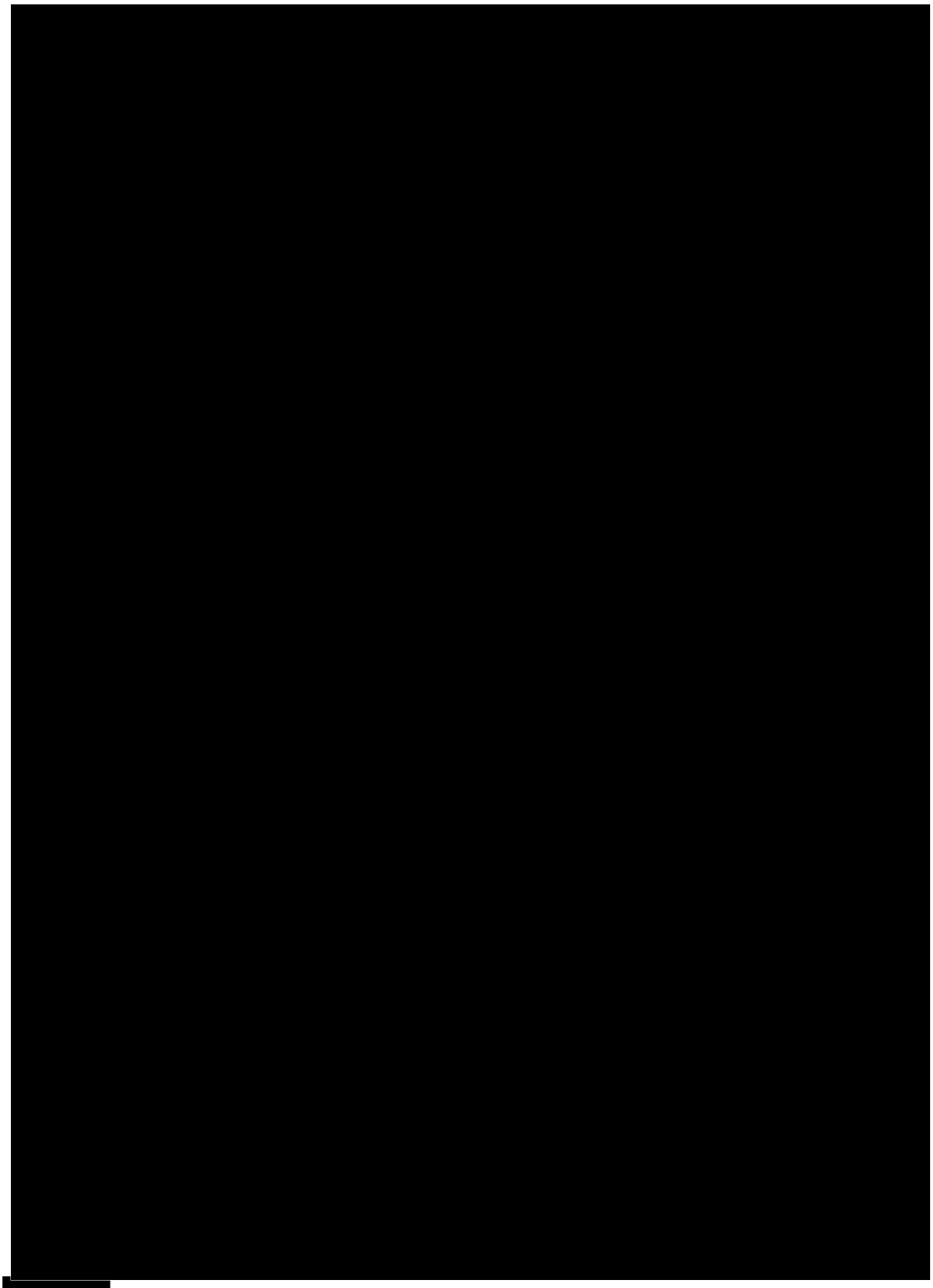

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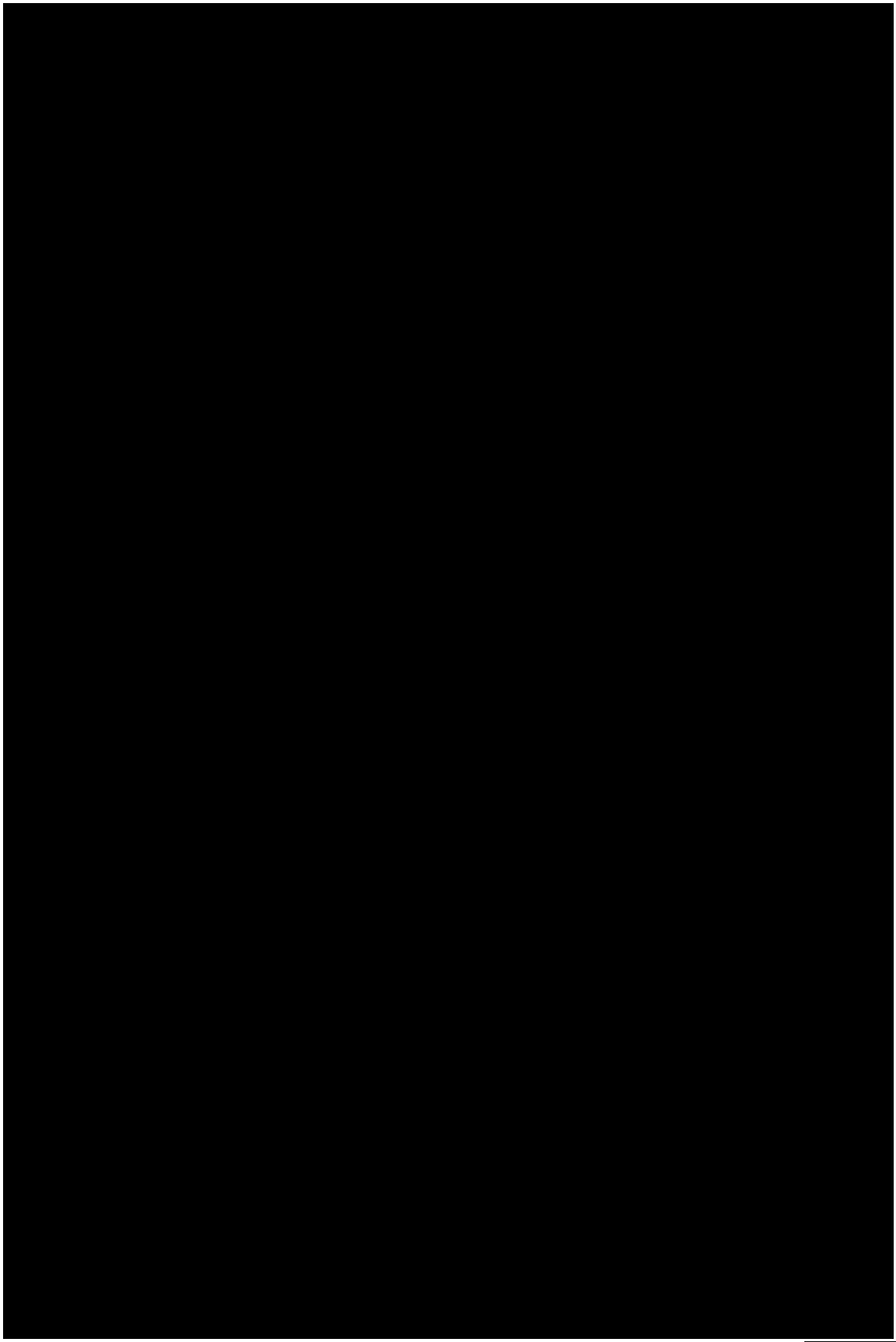

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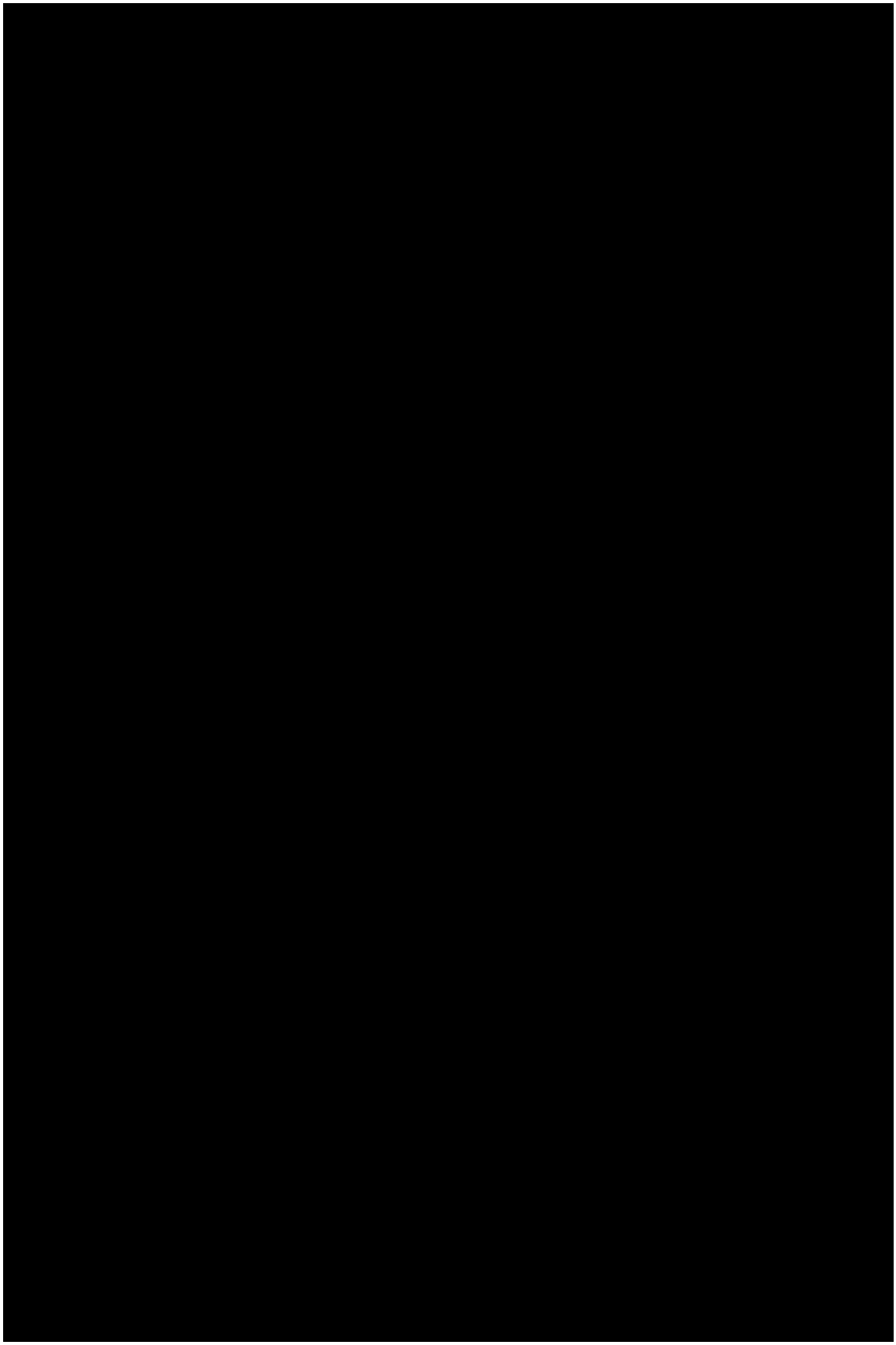

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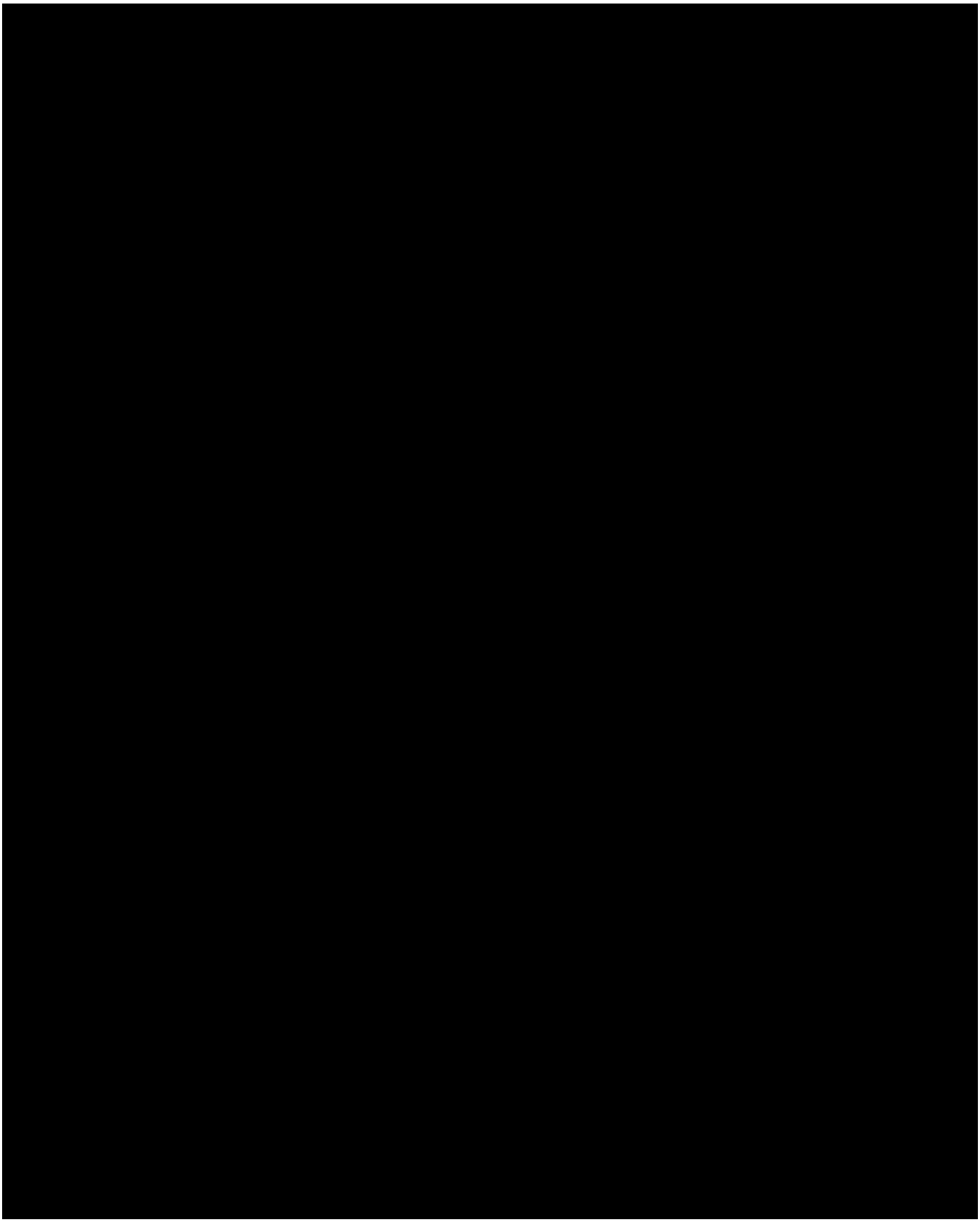

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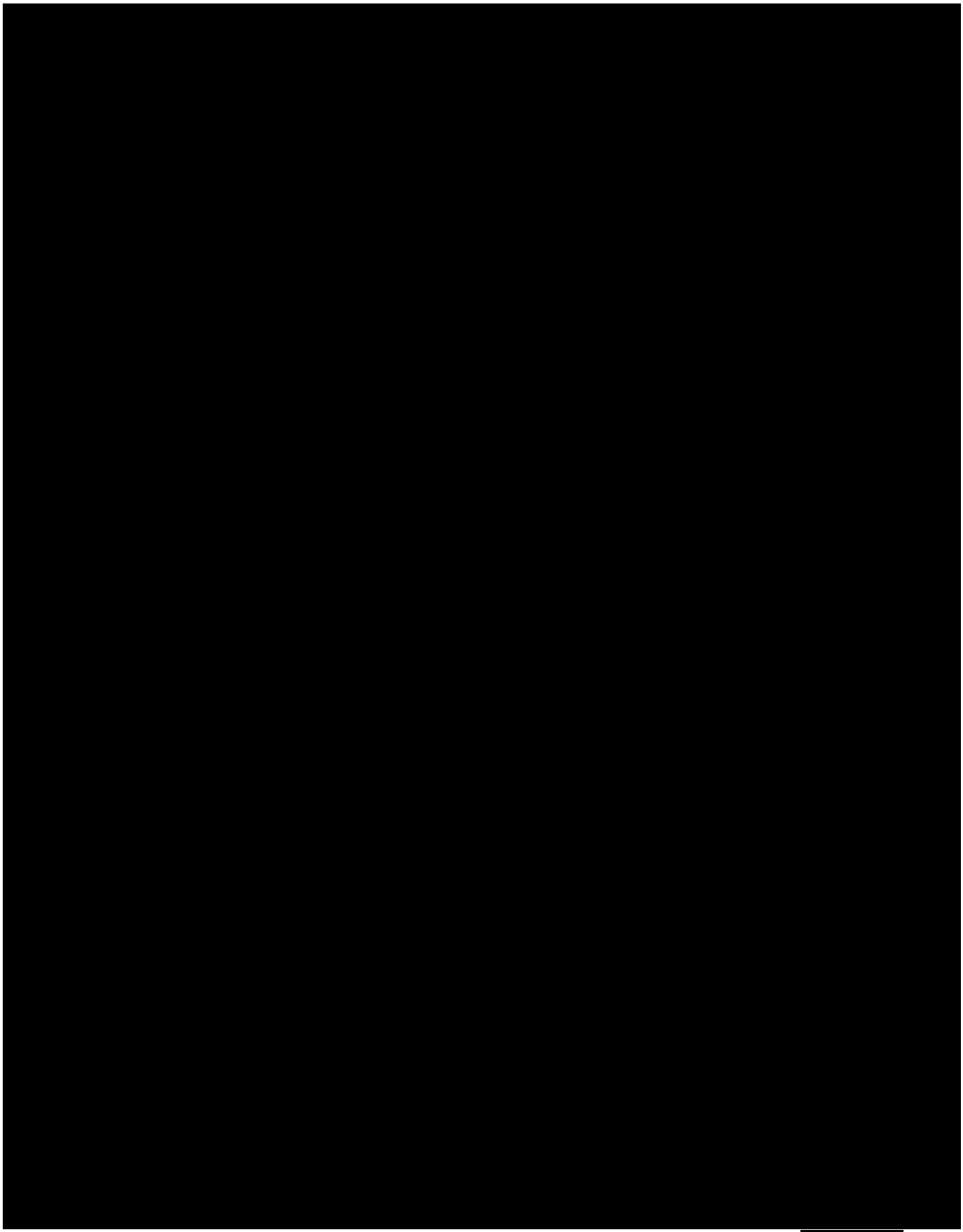

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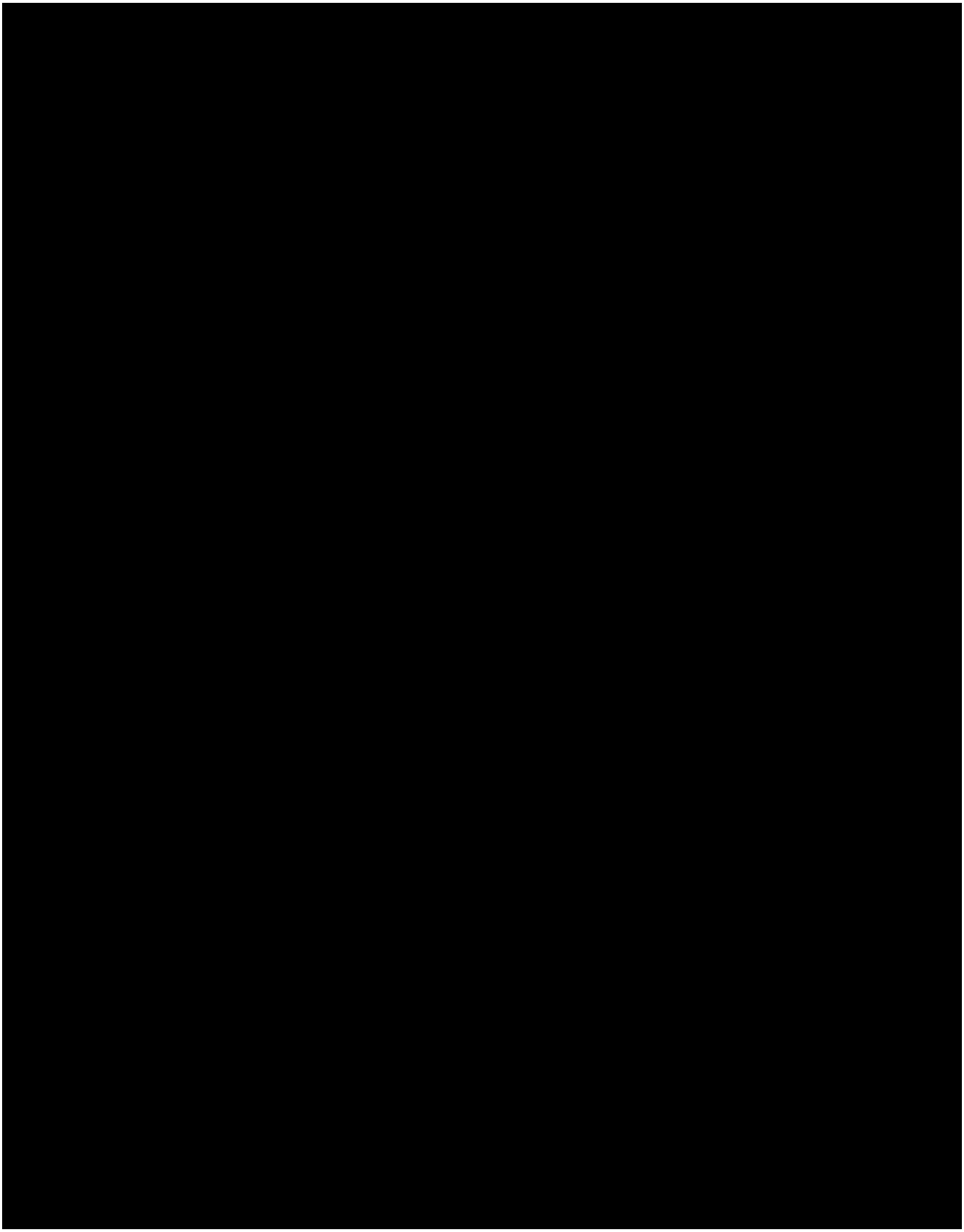

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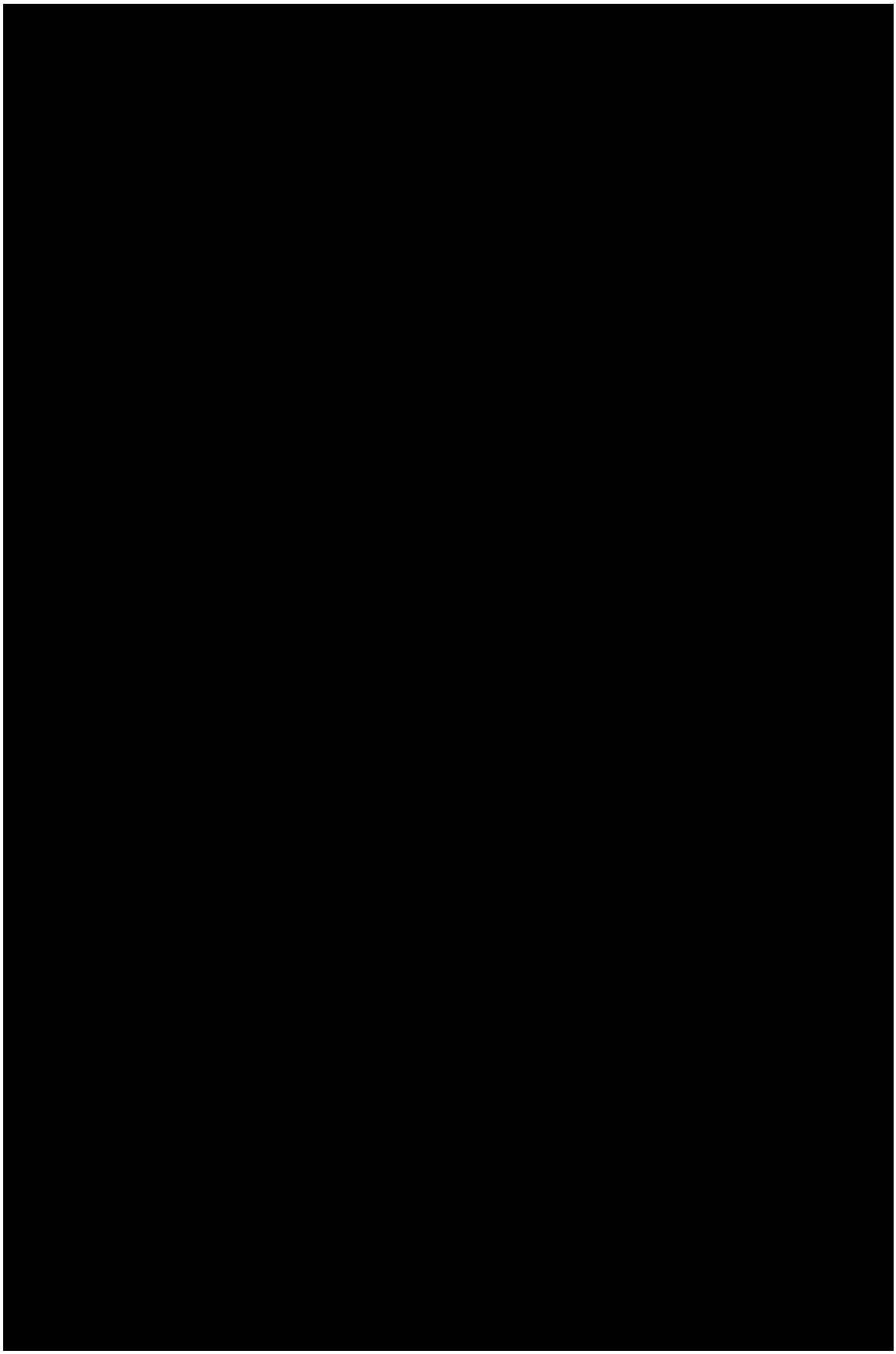

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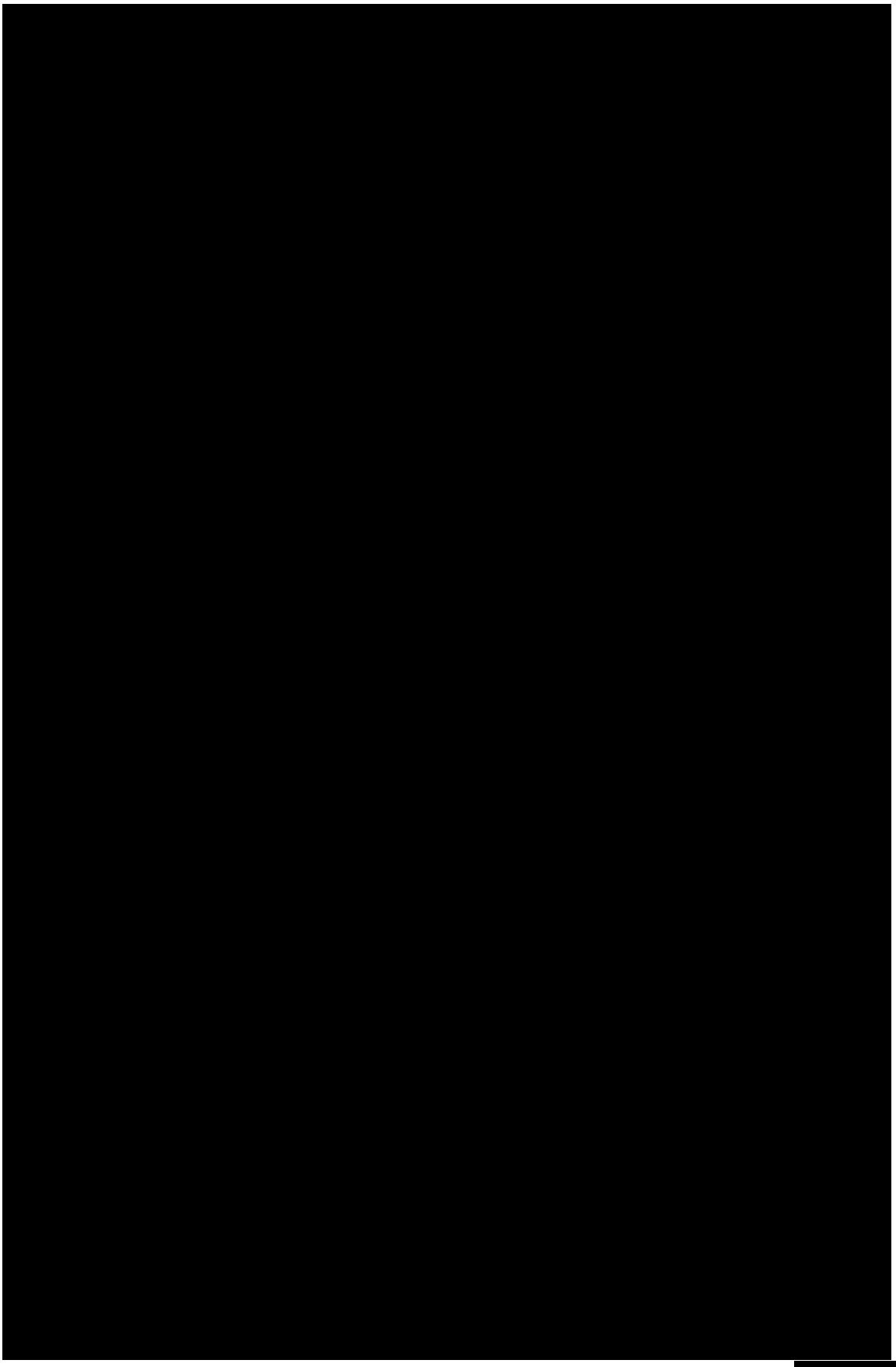

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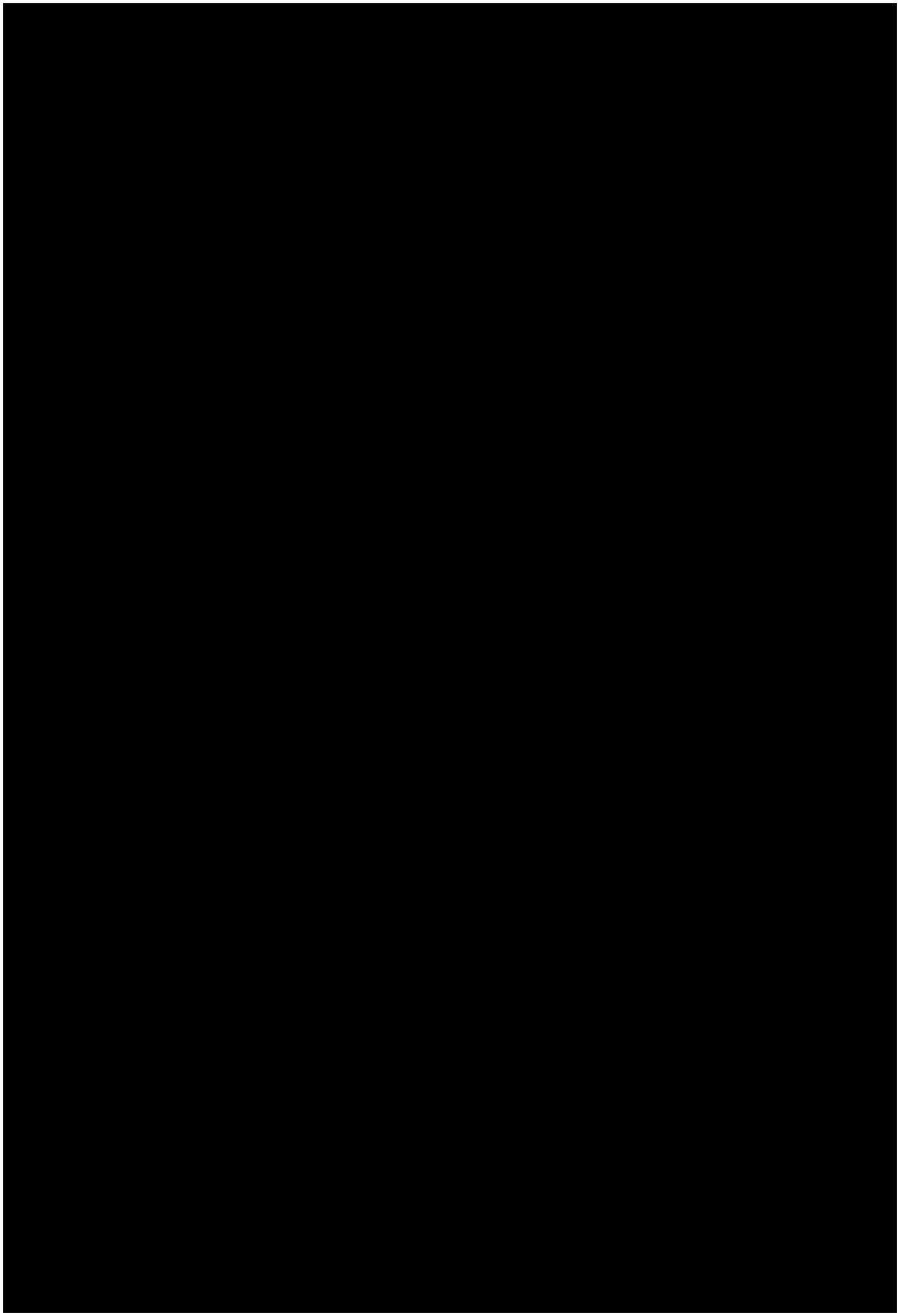

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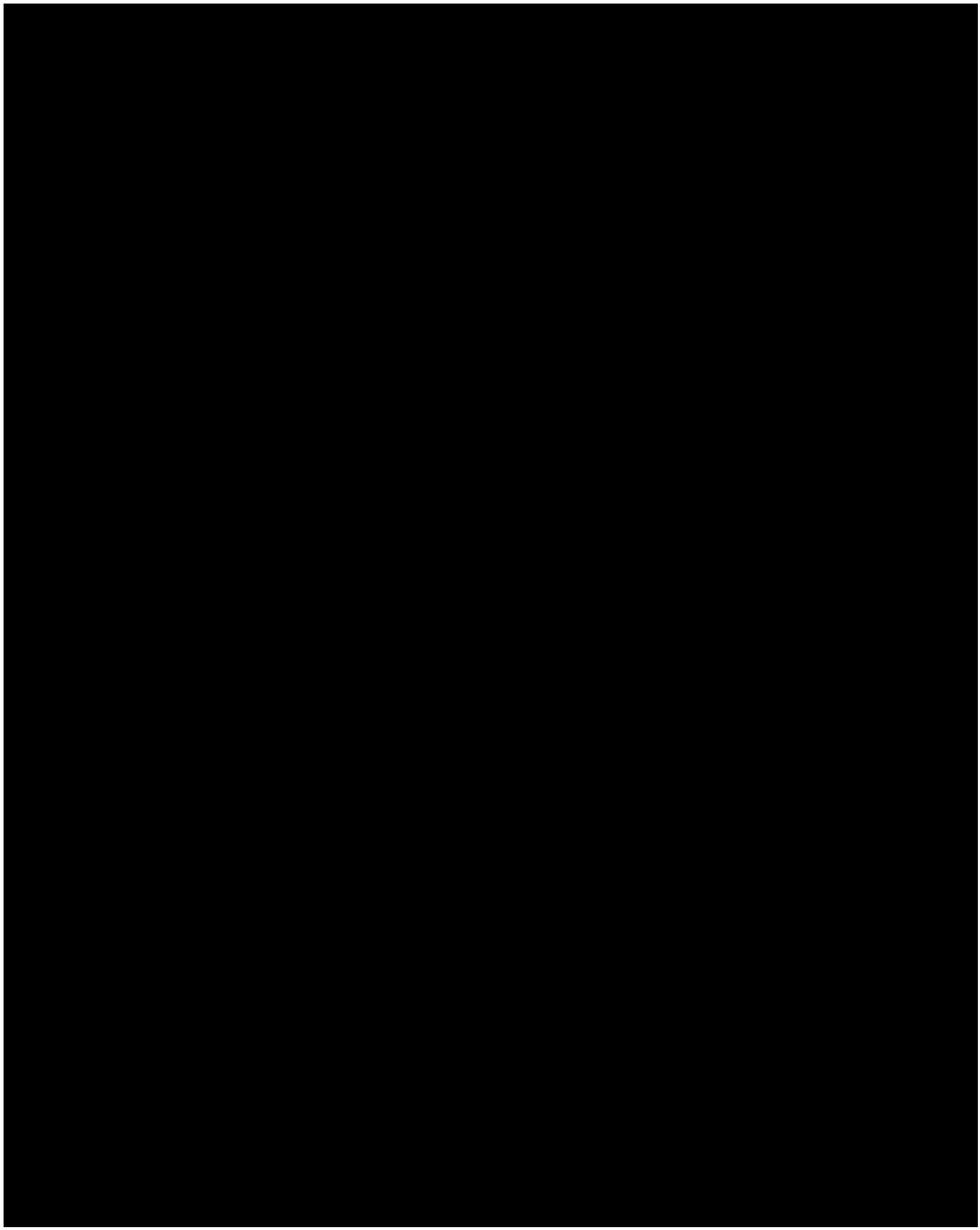

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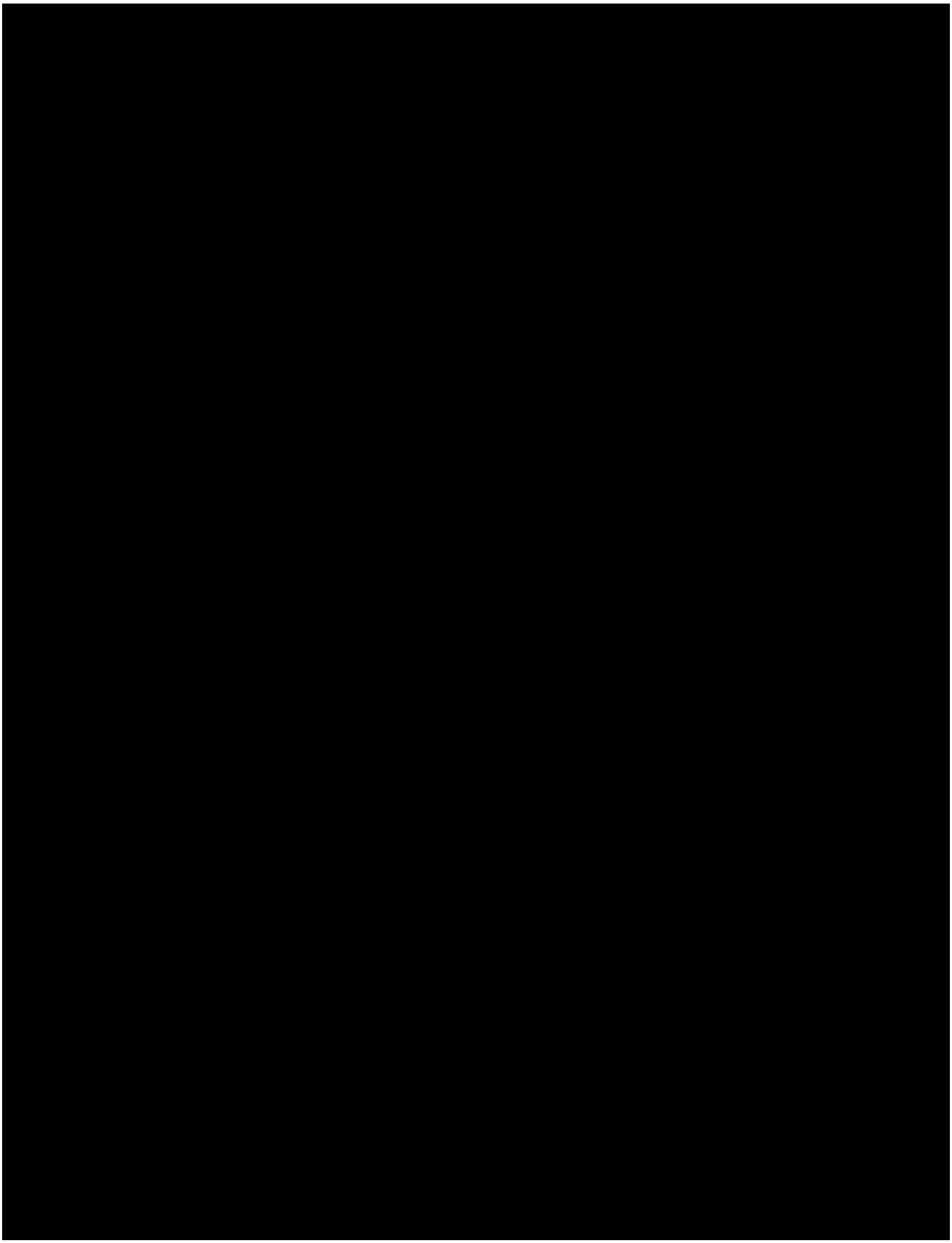

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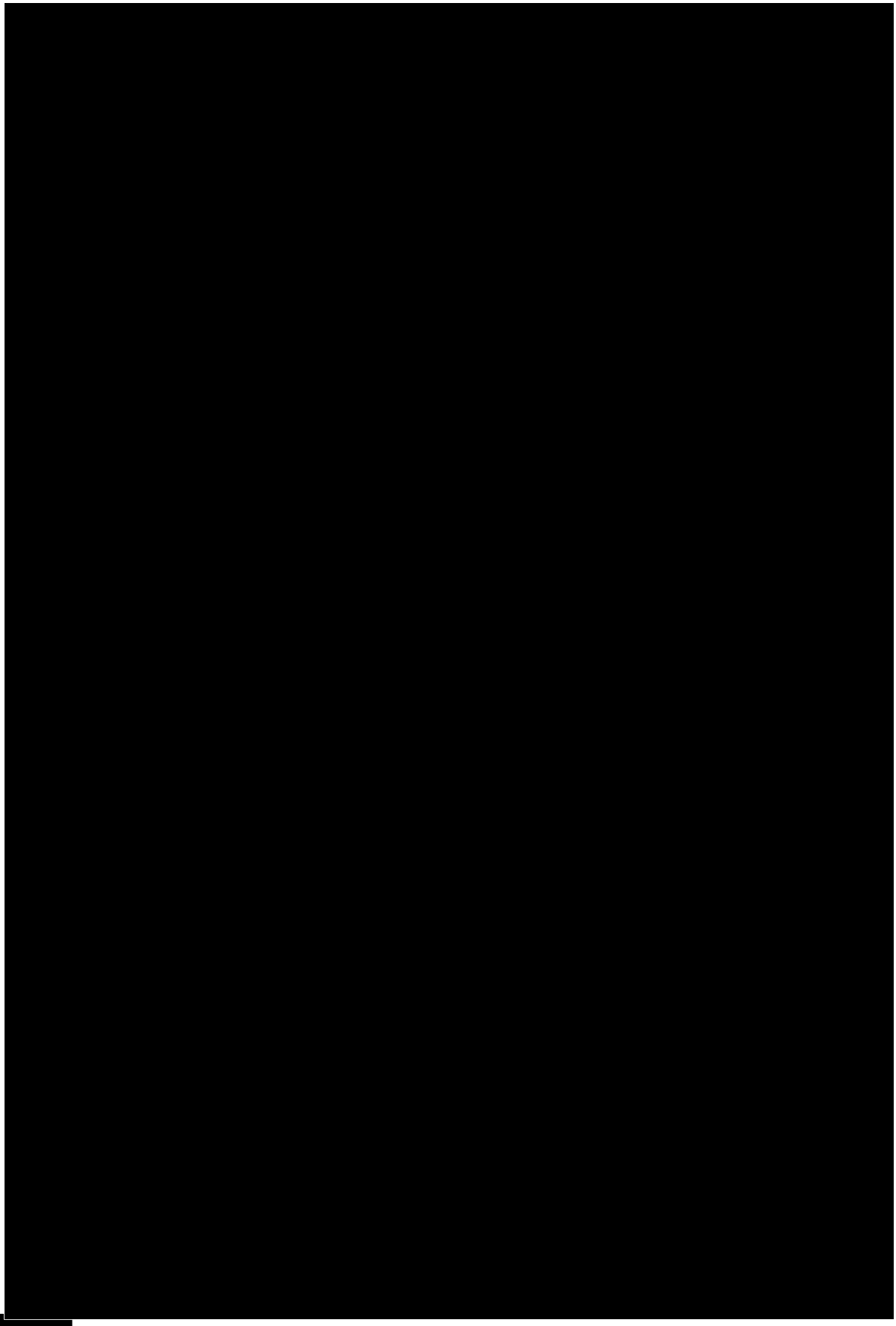

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CONFIDENTIAL INFORMATION ENDS HERE

7.3 Individual Scratch Ticket Game Development Schedule

7.3.1 Draft Working Papers

For those games within the Fiscal Year Scratch Ticket Game Plan, it is the expectation of the Texas Lottery that each Successful Proposer designated to produce their games will *prepare and deliver draft working papers according to the deadline noted in the Scratch Ticket Game Plan for each game.*

Scientific Games will prepare draft artwork and prize structures well in advance of the scheduled launch date for each game. As an instant game supplier today, Scientific Games is very familiar with the Texas Lottery's working paper process and will continue to work with you to meet the deadline noted in the Scratch Ticket Game Plan for each game.

7.3.2 Total Estimated Cost

Upon request, each Successful Proposer shall *provide the total estimated cost for their games listed in the Scratch Ticket Game Plan.*

Upon request, Scientific Games will provide the total estimated cost for our games listed in the Scratch Ticket Game Plan.

7.3.3 Draft Artwork and Prize Structures Not in Scratch Ticket Game Plan

Upon request, each Successful Proposer shall *provide draft artwork and prize structure for games not included in the Scratch Ticket Game Plan to the Texas Lottery within five (5) Working Days from the request. These games may subsequently be added to the Scratch Ticket Game Plan and* will *follow the* required *deadlines in the Scratch Ticket Game Plan.*

Upon request, Scientific Games will provide draft artwork and prize structure for games not included in the Scratch Ticket Game Plan to the Texas Lottery within five working days from the request. We understand that these games may subsequently be added to the Scratch Ticket Game Plan and will follow the required deadlines in the Scratch Ticket Game Plan.

7.3.4 Lottery Review and Approval

The Texas Lottery must *review and approve all artwork (scratch ticket and pack insert) and prize structures prior to the Successful Proposer providing draft working papers to the Texas Lottery.*

Scientific Games understands that the Texas Lottery must review and approve all artwork (scratch ticket and pack insert) and prize structures prior to Scientific Games providing draft working papers to the Texas Lottery.

7.3.5 Final Working Papers

The Successful Proposer shall provide accurate and complete draft working papers that are free of errors for the Texas Lottery's review. The Texas Lottery conducts a thorough review of draft working papers. This may result in multiple rounds of review and requested changes. When the Texas Lottery has completed a review and provided requested changes, the Successful Proposer must provide the next version of working papers to the Texas Lottery within two (2) Working Days. If the Successful Proposer believes that any of the Texas Lottery's requested changes would not be beneficial or appropriate, the Successful Proposer must contact the Texas Lottery to discuss the concern. The Successful Proposer must deliver tickets to the Texas Lottery's warehouse no later than the delivery date specified in the final executed working papers.

Scientific Games will provide accurate and complete draft working papers that are free of errors for the Texas Lottery's review. We understand that the Texas Lottery conducts a thorough review of draft working papers and that this may result in multiple rounds of review and requested changes. When the Texas Lottery has completed a review and provided all requested changes, Scientific Games will provide the next version of working papers to the Texas Lottery within two working days. If Scientific Games believes that any of the Texas Lottery's requested changes would not be beneficial or appropriate, we will contact the Texas Lottery to discuss the concern. Scientific Games will deliver tickets to the Texas Lottery's warehouse no later than the delivery date specified in the final executed working papers.

7.3.6 Post Executed Changes

Any changes to the final executed working papers must *be in writing and approved by the Executive Director or his designee. Post executed changes which affect ticket production* must *be executed by the Texas Lottery Executive Director or his designee prior to production of the game.*

Scientific Games understands that any changes to the final executed working papers will be presented to the Executive Director or his designee in writing as post executed changes and that the post executed changes which affect ticket production must be executed by the Texas Executive Director or his/her designee prior to production of the game.

7.4 Creative Game Design

The Successful Proposer shall *provide creative game and graphic design of scratch ticket games including mechanical artwork and specifications of the game ticket layout consistent with Texas Lottery security requirements and methods.*

Scientific Games will provide creative game and graphic designs of scratch ticket games including mechanical artwork specifications of the game ticket layout consistent with Texas Lottery security requirements and methods.

Game Planning and Development

Before work can start on any game, there must be planning. We have built the foundation of our game planning process on years of experience working with a multitude of domestic and international lottery jurisdictions and insights derived from our analytics. Our marketing and research teams around the world have captured lottery game attributes, performance indicators and key determinants of demand for the scratch ticket games.

We lead the industry in developing analytical tools that help us parse data and provide actionable information to our customers. Our marketing and research teams analyze data to provide valuable insight to the Texas Lottery in our product planning sessions with you, leading to optimal game design. The product development and game design functions we describe in the following pages provide insight and recommendations regarding games and production schedules for the Texas Lottery.

Scientific Games has the infrastructure to develop and produce 3,000 games globally each year. Our 50 Account Services professionals support more than 100 scratch game customers worldwide.

A Framework Based on Insight

To help maximize sales for the Texas Lottery, our Insights and Account Services teams will develop a strategy for a portfolio of products—setting the framework for meeting your revenue goals. This rigorous exercise drives the process of developing games that will work in concert with the games launched before and after those proposed.

Since 1997, our Insights team has worked on more than 2,000 research projects that run the gamut of lottery products and methods. This reservoir of information helps us decipher the best practices for new forms of gaming. It also means we can quickly analyze and apply the success of our partnerships in other jurisdictions to the Lottery.

Prize Structure and Game Creation

All game planning activities start with insight and research. Scientific Games has honed our knowledge of solid game design best practices through years of countless research initiatives and interactions with players. We apply this expertise to our design process, starting with our portfolio strategies.

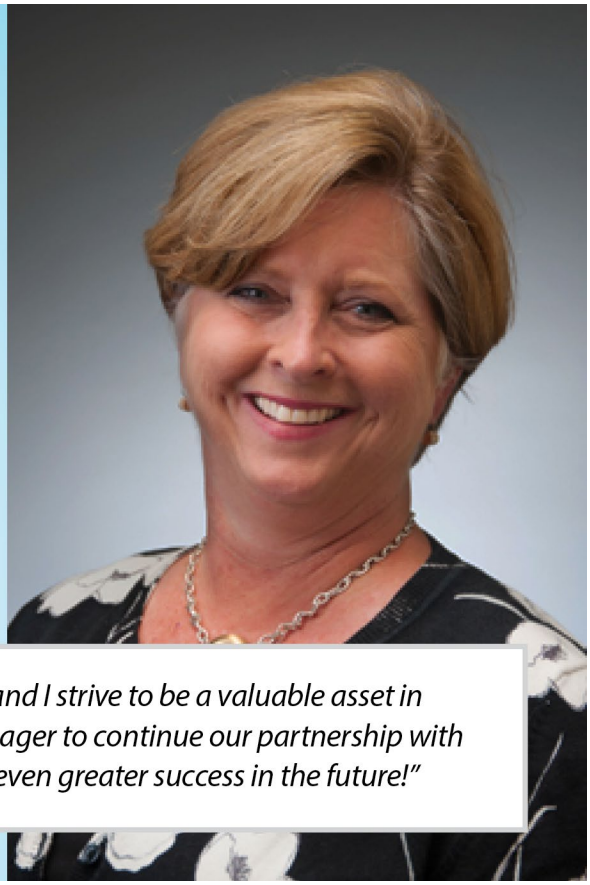
Each Regional Vice President of Sales works with the Lottery and the dedicated point-of-contact (Account Director) to build scratch ticket portfolio strategies that will drive revenue. Historical data, success stories, new opportunities, innovative products and revenue objectives typically drive this collaborative effort. Next, the Account Director helps determine the specific games that make up the game plan. At this juncture, they also identify basic game details, such as ticket size, price point, theme, play action, callouts and prize structure.

Geneva McCaffrey, your point-of-contact (Account Director), will continue to support the Texas Lottery as your single point of contact during this process. Having worked with the Texas Lottery for more than 10 years, she is fully prepared and ready to assist the Lottery in executing your game plan to ensure everything runs smoothly.

Geneva McCaffrey

Account Director

Geneva's primary role is to support the Texas Lottery in the game development process. She is the conduit between you and all Scientific Games' internal resources. With 24 years at Scientific Games, she is well equipped to ensure the Texas Lottery's games are executed smoothly and efficiently. Because of her tenure, she also has strong relationships throughout the organization, making her a valuable asset to the Texas Lottery.



"The Texas Lottery sets high standards, and I strive to be a valuable asset in advancing your objectives every day. I am eager to continue our partnership with the Texas Lottery, and I look forward to even greater success in the future!"

A simple change in the prize structure, for example, could impact a number of components, such as the ticket front callout, ticket back information, an uncovered ticket pattern, fonts and layouts, and ancillary retail or point-of-sale pieces. Having a single point of contact minimizes the opportunity for missed communication and ensures all information is up to date. Account Directors provide expert insight into the nuances of the Lottery, including what has sold well, color schemes already in the marketplace, tonality, etc.

Because we collaborate with the Lottery on all game designs, your graphic designer, Ernest Oshiro, and the rest of our graphic design team is always available to meet with Geneva and the Lottery to brainstorm, clarify details and explore opportunities. Rick Tidwell, Director of Creative Services, also frequently provides his design expertise and creativity for key initiatives and highly visible games. Rick welcomes the opportunity to consult and collaborate with the Texas Lottery at any time.

In addition, the game creation audit team is readily available to assist the Account and Creative Services departments in the overall game design and creation process. We understand the rules involved to make the best lottery games in the world. We ensure the prize structure and artwork take into account the spirit of the game so players get the most bang for their buck. In addition to the game specifications audit, the audit team focuses on artwork concept review and unique game approvals for more complicated games. The audit team is involved from concept through approval to ensure the game is accurate and satisfies your manufacturing and programming needs.

Once the Texas Lottery has approved the artwork and prize structure for a game, the production approval team will review for any required changes and label the artwork Production Approved. If the revisions visibly change the artwork, the team will consult with the Lottery before proceeding to Game Specifications. Clay Henss, Assistant Manager for the Creative Services team, is available for expert consultation and support to clarify or resolve technical and press-related concerns.

At this point, Geneva will submit a request for game specifications artwork, including final art for covered and uncovered ticket fronts, ticket backs and any ancillary items such as the imaging overlay file and pack inserts. Once the Graphic Designer has completed the game specifications artwork, the Account Director will assemble the full document and work with the Game Creation Audit group for review. This review ensures that the prize structure is accurate and still follows the spirit of the game. We also audit programming parameters, fonts and layouts, and production at this phase, ensuring the game is ready for customer review. Once we review the game specifications, we make any required changes. On approval of the game specifications, the Account Director submits a request for deliverables. This is the designer's cue to deliver the final prepared game files to prepress. They also deliver any files for related materials, such as the require thumbnail and ticket art images and pack inserts, to the Lottery and any specified advertising or promotion agency or outside printers.

Account Services

It takes a very robust infrastructure to develop and produce 3,000 games globally each year. Our Account Services professionals support more than 100 scratch ticket game customers worldwide. We have the largest scratch game Account Services teams in the industry, with a team of 50 worldwide, including 24 in Alpharetta.

Working alongside the Insights team and the Lottery, our Account Services team also uses our MAP and GameGallery tools to create an appealing game plan and compelling prize structures. The goal is to create games that have strong player appeal, encourage repurchase and generate maximum return for the State.

Our Instant Product Sales and Account Services teams as well as our Product Strategy teams are well versed in the core attributes and product types that appeal to each market segment. They apply this knowledge to their recommendations

Easy Access to Millions of Instant Game Records

Your account team has instant access to millions of industry-wide instant game records with our MAP database, including:

62,600+
Instant Games

3.2 Million
Weekly Sales Data Points

49,000+
Ticket Images

when working with a lottery on their product portfolio and game plans. When these games are ready for development, the Account Director makes sure that the prize structures, themes and artwork all work together to appeal to a specific market segment.

From prize structure and concept art development, to trademark searches and press schedules, to production and delivery, our Account Services team oversees every step of the scratch game development lifecycle. The team thoroughly understands the pace and complexities of the lottery industry. They are also intimately aware of the intricacies of each of their specific lottery customers' market, preferences and technical requirements to make certain that we customize each lottery's games to their needs.

The Account team works directly with the Creative Services department to offer the Texas Lottery a variety of game design options that complement each game launch strategy. They also work with the Programming department to develop parameters to optimize the prize structure.

Artwork: Creative Services

Scientific Games' Creative Services department has the largest graphic design staff in the industry, with 36 designers worldwide, including 19 in Alpharetta. Our designers understand the creative and technical requirements necessary to design a successful game, as well as all gameplay actions and game marketing requirements. They know the value of adding specific printing techniques or features to a game, such as specialty inks. They remain aware of the requirements of each of our presses, as well as all production and security methods and requirements. With a full-circle understanding of the intricacies of the game production process, they are not only graphic artists—they are true scratch game designers.

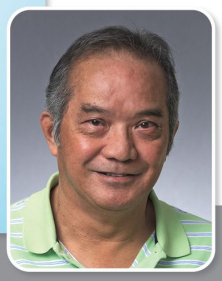
Because of our extensive research over the years, we have gained great insight into players' preferences. That insight helps us hone our knowledge about what appeals to which player segments and how to build game designs and prize structures that respond to their needs. This feeds into a well-defined product portfolio and game plan.

Led by Rick Tidwell, Director, Creative Services, our Creative Services team in Alpharetta is the most seasoned in the industry, with unmatched depth and breadth. Rick has over 18 years of lottery experience and works with the entire lottery group to support scratch ticket initiatives. He is experienced in all phases of ticket development, including the production aspects.

Clay Henss, Assistant Manager, is another key member of our Creative Services team whose focus is to ensure that the technical aspects of the game meet and exceed all of the Lottery's requirements, while also meeting the exacting requirements of the printing process. As the conduit between the production team and the design team, he plays a vital role in helping accomplish the wishes of the Lottery in the game development process.

Your graphic designer, Ernest, will be responsible for the creative and technical development and details of each scratch ticket game. Enhancing this experience is access to a creative team that develops over 3,000 new concepts annually.

"I have had the pleasure of being a member of the Scientific Games' Creative Services team for the past 24 years. During that time, I've collaborated with the Texas Lottery as your go-to artist for scratch tickets. I take great pride in the designs we've created for your players and the relationships I've formed over the past 22 years working with the Lottery. I look forward to being a part of your continued success."



Ernest Oshiro
Senior Game Artist

Creative Development Philosophy

Over the years, the scratch game product has evolved from simplistic graphics and limited print quality to a much more complex product with more involved play actions and frame-worthy game art. We have gained a great deal of knowledge during the evolution of the scratch game product that has shaped our game development philosophy. To provide you with the best games in the market today, we base our development process on the following requirements: listening, learning, translating and transforming.

Listening

Listen to Our Insights Team – The Insights team members are our ears into the world and motivation of players. This team has spent an unprecedented amount of time studying and listening to players to understand key motivators for purchase, play rituals, what excites them and what they perceive as value. Each year, we try to include our creative team members in focus group activities to hear player feedback firsthand or share video recordings with the team. But hearing is not enough. We have to listen to what players are really telling us and understand the nuances that are important to them.

Our insight into players' motivations has helped us develop best practices for our game design. This approach proves we have listened to players and translated their motivations, reactions and feedback into a basic set of tenets for delivery of appealing and successful games.

Listen to the Experts – The Account Directors are the hub of the game design process and understand the Lottery's needs, preferences and marketplace. They also have their fingers on the pulse of all game details at any given time, making sure that as games progress through the development process, all details are synchronized. Whether it be prize structure development that drives callouts, specific play actions that appeal to different player groups, parameters that might influence the uncovered art in the working papers, or a stylistic approach that offers diversity in the game plan, Account Directors communicate the creative needs for each game to the designers. The designers then listen and transform those needs into a visual component that meets the expectations for a particular game.

Listen to Our Own Experts – With thousands of games under their belts, our Manufacturing team is the best in the business and provides knowledgeable guidance in the art development process. Exposure to the everyday events that take place on press also helps designers achieve a better understanding of the technical requirements and how their designs can impact the quality of the game.

Learning

We have structured and unstructured approaches to learning. Structured approaches include attending focus groups, meetings where key insights are shared, and team meetings where industry, product and technical information is passed on. For Scientific Games, learning is an ongoing requirement.

Each year, we discuss how various products, merchandising and displays might be applicable to lottery products. We also hold regular monthly meetings to share great game designs, the newest catalog designs, non-game design work, product marketing efforts and more. Our designers also attended a workshop conducted by our Insights team to continue to educate them on the motivations of players. Based on our recent national gaming and lottery segmentation study, designers learned about the various segments and which products and services we offer appeal to them. This hands-on training program provided the designers with insight into the motivations of players and how they can apply these insights into their design process.

Unstructured learning comes from everyday experiences, such as standing in line in a convenience store and hearing dialogue between a store clerk and a player. Learning is not just about the scratch product. Our designers constantly strive to stay on top of design trends and explore ways to incorporate those into the scratch product.

Translating

Our designers and account personnel excel at the art of translation. The Account Management team is closest to the Lottery account and can offer valuable guidance regarding lottery preferences or dislikes, regional nuances, etc.

Perhaps most important, the Account Director provides the designers with all the information required to begin a concept design. This process is aided by a standardized brief that describes the critical game information needed at the onset of the design process. The designers then translate all of the information into a creative thought process that takes them from a non-visual to a visual medium. Our designers are masters at this because of the exposure they get to player insights and because of their depth of experience in designing for scratch ticket games. In addition to their raw creative talent, they are also great technicians. These strengths help them merge the science of the design with their creative craftsmanship to bring compelling and highly appealing games to life.

Transforming

There is nothing more exciting than seeing a creative interpretation of a thought become a visual reality. The ultimate goal of the designer is to ensure that our clients are satisfied with their work and that it is appealing to the players. Your feedback during the creative process is critical. The designers understand and embrace the iterative nature of the art creation process for scratch tickets and welcome clients' input. Collaboration with our clients has brought many of our most successful games to market. It excites our designers to walk into a Lottery retail location and watch players respond to a game they specifically worked on. Their ultimate goal is to offer you design solutions that meet your needs. Nothing is more important to them than knowing they could bring your vision to reality through their own style.

Our Alpharetta based creative team annually produces over 3,000 game concepts for our clients' game planning and focus group efforts. We also develop a game design catalog featuring new design concepts. All of our designers contribute to these catalogs, which provide an opportunity for creative expression and offer our Account Services team a constant flow of fresh game ideas. Some of the newest game ideas soon to be released in our upcoming Holiday catalog are shown in **Figure 7-4**.

Figure 7-4: Newest Game Ideas

Each year we release hundreds of new game designs to support our Account Services team's game planning efforts.

Leading the Market in Scratch Game Design

The quality of the artwork we provide to the Texas Lottery and all of our lottery customers is second to none. The design process really begins with the artwork, and that begins with the talented group of graphic artists who create your games. They truly understand the intricacies involved in the entire game production process, including the layering of the security inks and coatings, the proper placement of symbols and play areas, and the need to create visually appealing art that will catch a player's eye at retail. When looking around in the retail market, it is important to note that Scientific Games leads the way with innovative design. We don't just copy what is already in the market, we create for the market.

Your dedicated concept artist, Ernest, and the whole Creative Services team are among the most experienced creative team in the industry. Our 32 designers worldwide equal a deep pool of talented artists that regularly create thousands of scratch ticket concepts to continually keep our customers' product mix fresh. Additional information on Scientific Games' innovations can be found in the Options section of our proposal.

In addition to the many design samples that can be found in our recommended concepts by price point and theme in **Section 7.2.1.1**, we have provided **Instant Product Catalog** that includes a variety of scratch ticket games and design ideas.

7.5 Graphic Capabilities & Data Transfer

7.5.1 Timely Graphic Design and Artwork Approval

To provide for timely graphic design and approval of artwork, it is necessary for the Successful Proposer to maintain compatibility and efficient communication with the Texas Lottery. The Successful Proposer shall be required to archive the final artwork for each scratch ticket game for the duration of the Contract.

As a current vendor to the Texas Lottery, Scientific Games is accustomed to providing timely graphic design and approval of artwork. We understand that it is necessary for us to maintain compatibility and efficient communication with the Texas Lottery. Scientific Games will archive the final artwork for each instant game for the duration of the contract, including all renewal periods.

7.5.2 Compatible Software

The Successful Proposer must either use compatible software or provide software to transmit data, to the Texas Lottery's specifications, to exchange artwork files and other files with the Texas Lottery. The cost to acquire or upgrade the application software shall be the responsibility of the Successful Proposer and shall not be included in the Proposal.

The Successful Proposer must utilize the Texas Lottery's Scratch Workflow Automation Program (SWAP) to securely transmit working paper versions and issues. The Successful Proposer will be provided with technical specifications and access for SWAP.

Scientific Games will continue to either use compatible software or provide software to transmit data, to the Texas Lottery's specifications, to exchange artwork files and other files with the Texas Lottery. Scientific Games understands that the cost to acquire or upgrade the application software will be the responsibility of Scientific Games and will not be included in the proposal. We will utilize the Texas Lottery's Scratch Workflow Automation Program (SWAP) to securely transmit working paper versions and issues. We understand that we will be provided with technical specifications and access for SWAP.

7.6 Artwork

7.6.1 Artwork in Electronic Format

Upon execution of the final working papers for each game, the Successful Proposer must *provide color artwork in electronic format including an unscratched version of the ticket, a scratched version of the ticket revealing a top prize winning combination of play symbols, and the back of the ticket which* includes *the UPC code, and all other elements specified in the final working papers and/or approved Customer Specifications Document. This artwork* must *be provided within three (3) Working Days of the execution of the final working papers. Artwork* must *be provided in an Adobe Illustrator file with all font information converted to outline, and in a Photoshop TIF file.*

Within three days of final working paper execution, Scientific Games will provide the Texas Lottery color artwork in an electronic format. The artwork file will contain:

- An unscratched version of the ticket
- A scratched version of the ticket revealing a top prize winning combination of play symbols

- The back of the ticket showing the UPC code and all other elements specified to be included on the back of the ticket in the final working papers
- All other elements specified in the final working papers and/or approved Customer Specifications Document

The artwork will be provided in Adobe Illustrator with all fonts converted to outline and in a Photoshop TIF file.

7.6.2 Approved Artwork Images

The Successful Proposer shall *provide images of the approved artwork from the executed working papers to be used to support each scratch ticket game produced. The size and format of the image* will *be indicated in the working papers for each game or in the approved Customer Specifications Document. The Texas Lottery may also request the layered artwork files for product marketing support.*

We will provide images of the approved artwork from the executed working papers to be used to support each scratch ticket game produced. The working papers or approved customer specifications documents will indicate size and format of the image for each game. We understand that the Texas Lottery may also request the layered artwork files for product marketing support. These files will be provided to the extent that copyright restrictions allow.

7.7 Production Schedule Report

The Successful Proposer shall *be* required *to develop and provide to specified Texas Lottery staff a weekly report that provides current updates on production schedules for all games, including, at a minimum:*

a. Game number
b. Game name
c. Ticket quantity
d. Ticket size
e. Pack size
f. Scheduled press date
g. Scheduled ship date
h. Scheduled delivery date
i. Number of trucks for delivery
j. Date of shipment of test packs to the Texas Lottery's testing vendor.

The dates listed on the production schedule report are for planning purposes only. In the event of any conflict or contradiction between or among the dates listed on the production schedule report and the deliverables schedule in the executed working papers, the working papers will *control.*

Scientific Games currently provides the specified Texas Lottery staff a weekly production schedule report. This report provides current updates on production schedules for each Texas game. As requested, we will continue to provide this report with all of the required information.

We understand that the Lottery uses this report for planning purposes only. In the case of a conflict or contradiction between or among the dates listed in the production schedule report and the executed working papers, the dates in the executed working papers will control.

TPIA §552.110/552.1101

CONFIDENTIAL INFORMATION BEGINS HERE

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CONFIDENTIAL INFORMATION ENDS HERE

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7.8 Working Papers

7.8.1 Working Paper Format

Working papers for each scratch ticket game will *be generated by the Successful Proposer in a format approved by the Texas Lottery. Executed working papers* must *be complete and free of any errors. Production of any scratch ticket game* will *not proceed until the Texas Lottery Executive Director or their designee executes the final working papers and the working papers are executed by the Successful Proposer. Any changes made after the execution of working papers* must *be approved through the execution of a post executed change and signed by the Texas Lottery Executive Director or designee. Scratch ticket game development schedules* will *be established by the Texas Lottery and working papers executed in order to facilitate an orderly process for the production and delivery of scratch ticket games. The Texas Lottery reserves the right to cease production of any executed game that has not been printed yet. The Successful Proposer may invoice the Texas Lottery for actual costs incurred up to the cancellation date; the Texas Lottery agrees to pay such costs up to a maximum of $4,000 per game.*

Scientific Games will generate complete and error-free working papers for each instant game in a format designated by the Texas Lottery. We agree that production of any scratch ticket game will not proceed until the Texas Lottery Executive Director or their designee executes the final working papers and the working papers are executed by Scientific Games. We acknowledge that changes made after the execution of working papers must be approved through the execution of a post-executed change and signed by the Texas Lottery Executive Director or designee. Furthermore, we understand that scratch ticket game development schedules will be established by the Texas Lottery and working papers executed in order to facilitate the orderly process for the production and delivery of scratch ticket games.

We understand that the Texas Lottery reserves the right to cease production of any executed game that has not been printed yet, and that Scientific Games may invoice the Texas Lottery for actual costs incurred up to the cancellation date—up to a maximum of $4,000 per game.

Scientific Games has been generating product documentation for decades, and recognizes that working papers, also called game specifications, are a crucial element of a lottery's instant ticket process. We know that this is one thing that can pose many challenges to a lottery so we created our own in-house database tool, Composer™. Composer combines game-specific information from several specialized tools with general customer-specific requirements, to create a set of game specifications most commonly referred to as working papers. Before these game specifications are sent to the customer, they go through a review process that ensures the information is accurate.

Scientific Games' Composer software benefits the Lottery with:

- Extremely clear graphics and highly legible prize structures
- Supreme ease of navigation and readability
- Ability to import critical customer-specific data from libraries with verified data
- Robust version control and change tracking for reorders and amendments
- Automatic data validation checks for prize structure calculations, ticket and pack sizes, order quantities and pricing

Development of Game Specifications

The results of the game planning efforts by the Insights team, the Account Services and Creative Services teams, and the Lottery finally come together in the game specifications.

The term "game specifications" refers to the set of specifications and standard requirements that define the instant game. The game specifications serve as the contractual promise of how we will produce and deliver the game. Scientific Games' commitment is to create comprehensive, error-free game specifications. In the following section, we detail our capability to offer an electronic review and approval process for the Lottery's game specifications.

Efficiently circulating accurate information from the Lottery to Scientific Games is the overriding concern in the development of all game specifications. To achieve that objective, Scientific Games has deployed a system for the definition, creation, distribution and management of the information found in the game specifications. We have deployed this system for all domestic customers and are deploying it globally for all Scientific Games instant game manufacturing facilities as part of a major game specifications standardization initiative.

The game specifications system, Composer, focuses on data and efficiency. Built on a modern database architecture and using the latest programming methods, the game specifications system is actually a suite of interconnected applications and databases that feed data into a central game specifications application. Each application is highly specialized for a specific function. Composer includes the following components:

- Main game specifications application
- Prize structure database
- Font and layout database
- Programming parameters library
- Retail validation code library
- Pricing database
- Address book

COMPOSER™

Composer – Standardized throughout our facilities around the world, this suite of interconnected applications and databases feed data into a central working paper application, improving quality and efficiency.

Each component provides critical information needed for each game. The main game specifications application pulls standard and specific information for each game from the components.

The Account Director maintains the information in the component applications as requirements change, so that new games will always have access to the most updated and accurate data.

The Account Director can quickly add the information from each component into the game in the main game specifications application. Instead of inputting freeform text in a document, the Account Director enters data into the game specifications application by importing from the supporting components. They accomplish this in a very structured manner: typing in text fields, checking boxes or selecting items from dropdowns. This method enables the Account Director to compile the specifications for the game more efficiently, and it improves the accuracy of the information in the final document.

The Composer system enforces game consistency throughout the manufacturing process. This integration ensures that the game the Lottery originally conceived and ordered is the game that ships to your warehouse. This integrity is a key element of every instant game's security.

By adding reporting templates to the main game specifications system, we can format the same data set into other types of documents, such as press run cards and game rules and regulations. The data is the same, but we have reformatted it into a different report format. **Figure 7-5** provides an overview of the architecture of our proprietary game specifications system, including the inputs and outputs of the system.

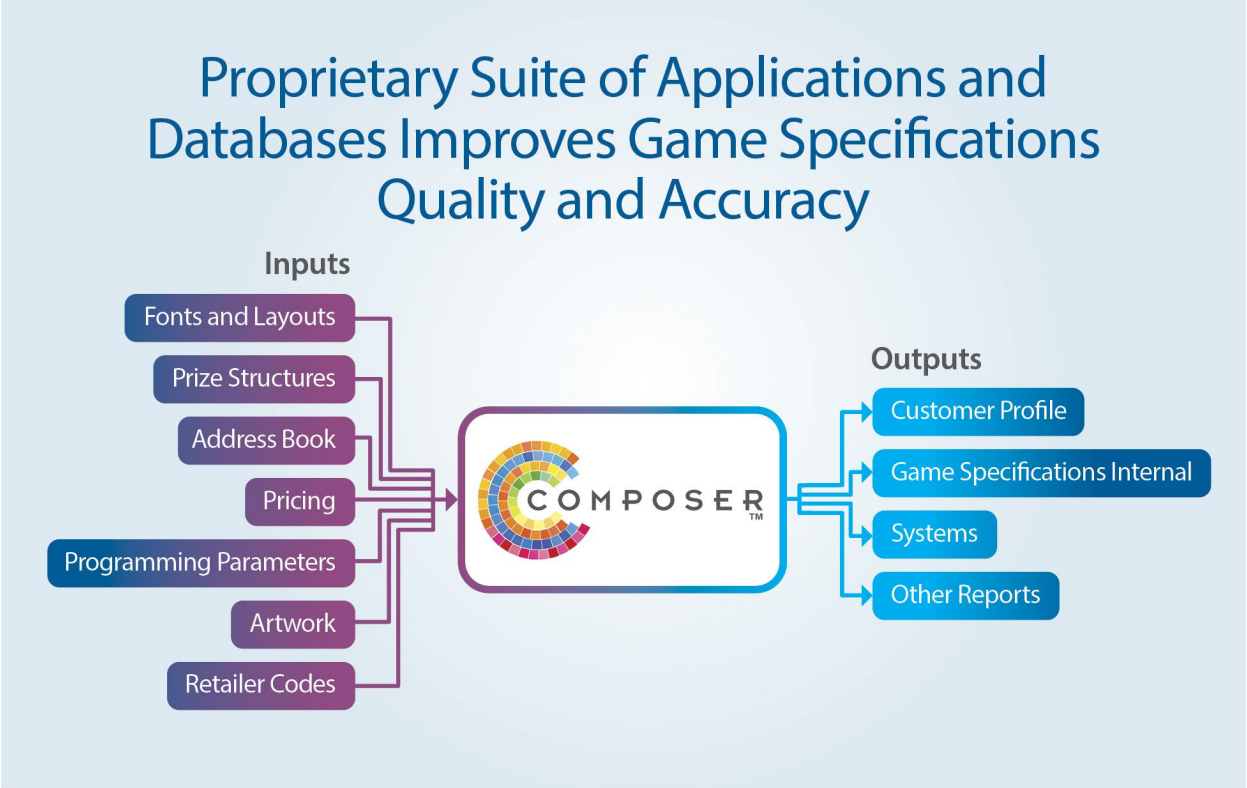

Figure 7-5: Overview of Architecture

Delivering accurate game specifications is a key competency of any print vendor. The Composer system has automated validation and verification checks to achieve this goal.

First of all, the Composer data is centralized in the main game specifications application.

Second, in certain critical databases, such as the prize structure and font and layout subsystems, Composer automatically audits data upon creation. For example, in the prize structure subsystem, once a user has entered the user-defined data—such as order quantity, pool and pack size, price point, prize level and winners—the prize structure subsystem makes all the calculations needed for odds, winners per pool, winners per pack, total prize value, prize fund percentage, etc. This greatly decreases the possibility of user errors in the calculations. Similarly, when a user creates font collections for the game, the Font and Layout subsystem will verify that each symbol they add to the collection will fit properly to its position on the image layout. This happens as soon as a user saves a font table, which helps identify potential problems quickly and early.

Third, once a user pulls certain data into the game specifications application for a particular game, the game specifications application performs additional validation checks on the game data. For example, when a user imports the prize structure into the game specifications, Composer compares the prize structure order quantity to the game specifications order quantity to prevent a mismatch. Additionally, the game specifications application can compare the prize structure information and verify that it only pulls the required retailer validation codes needed for that prize structure into the game data. These integrated subsystems work with each other to ensure accuracy. The other component applications in the system work in similar ways. **Figure 7-6** summarizes the various components and how they improve the accuracy of the game specifications.

Figure 7-6: Game Specifications Components and Benefits

Game Specification System Component	Benefits
Main Game Specifications Application	■ Game information is better organized, and users can enter it more quickly. ■ The application tightly integrates game specification data with customer profile standards. ■ Automated version controls ensure that the latest information is produced in the game specifications document. ■ The application automatically validates and verifies key information when entered. ■ Document templates make sure game specifications are consistent and provide flexibility to meet customer-specific preferences. ■ Amendments reflect before-and-after values (in most cases), providing specific descriptions of changes.

Figure 7-6: Game Specifications Components and Benefits

Game Specification System Component	Benefits
Prize Structures	■ The system conducts calculations of prize-level information (gets, wins, total winners), improving accuracy. ■ A user cannot alter calculations, eliminating common prize structure errors. ■ The application better organizes prize structure format, making them easier to read. ■ Prize structure version control and tight integration within Composer eliminate potential for duplicate numbers and confusion. ■ Users can easily and quickly import Lottery-provided prize structures into the system. ■ We can easily accommodate customer-specific preferences for prize-level ordering, second-chance drawings, Next Gen Loyalty, etc.
Fonts and Layouts	■ A library of over 500,000 play and prize symbols offers a wide array of choices and creates efficiencies. ■ Users can quickly and efficiently generate new game font tables. ■ The system organizes font symbols by customer and game number for ease of reference. ■ A library of standard image layouts for most playstyles, ticket sizes and customer validation requirements saves time in game development. ■ The system automatically audits font symbols by size, ensuring proper fit with image layouts. ■ The system version controls and tightly integrates fonts and layouts, eliminating risks of using an incorrect version.
Programming Parameters	■ A library of defined parameters, built by our Game Creation Audit team and specific to customers and playstyle, offers convenience and efficiency. ■ The Composer program tightly integrates parameters; users import them from Composer for each game, depending on playstyle and feature, creating efficiency and consistency. ■ Parameter language is specific for each customer, creating consistency from game to game for each game type. ■ We can easily accommodate non-standard ad hoc parameters. ■ The system allows users to create games more efficiently and allows customers to know we are always using their specific parameters.

Figure 7-6: Game Specifications Components and Benefits

Game Specification System Component	Benefits
Retail Validation Codes	■ We have a central database for all required and reserved agent letter codes by customer. ■ Composer and the prize structure applications tightly integrate codes. ■ Composer can analyze the prize structure to show only the letter codes needed for that particular game, simplifying the appearance in the game specifications. ■ The system maintains the list of retail validation codes for each lottery in one location, so that game specifications are always accurate and updated.
Address Book	■ A central database of key contact information related to each customer, including game specifications contacts, security contacts, and shipping and warehouse contacts, provides easy access and accuracy. ■ The system tightly integrates the Address Book application with Composer for easy access. It manages contact information and ensures that game specifications are accurate and current.
Pricing	■ The system tightly integrates contract pricing for each customer, maintained in the pricing database, with Composer for easy access and accuracy. ■ Users can easily import pricing into the game specifications and configure it according to the pricing model (percentage, price per thousand or standard pricing) for each specific customer. ■ Composer calculates price per thousand totals for per-thousand pricing, eliminating errors. ■ The system automatically updates pricing based on ticket order quantity with any order quantity change. ■ The system consistently formats the game specifications pricing page, for ease of understanding.

We connect the databases to various downstream systems in Game Development and Production, so the final approved data in the main game specifications system can directly feed the systems we use to program, print and package the game. Users do not need to manually enter the game specifications information into these downstream systems, decreasing the chances of rekeying errors or out-of-date information.

Game Specifications Review and Approval

Before you receive game specifications, they have already undergone review from the Game Creation Audit team, whose sole, unbiased focus is to make sure the game specifications document is accurate, follows customer requirements and remains true to the spirit of the game. This includes an audit of artwork, prize structure, fonts, layouts, programming parameters and the document as a whole.

The audit begins at game concept art and continues throughout the game development process with production approval, game specifications draft review and customer revisions until the game specifications document is ready for final approval. The multiple audit levels aid in minimizing game specifications amendments.

7.8.2 Working Papers

Working papers for each Texas Lottery scratch ticket game will at a minimum include, but not be limited to, specifications for the following:

a. Game name, number, date and version.

b. Color version of ticket, covered, uncovered and overlay at 100% and for tickets under 5", at a larger resolution for legibility purposes.

c. Back of ticket at 100% and for tickets under 5", at a larger resolution for legibility purposes.

d. Ticket size and paper stock to be used.

e. Uniform Product Code (UPC) number, which is unique to each game.

f. Placement of bar code on uncovered ticket.

g. Front display colors, overprint colors, and security tint colors.

h. Description of play style.

i. Quantity ordered.

j. Orientation of ticket front and back, and press layout configuration.

k. Pack size and configuration.

l. Prize structure including: game name, number, date and version, ticket price point, production quantity, percent of prize payout, net revenue generated, each tier level for prizes and play action indicating how each tier is won, odds per prize level, overall odds of winning any prize in the game and consolidated odds if there is more than one way to win a prize, winners per pack and per pool, prize cost and percent of prize fund dedicated to each prize level, and percent of prize fund dedicated to low, mid and high tier prize levels, designation of low, G-tier (if included), mid and high tier prizes, Guaranteed Low-End Prize Structure (GLEPS) for each pack of tickets - broken out into a minimum of four (4) different GLEPS patterns and number of winners per pack. Prize structure may include information pertaining to prizes awarded via promotional second-chance drawings, if applicable. Prize structure may be required to show a statement that all top prizes and combination of prizes totaling the top prize are guaranteed.

m. Ticket layout for front and back imaging.

n. Description of location and/or float of the validation number, bar code and UPC code.

o. Detail of all actual size of legends, play spots, captions, numbers/symbols, and prize spots

p. Programming parameters or constraints as directed by the Texas Lottery.

q. Deliverables schedule.

r. Order and price confirmation page. (The Texas Lottery SWAP system will provide electronic means for sign-off approval by the Texas Lottery.)

s. Color ink details, including proposed options such as varnish, tints, metallic inks, fluorescent inks, etc.

(t) Any other production requirements, including but not limited to holographic material applications, alternative ticket stock, hologram applications, etc.

(u) As required, licensed property documentation, promotion details, non-cash prize details, etc.

Scientific Games will prepare formal working papers for each instant game produced by the Lottery.

The working papers will reflect detailed production specifications and include, at a minimum, but not be limited to the following:

a. Game name, number, date and version.
b. Color version of ticket, covered, uncovered and overlay at 100% and for tickets under 5", at a larger resolution for legibility purposes.
c. Back of ticket at 100% and for tickets under 5", at a larger resolution for legibility purposes.
d. Ticket size and paper stock to be used.
e. Uniform Product Code (UPC) number, which is unique to each game.
f. Placement of barcode on uncovered ticket.
g. Front display colors, overprint colors, and security tint colors.
h. Description of play style.
i. Quantity ordered.
j. Orientation of ticket front and back, and press layout configuration.
k. Pack size and configuration.
l. Prize structure including, game name, number, date and version, ticket price point, production quantity, percent of prize payout, net revenue generated, each tier level for prizes and play action indicating how each tier is won, odds per prize level, overall odds of winning any prize in the game and consolidated odds if there is more than one way to win a prize, winners per pack and per pool, prize cost and percent of prize fund dedicated to each prize level, and percent of prize fund dedicated to low, mid and high tier prize levels, designation of low, G-tier (if included), mid and high tier prizes, Guaranteed Low-End Prize Structure (GLEPS) for each pack of tickets—broken out into a minimum of four different GLEPS patterns and number of winners per pack. Prize structure may include information pertaining to prizes awarded via promotional second-chance drawings, if applicable. Prize structure may be required to show a statement that all top prizes and combination of prizes totaling the top prize are guaranteed.
m. Ticket layout for front and back imaging.
n. Description of location and/or float of the validation number, barcode and UPC code.
o. Detail of all actual size of legends, play spots, captions, numbers/symbols, and prize spots.
p. Programming parameters or constraints as directed by the Texas Lottery.
q. Deliverables schedule.
r. Order and price confirmation page. (The Texas Lottery SWAP system will provide electronic means for sign-off approval by the Texas Lottery.)
s. Color ink details, including proposed options such as varnish, tints, metallic inks, fluorescent inks, etc.
t. Any other production requirements, including but not limited to holographic material applications, alternative ticket stock, hologram applications, etc.
u. As required, licensed property documentation, promotion details, non-cash prize details, etc.

Sample Working Papers

As the Texas Lottery's current instant ticket vendor, Scientific Games provided executed working papers for 31 games in 2020 and 28 games in 2021. We have made certain that our working papers include the Texas Lottery's required game specifications. Should the Lottery alter the requirements for working papers, Scientific Games will accommodate the request.

7.9 Customer Specifications Document

Each game must *adhere to the requirements detailed in the Customer Specification Document and the executed working papers. The Customer Specifications Document* must *be complete and free of any errors.*

Each game printed by Scientific Games will adhere to the requirements detailed in the customer specifications document and will be complete and free of errors.

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8.1
Game
Production

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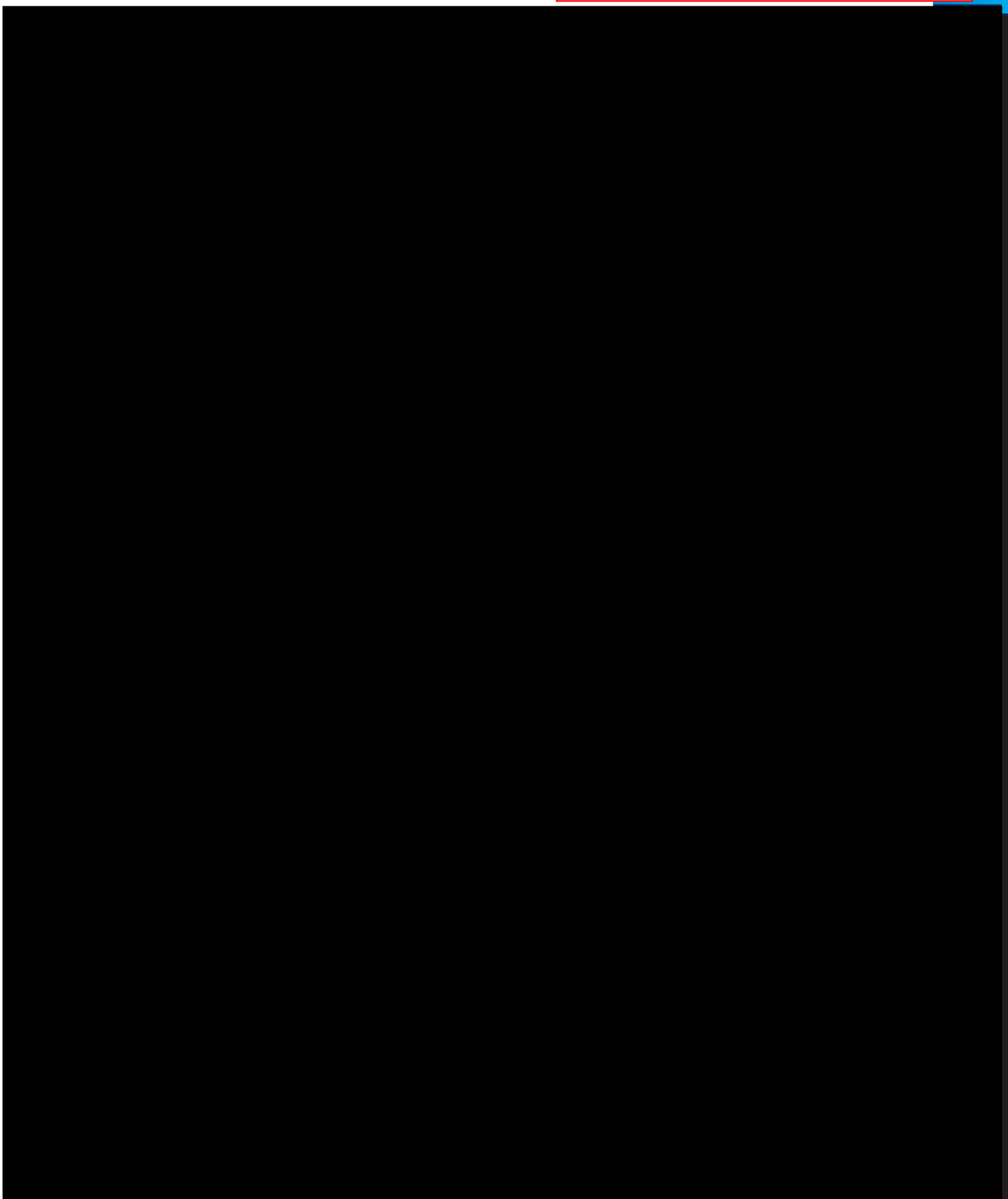

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SCIENTIFIC GAMES

8. Scratch Ticket Manufacturing and Services

8.1 Overview of Ticket Manufacturing Methods

Proposers must *provide a detailed description of the methods to be employed in the manufacturing of tickets. Each of the major manufacturing steps* must *be identified and described. The Texas Lottery is committed to ensuring the highest standards of security and integrity are incorporated in its products. Proposers should provide details regarding security procedures and controls.*

In this section, Scientific Games provides a detailed description of the methods employed during the manufacturing of instant tickets. We understand that the Texas Lottery is committed to ensuring the highest standards of security and integrity are incorporated in its products. Therefore, in the following section, we have identified and described each major manufacturing step detailing the rigorous security procedures and controls that we currently use.

Security in Every Step of Our Manufacturing Process

The security of the Texas Lottery's games is the principal and overriding concern in all aspects of the Alpharetta instant ticket operation.

Our manufacturing starts with physical controls administered by the on-site security team. Facility security is achieved by deploying state-of-the-art digital systems in conjunction with aesthetically designed physical barriers and a full array of devices that mitigate physical threats against our business operations. Our comprehensive security services include personnel, facility, process, awareness and risk management programs administered by security professionals and supported by effective policy and procedures and an involved management team.

Our security process continues with the logical controls that protect the game data. In general, these controls, like physical controls, keep people out. No person at Scientific Games can determine the location of any winning or losing ticket in any game. Multiple and overlapping controls ensure that the game data is completely protected from internal and external threats. This includes all algorithms, all data files, the game production process, the reconstruction process, the prize balancing process and all other aspects of information security. We have an information security management system and maintain the prestigious ISO 27001 security certification.

Finally, during ticket production, we take meticulous care to make sure that all tickets pass rigorous security tests. We perform these tests throughout every game production run and verify that the play areas of the tickets can withstand compromise techniques in the field. These security test methods and practices are constantly evaluated and updated to ensure that our tickets continue to resist cutting-edge fraudulent techniques and technology as they are developed and attempted.

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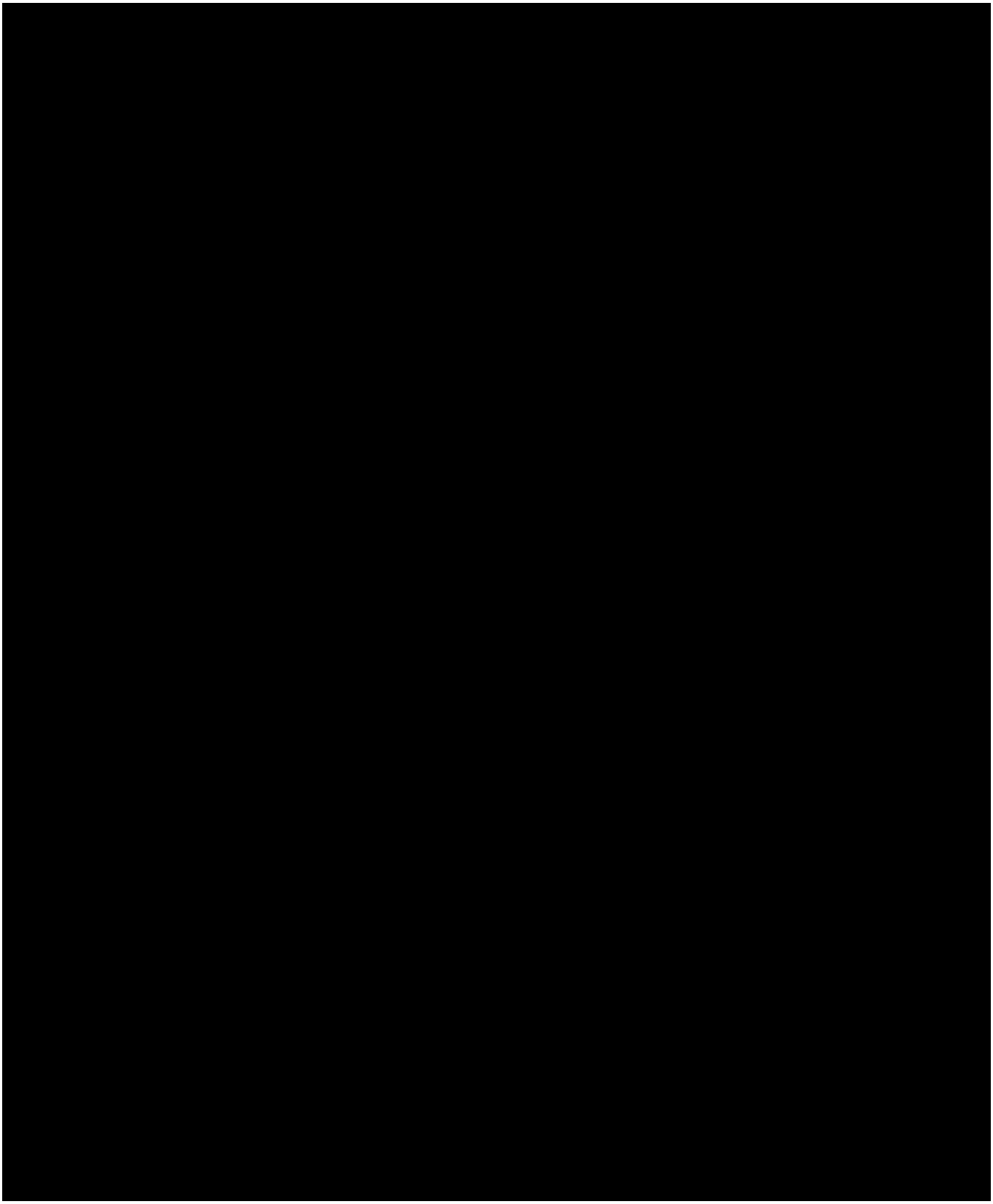

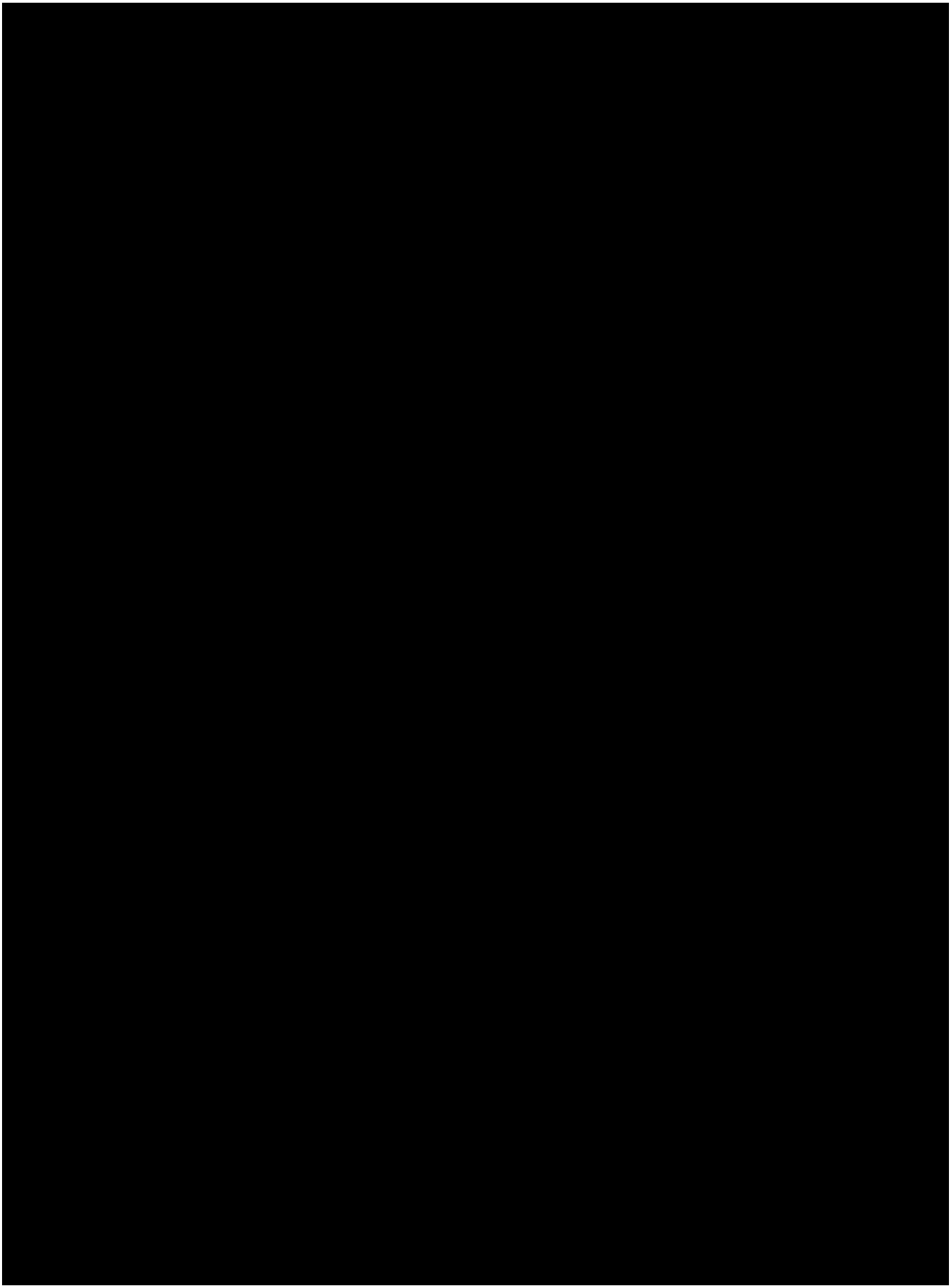

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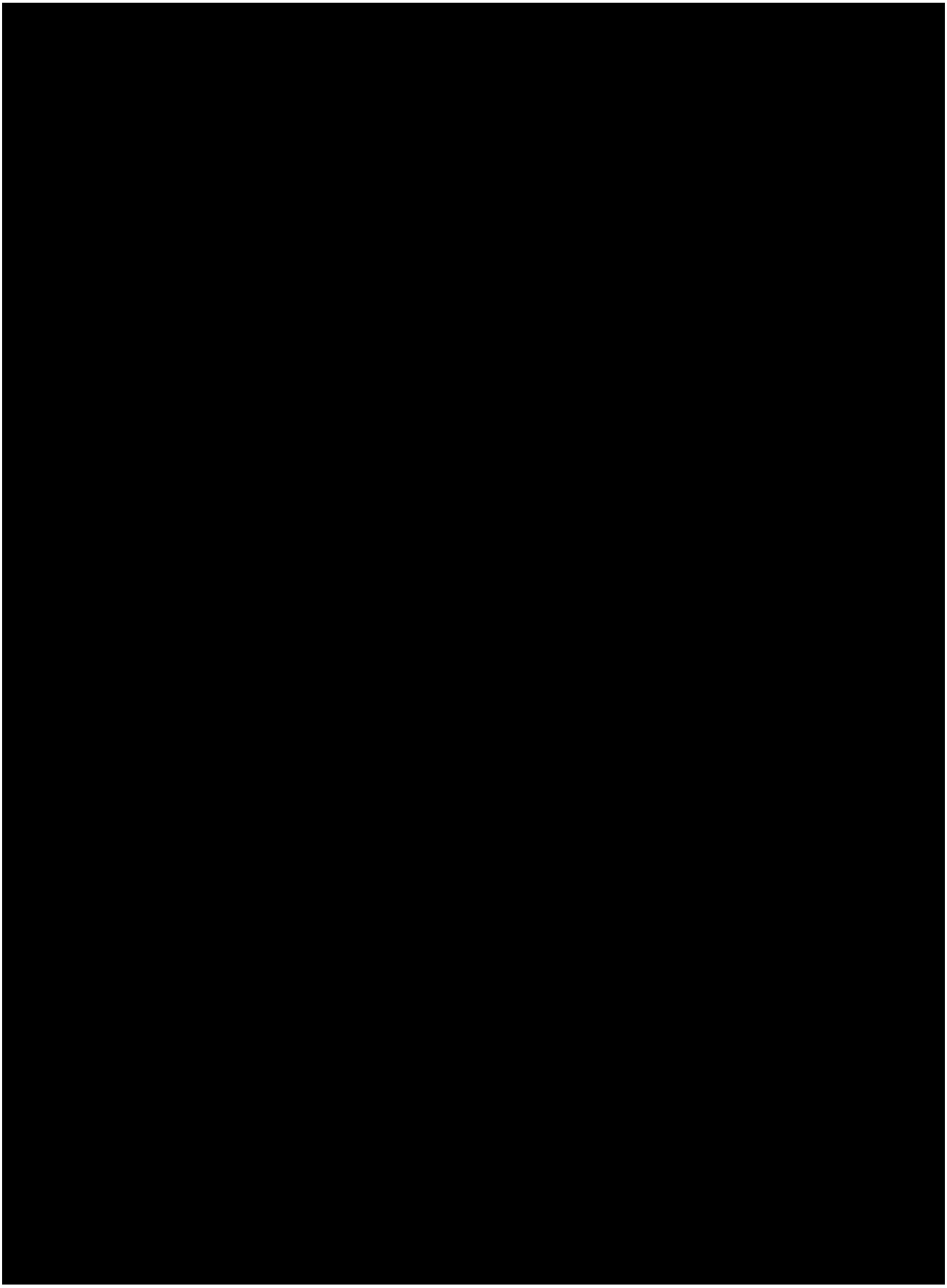

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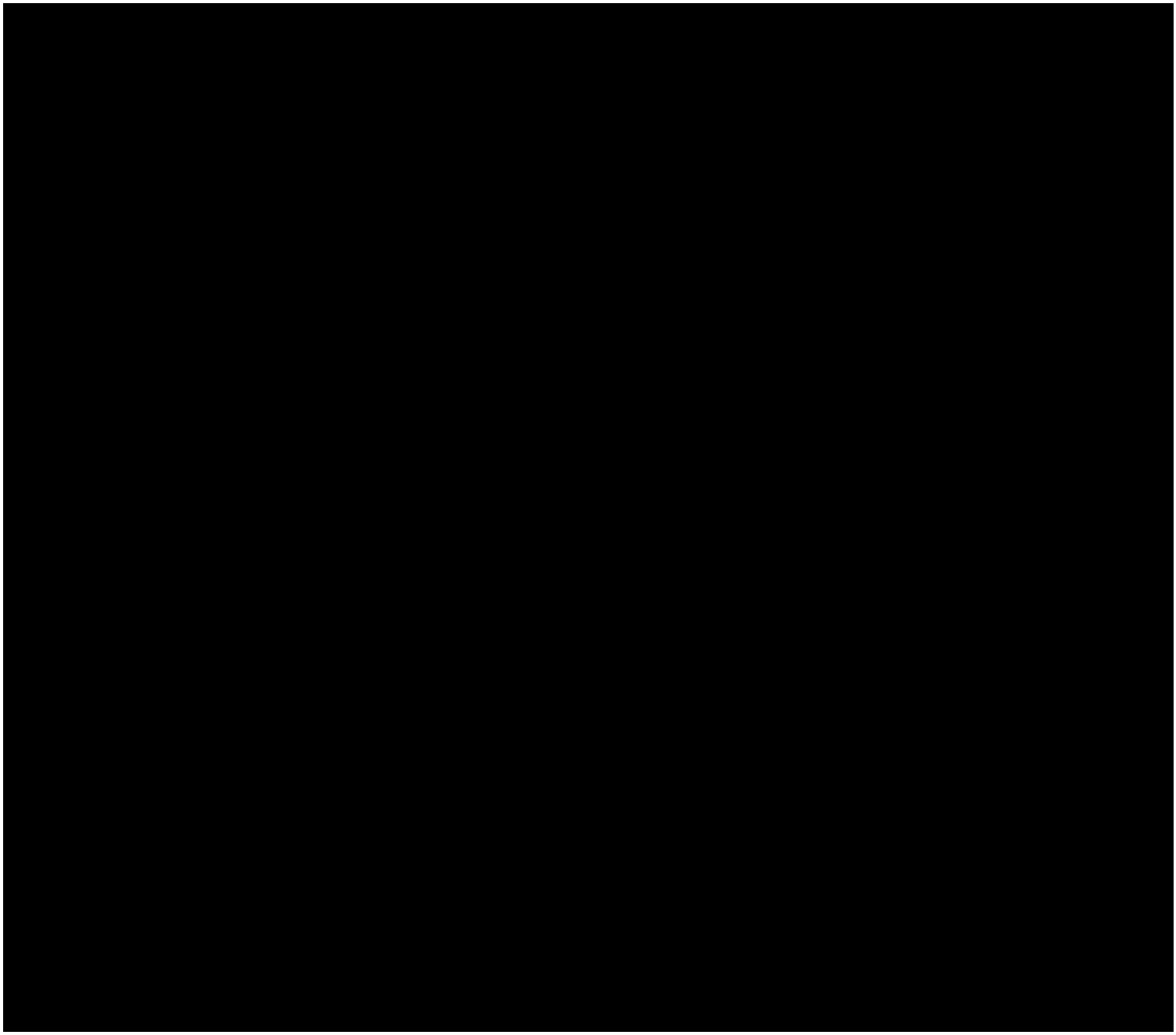

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KDS360

Game programming continues to develop and implement new systems and tools that improve the security, accuracy and efficiency of the game development process. This includes refining all current processes as well as developing new solutions that make the games more secure and the process more efficient.

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Methods of Printing and Production

In this section, Scientific Games provides a description of the methods to be employed in the manufacturing of scratch tickets. Each of the major production steps are identified and described.

Keeping Your Scratch Tickets Pandemic Safe

At Scientific Games, our priority remains the safety of our employees, our customers and our business partners; and we are taking a variety of actions to help ensure that we meet the demands of the global COVID-19 crisis. As one vital step, we amended our production process to include continuous cleaning and sanitizing, social distancing, employee education and deep clean procedures as needed.

Scientific Games remains committed to providing the Texas Lottery quality, secure products and services during this pandemic and beyond.

In all operations, we have adapted to meet all challenges during the past two years and in the following pages, you will see examples of how we have modified our processes since the beginning of the pandemic in 2020.

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From Production to Warehouse

Keeping Your Instant Products Pandemic Safe

Production Process

Instant Products are printed using:
High temperatures
Isopropyl alcohol[1]
Ammonia[2]
UV light[3]

All extremely effective for the destruction of COVID-19 and other pathogens

6ft **Social distancing** + **Continuous cleaning programs**

+Continuous Cleaning

- Disinfecting work areas **every 3 hrs**
- Cleaning of common areas **2-3 times per shift**
- Hand-sanitizing stations at **every** entrance, common areas and on production lines

Packaging

Cleaned and sanitized with VIREX TB every **3hrs.**

VIREX TB

kills virus in **2 minutes**

Used **daily**

Used in **continuous** cleaning and deep clean

Once applied to surface it **continues** to kill[4]

- Established **quick-response** service-level agreement with cleaning service + additional deep-clean service if required
- **Staggered** breaks/lunches
- **Suspended** clock in/out procedure

Warehouse Delivery

CDC Guidelines state:
COVID-19 virus only remains viable for a maximum of **3 days** on plastic and cardboard

Even if tickets were briefly exposed before the shipping box was closed, COVID-19 will have deteriorated before that box is opened in the customer's distribution warehouse. The process from box closing to box opening is at least **5 days**.

SCIENTIFIC GAMES

Unequivocally committed to the safety of our employees, our customers and the players.

1. https://www.cdc.gov/coronavirus/2019-ncov/prevent-getting-sick/cleaning-disinfection.html
2. https://www.epa.gov/pesticide-registration/list-n-disinfectants-use-against-sars-cov-2
3. https://www.ncbi.nlm.nih.gov/pubmed/14631830
4. https://hub.jhu.edu/2020/03/20/sars-cov-2-survive-on-surfaces/

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Scientific Games' Alpharetta Plant Delivers

Developing, executing, printing and ultimately selling billions of scratch tickets every year is an incredibly complex process that involves multiple disciplines working hand in hand every step of the way. From working papers to shipping, Scientific Games offers to the Texas Lottery unmatched skill and bandwidth in all areas of game production.

Four state-of-the-art presses. Ten finishing lines. Thirty gifted programmers (and 70 worldwide). Nineteen talented artists. Fifteen skilled analytics and insight experts. More than a dozen cutting-edge platforms—including Keyed Dual Security (KDS) 360, Composer, MAP and GameGallery—to ensure that we deliver the 100 million packs we ship each year to our customers on time, at the highest quality and integrity, in the right quantities.

How does it benefit the Texas Lottery? We make decisions faster. Our teams solve problems faster. Collaboration harnesses creative energies. Our strengths result in sharper artwork, better working papers, more innovation and more responsive to our customers. Our teams work together and capitalize upon opportunities for our customers.

And perhaps most important, the Alpharetta plant enables superior speed to market. More than any other vendor, Scientific Games can bring new products, new systems and new promotions to market when every minute matters and every hour lost affects a lottery's bottom line, which, in turn, impacts the good causes they support.

We also recognize the benefits of having resources around the world that enable us to react quickly to opportunities wherever—and whenever—they may arise, 24/7. For this purpose, in addition to our Alpharetta facility, we have offices across the U.S. and around the globe that contribute daily to our customers' success. The Texas Lottery, for instance, has benefitted from the flexibility we provide with our Canada-based facility, as Scientific Games has produced Texas tickets in Montreal. With additional printing facilities in Europe (Leeds, UK) and South America (Santiago, Chile), our customers worldwide benefit from the global experience our international teams provide. Our capacity, experience and more explain why Scientific Games produces over 69% of the global supply of scratch tickets.

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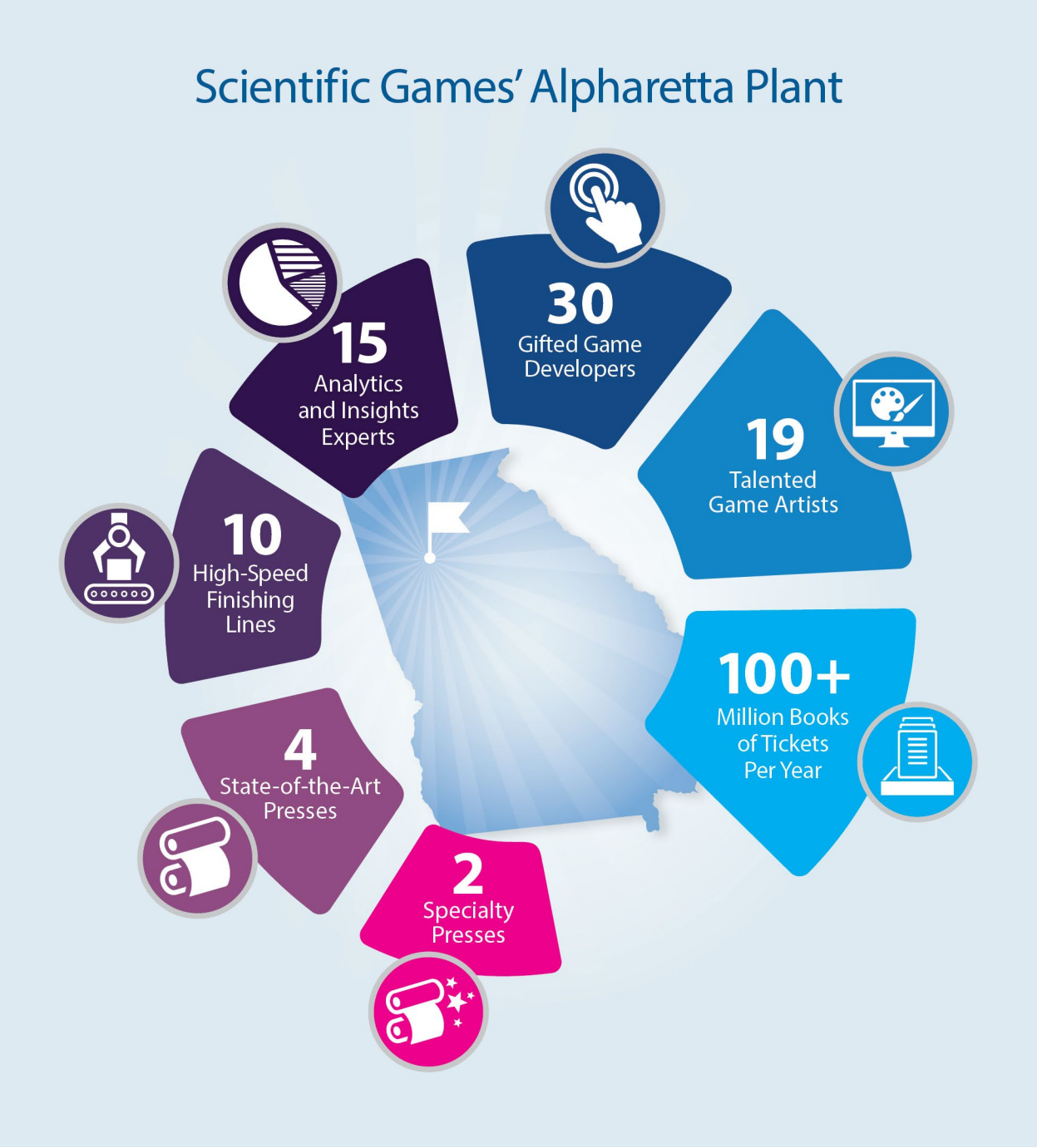

Scientific Games' Methods of Printing and Production

Scientific Games follows a very specific production methodology, which allows us to consistently deliver product that meets the high quality the Texas Lottery has come to expect. From game design to shipping, our goal is to provide the Lottery with quality products that are secure, accurate and marketable.

When reviewing a vendor's ability to print scratch games, it is critical to consider its ability to coordinate the execution of thousands of details for multiple games while maintaining the highest levels of quality and security. The vendor's commitment to protecting the Lottery's image and integrity with the public is also of vital importance. Scientific Games is that vendor. As your scratch ticket partner, Scientific Games' ticket printing processes are beneficial to the Texas Lottery in these key ways:

- **Security** – For the past decade, Scientific Games manufacturing has been the subject of a comprehensive security audit conducted by Delehanty Consulting. Delehanty Consulting has been conducting independent security audits for North American lotteries for the past 13 years. Scientific Games consistently receives the rating of 'Exceptional'.

We believe that it is important for the Texas Lottery to review any independent audit reports (including Delehanty) of all vendors in order to obtain an independent and expert perspective of each vendor's security rating.

Risks are higher in today's market because scratch games routinely include top prizes in the tens of millions of dollars, which heightens the need for absolute excellence in security. Throughout this section we reference our patented and proprietary Keyed Dual Security (KDS360) systems, as well as clearly demonstrate why Scientific Games is the most secure scratch game manufacturer in the industry.

- **Quality** – Scientific Games delivers scratch games of the highest quality. Our policy is to build quality into our processes, not rely entirely on post-production inspection to remove poor quality product. This includes automated monitoring systems such as our Real Time Marking (RTM) system. Our employees working in all phases of production are committed to our ISO 9001:2015 quality management system.
- **Bandwidth** – We use this term to mean the full game development capabilities of your supplier. Not only does Scientific Games have the highest print and finishing capacity in the business—but

Our people and systems ensure that we can do all of this work right the first time. These key components keep the games rolling from concept to game specifications to shipment to game closure. We offer the Texas Lottery unmatched depth and expertise in ALL game facets, not just ticket production capacity.

we can also produce and deliver more artwork, more game specifications, more game programming, more plates, more ticket proofs, more hash files, more validation files and more game services. Our bandwidth is also very important because Scientific Games has the capacity to conduct press trials of new products and materials.

- **Innovation** – Scientific Games' Research and Development teams of programmers, analysts, chemists, and other technical professionals enable the Global Innovation group to consistently improve, enliven and invigorate the scratch product. Machinery and equipment which allow for the generation of new innovations must be incorporated into the overall production system in a seamless flow. Our significant investments in the latest technology, along with our expertise in secure, quality and timely production, allows us to honor our commitment to you to consistently provide the newest and best lottery experiences for your valued players.

Innovation and bandwidth are linked together. Scientific Games' production capability allows for time on press to test new products.

Scratch Ticket Manufacturing

The production of a secure, accurate and successful scratch game—starting only with paper and ink as the basic raw materials—is a truly remarkable undertaking. The end product represents a complex mixture of the sciences—chemistry, mathematics and engineering—in collaboration with the disciplines of computer science, logistics, management and communications, supported also by marketing, art, law and politics. Considering that game volumes are counted in the tens of millions and production speeds are measured in excess of tens of thousands of tickets per minute, one cannot fail to realize the complexity of the scratch product and the sophisticated skills and systems necessary to produce it successfully.

Yet, even though the manufacturing of a scratch game is an extremely complex process, the process can be broken down into a few primary steps as identified in **Figure 8-2**.

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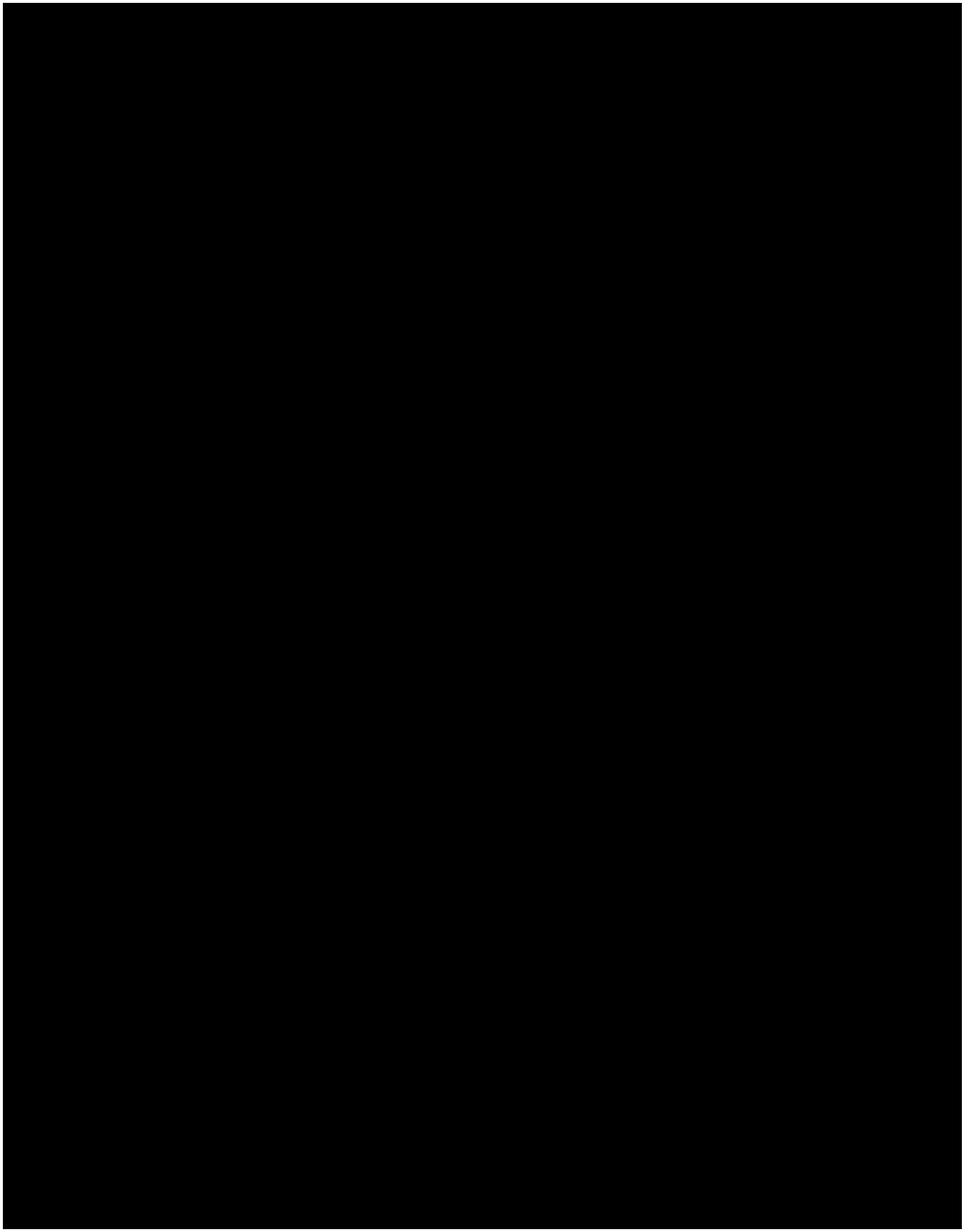

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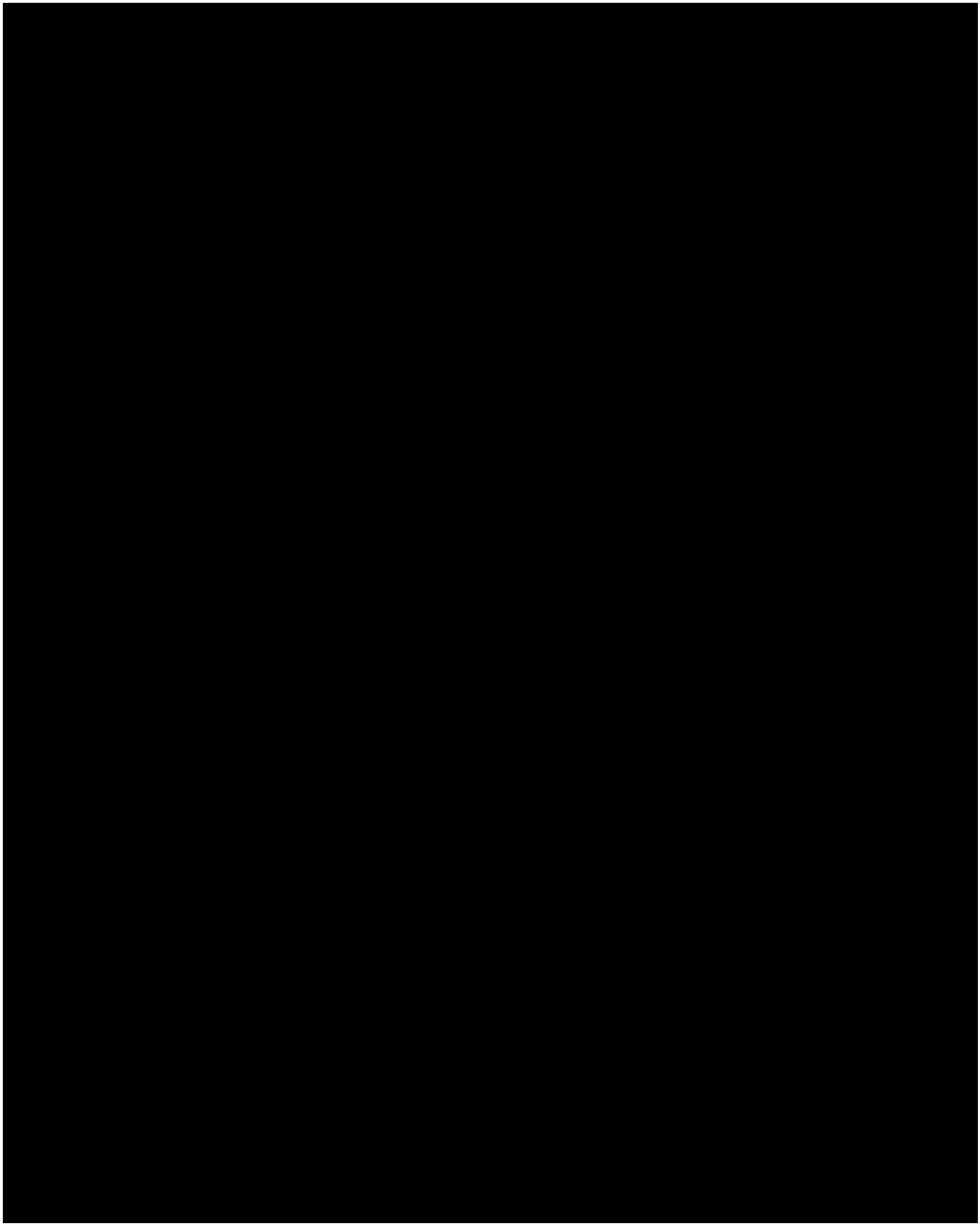

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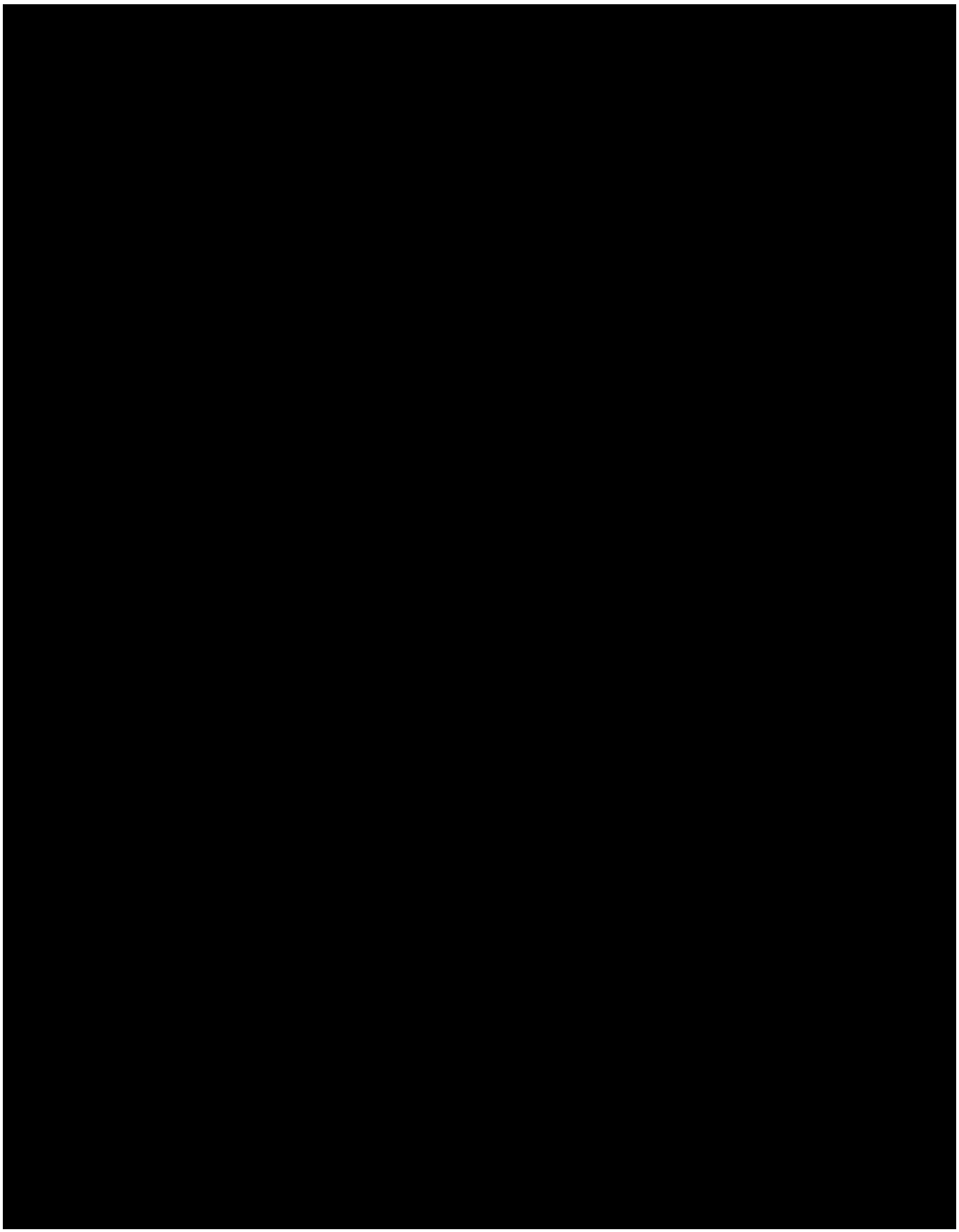

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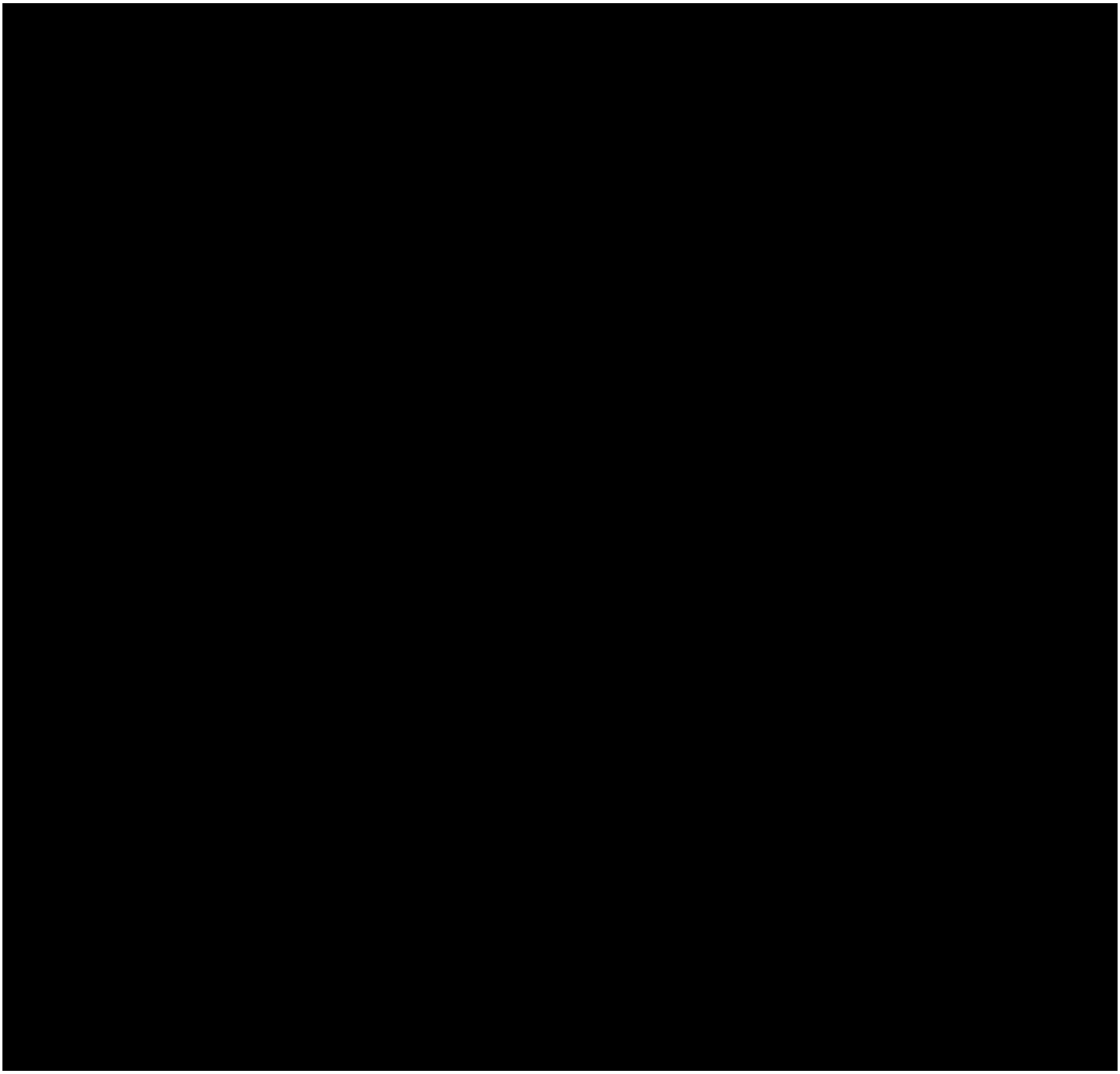

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Printing

With eight presses operating worldwide, our global teams work together, sharing knowledge and best practices that benefit all of our customers. We continually make major investments in our printing equipment. Having purchased and deployed more lottery printing presses than all other lottery vendors combined, we continue to be at the forefront of developing the sophisticated technology in use in the industry today.

Each of our presses is actually a 'printing system'. Our printing systems are an engineering marvel of combined technology systems, integrating sophisticated imaging systems, custom-designed drying and curing units, inspection cameras and data capture systems within the print units. But while we have some of the most modern printing systems in the industry, they are merely the tools of our trade directed by the expert print professionals at Scientific Games.

One of the most important benefits derived from working with Scientific Games is the skill and craftsmanship of our experienced press teams. We offer to the Texas Lottery the deepest and most experienced team of lottery printing professionals, unmatched by any other vendor. The most senior of these experts have been instrumental in printing tens of thousands of scratch games. It is impossible to replicate this knowledge in a classroom or on a computer. When also factoring in our team's intense passion and pride, all of our clients know they can count on receiving the best quality scratch games time after time.

Benji Carlisle
Press Lead

Currently a lead pressman, Benji Carlisle brings over 40 years of lottery printing experience. Credited with bringing three of our presses on-line, Benji's intimate knowledge of the presses trickles down to his crew, aiding in the smooth printing of even the most complex game designs.

"I take great pride in the capabilities of my crew and what we accomplish every single day."

Our Four Alpharetta Presses

We deliver exceptional reliability, flexibility and capacity to the Texas Lottery. Each of our four presses feature specialized print capabilities that produce diverse game designs, ticket sizes and play styles. We use the most appropriate of our four Alpharetta flexographic presses to produce games for the Texas Lottery.

On the following pages, we provide schematics of each press.

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Major Printing Steps

In the following section, we provide an overview of each of the major steps involved in the printing of scratch games to highlight the attention and care exercised to ensure every Texas Lottery game is produced with the highest level of quality, integrity and security.

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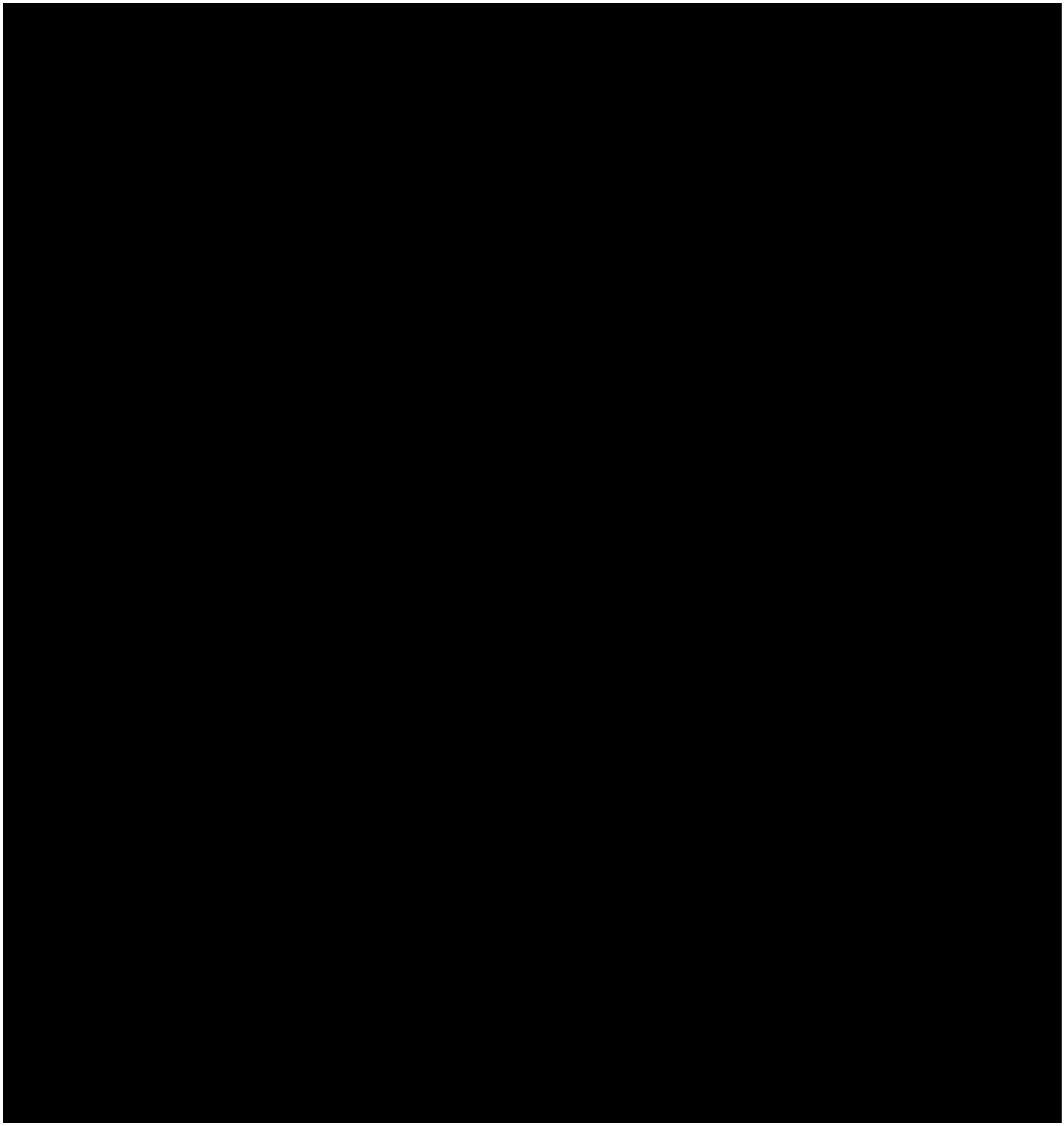

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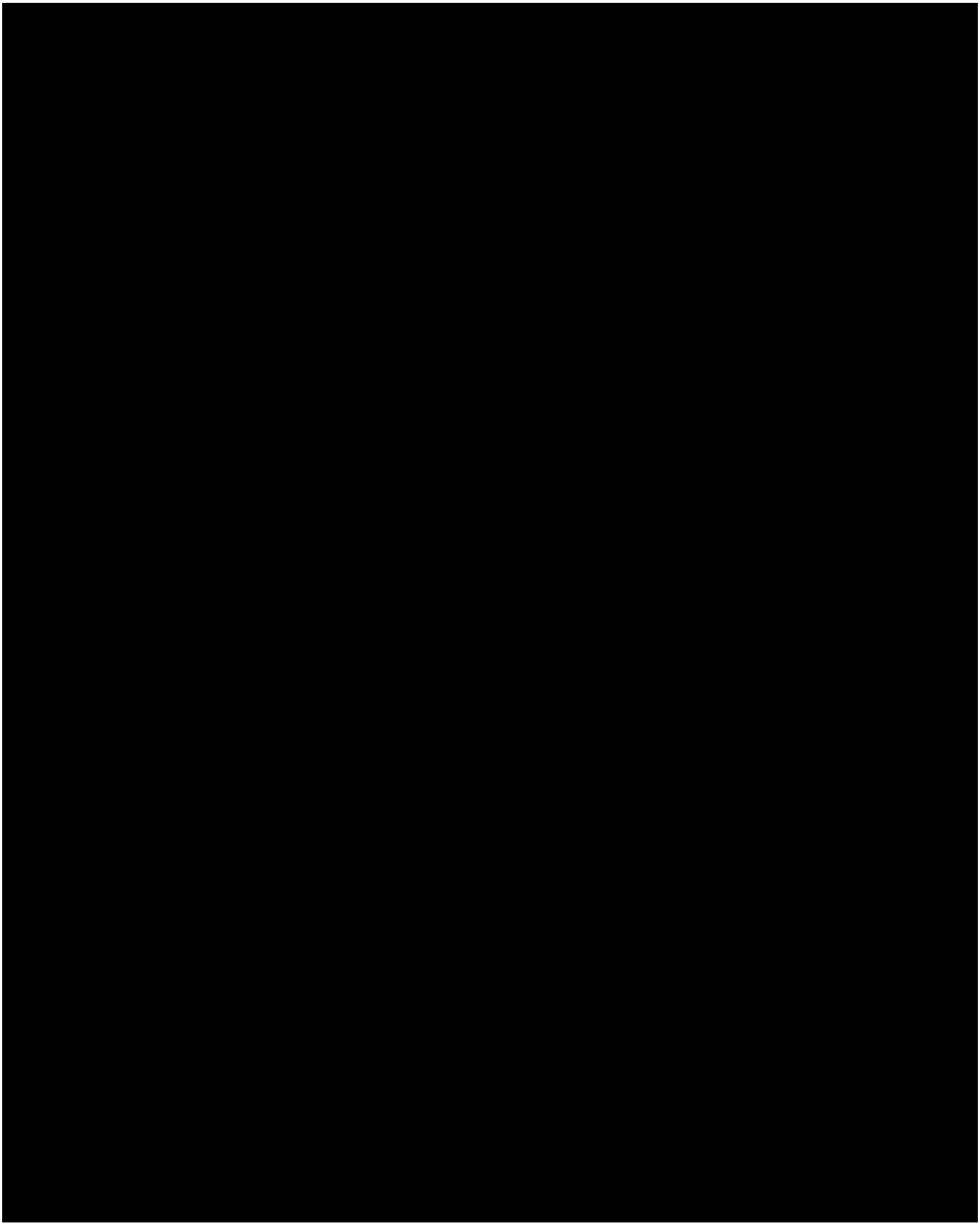

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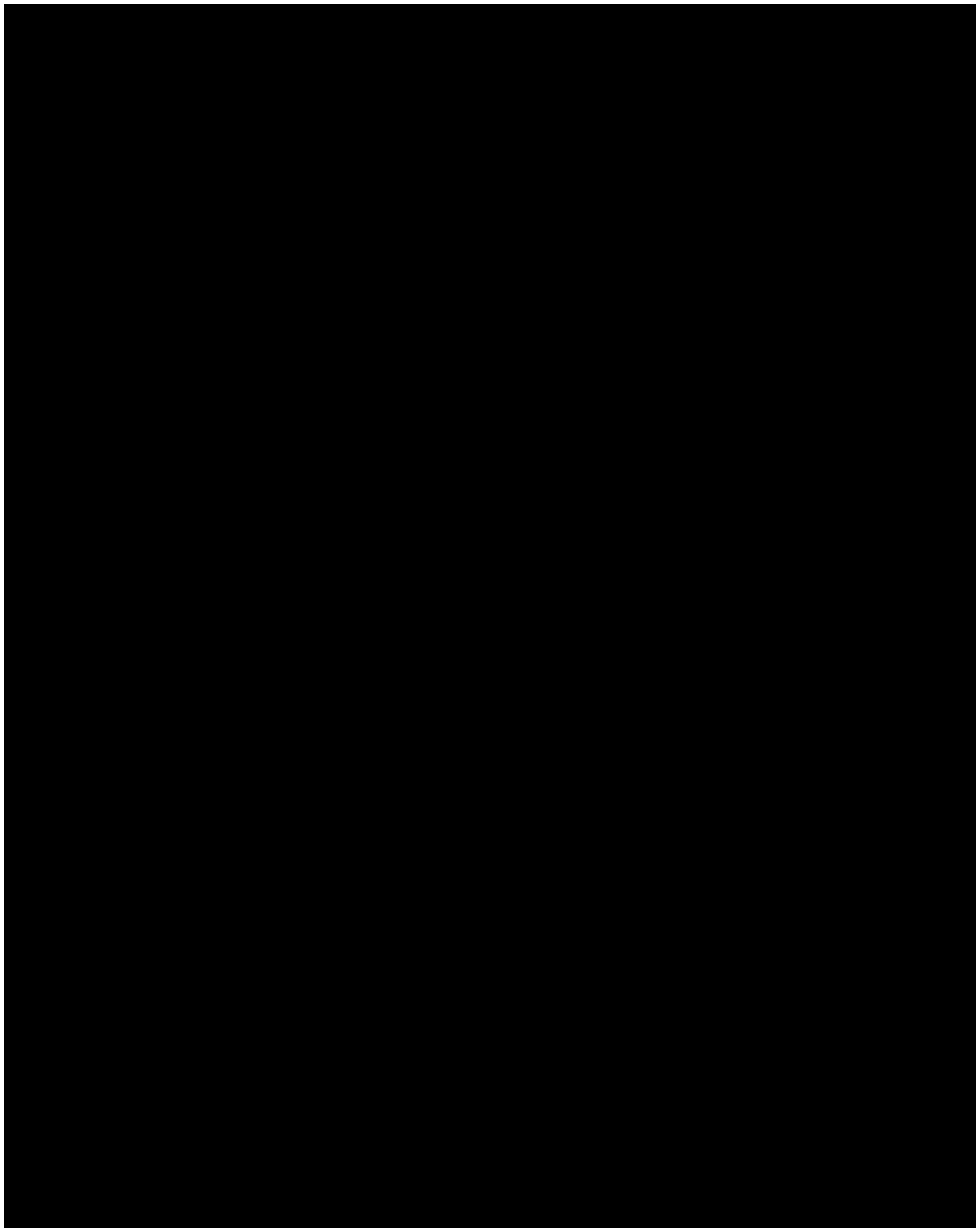

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Game Production

Once all of the approvals have been completed, actual live ticket production begins. As paper leaves the unwind station, it begins the process of moving through the various print stations. The back of the ticket is printed, and then the various security layers are laid down, beginning with a lower opaque black security coating to provide good adherence to the paperboard and prevent light penetration. Next, a white or tinted security primer is applied over the black to create a secure lily pad—the imaging receptive play area—is now ready to receive the game data.

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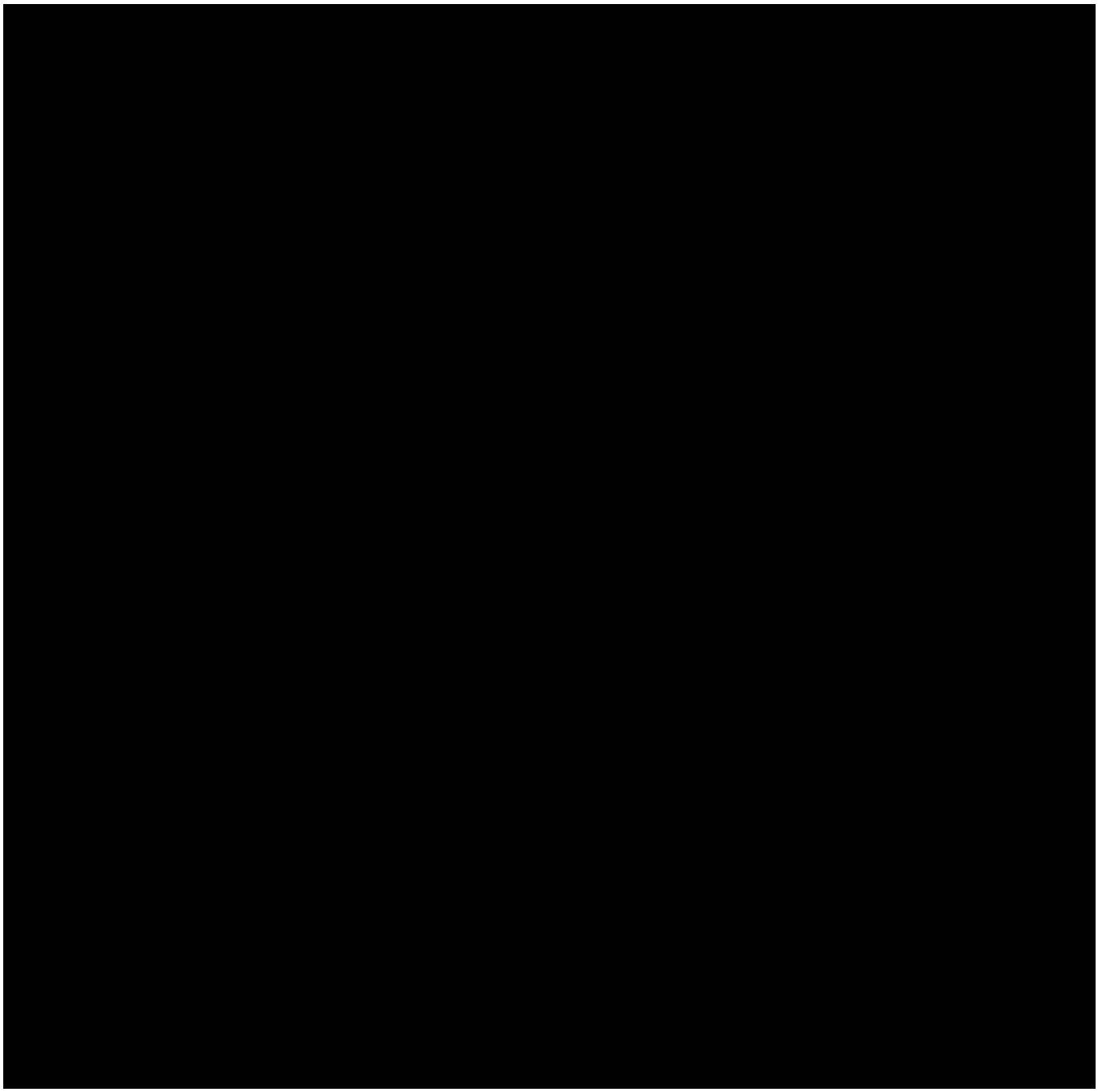

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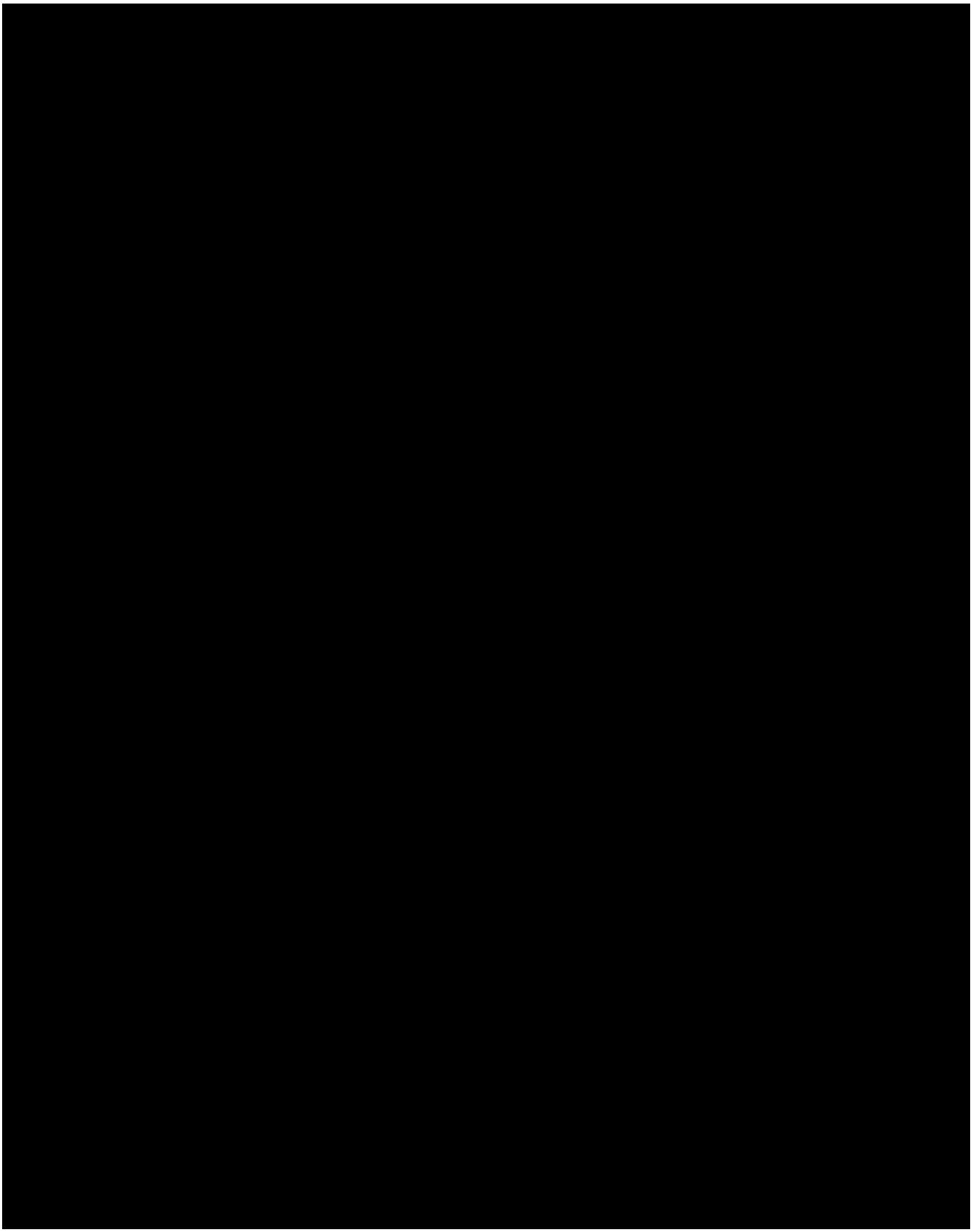

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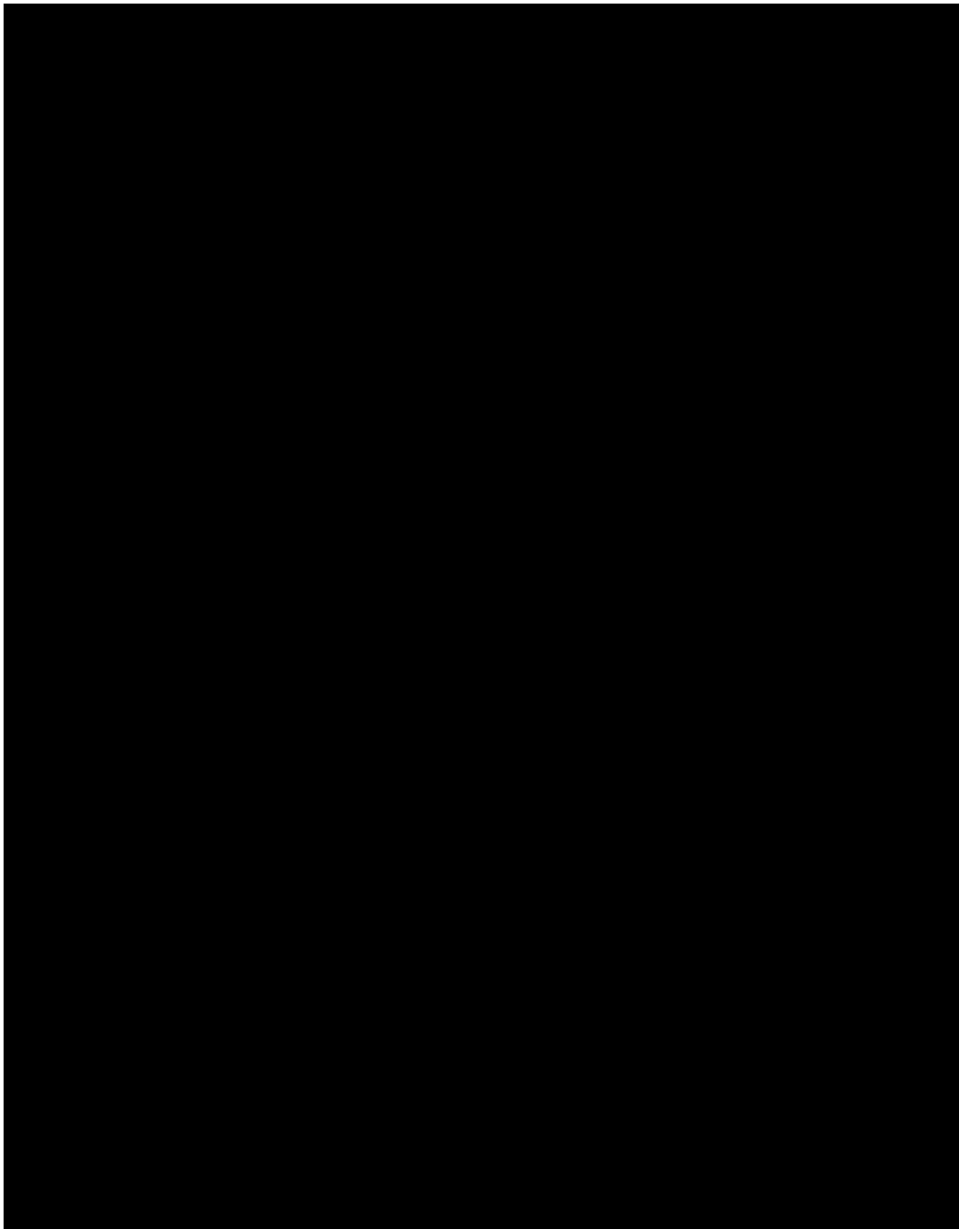

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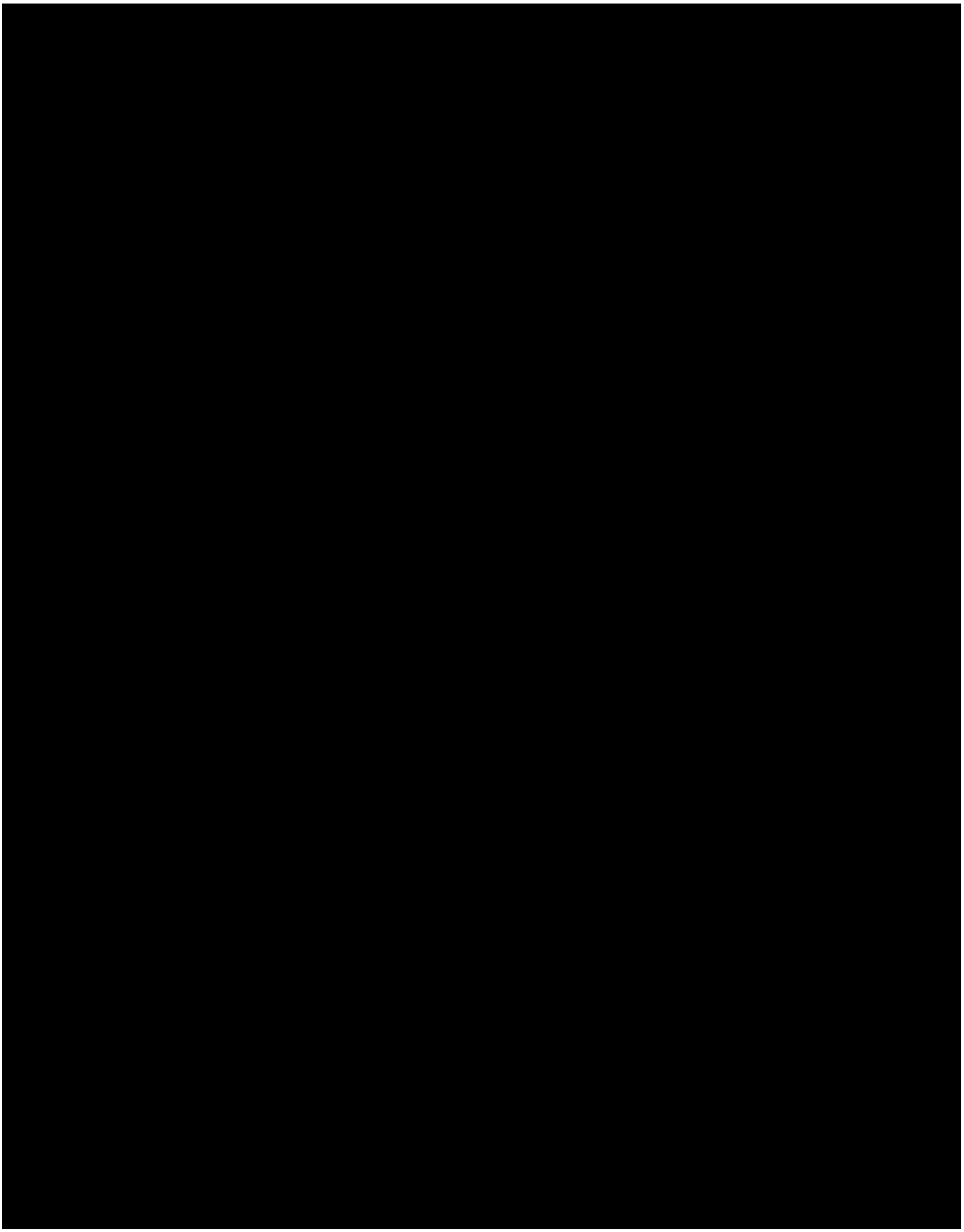

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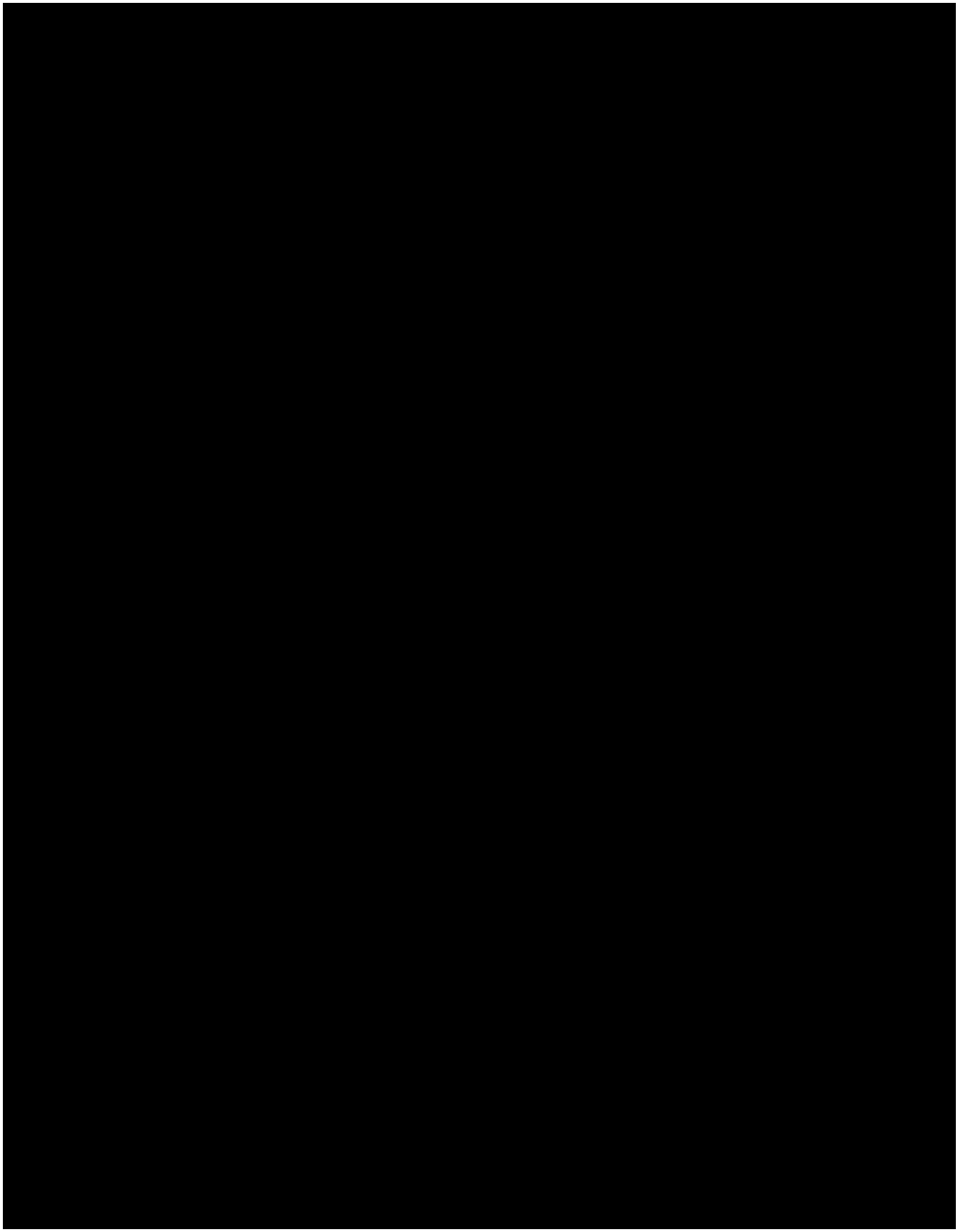

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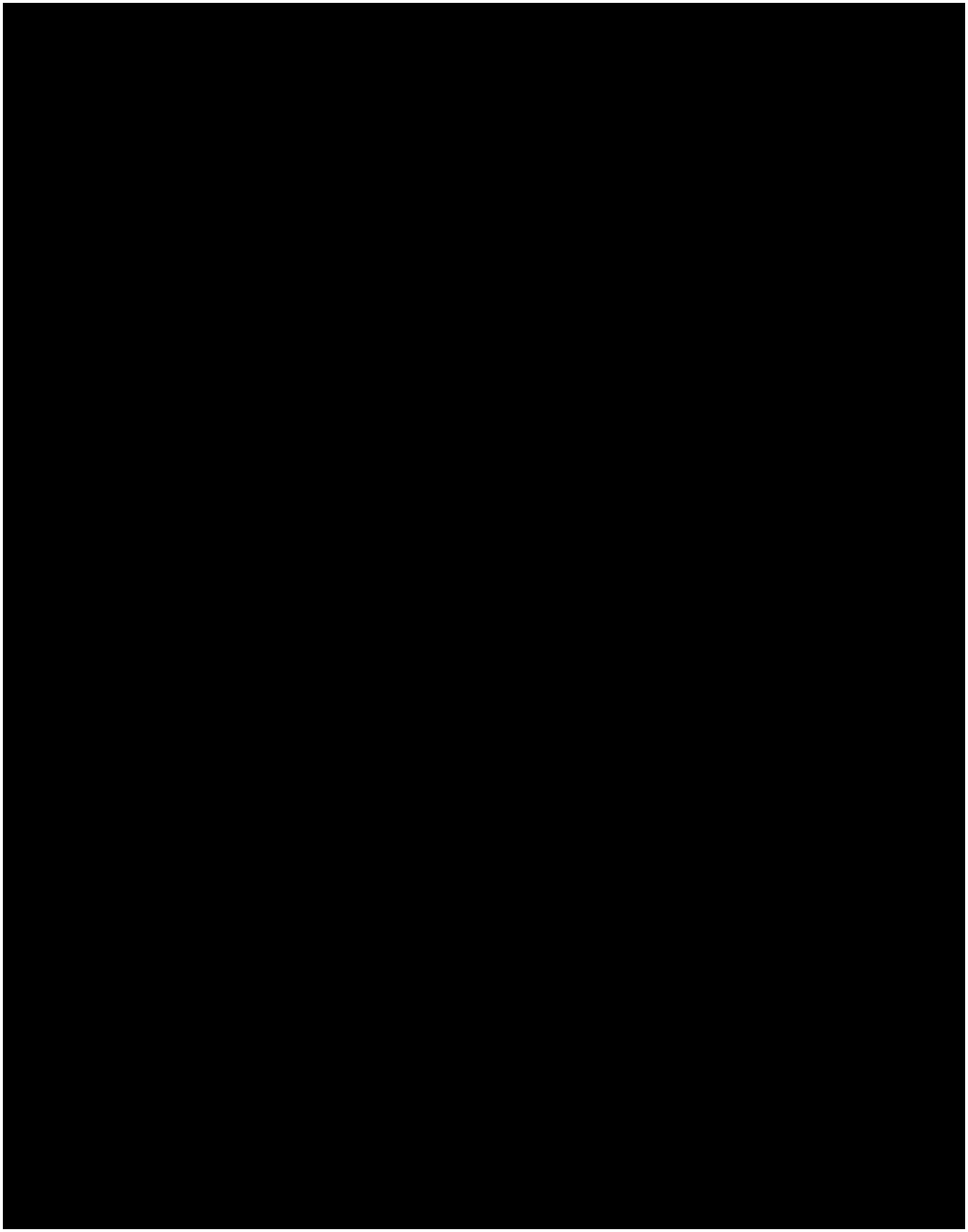

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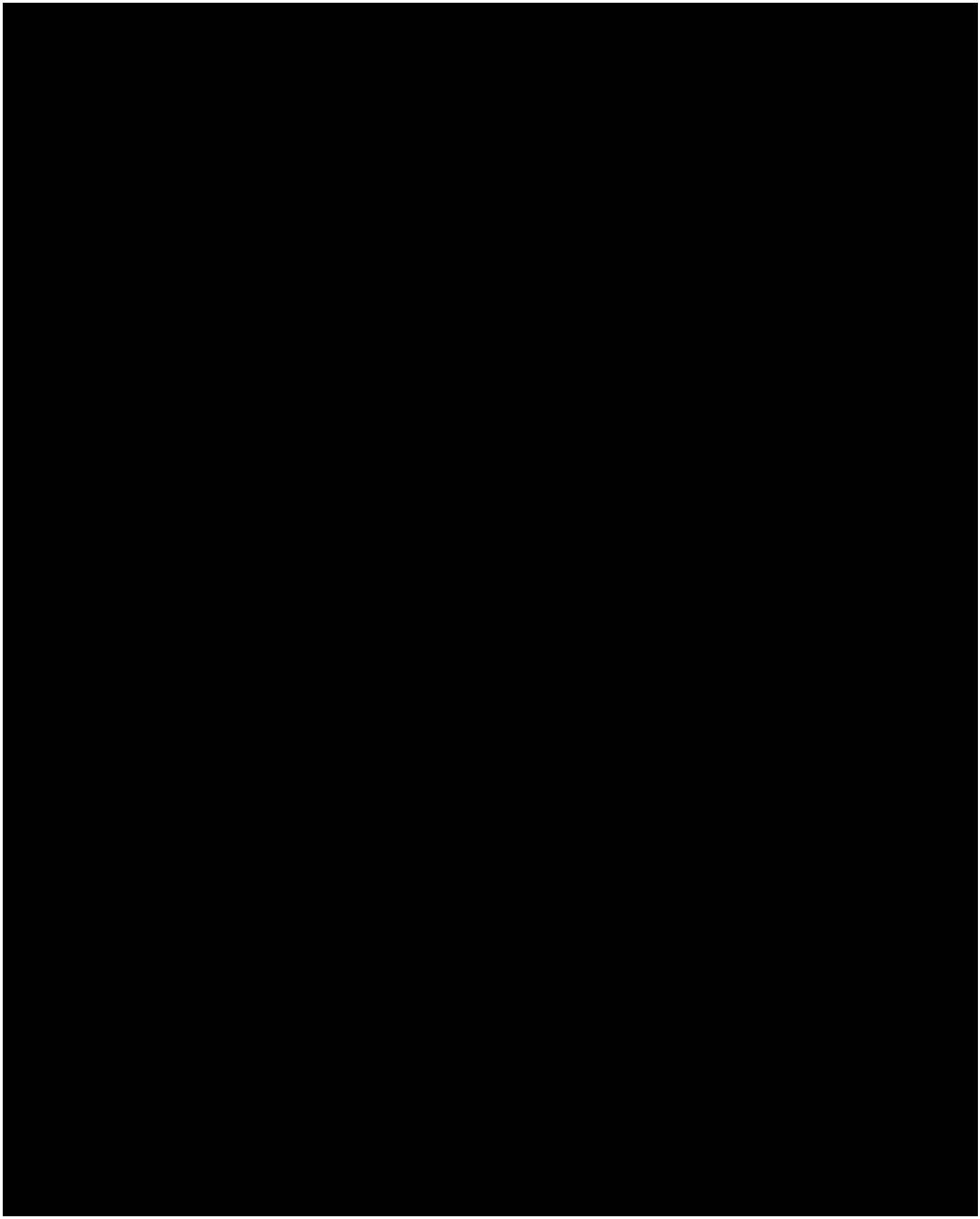

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Accuracy of Counts in Ticket Packages: Omit Verification

To confirm accuracy of the inventory, all omitted books are processed by an offline station for status verification. Each omitted book is scanned and electronically compared to the database to account for all omitted books in the inventory file. This final check verifies that only good books are enclosed within the cartons bound for shipping. Once the omitted books have been verified, they are confined within a bin and then sent for immediate secure destruction in our facility. Omitted book numbers will be identified on all shipment documentation sent as part of the game delivery.

Voids

We are proud to say with full confidence that there will not be any "void" or "dead" scratch tickets in a book produced by Scientific Games. All void or sample tickets are produced as a separate file, independent of live game data. Our packaging operation includes processes and inspection systems that ensure each book of tickets contains precisely the number of tickets specified by the Texas Lottery and does not include "void" tickets. If we identify a defective ticket during production, we will omit the entire book.

Shipping Preparation

The Shipping department is an extension of the finishing process, responsible for the final preparation of each game so that it is received by the Lottery's distribution center in good condition and ready for distribution to the retail network. This process includes:

- Prize balancing, final carton labeling and stacking
- Banding and wrapping
- Final audit
- Truck loading and shipping

Each step in the process is performed by trained staff using specialized equipment and is closely monitored by floor-level supervision and security control.

The key points of the shipping preparation process are controlled by the Shipping System, a module of the overall Packaging System. Each step in the process cannot occur until the previous one has been completed.

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Banding and Wrapping

Finished pallets are transported within the robotic cell via carriage to the attendant station for review and preparation for banding and wrapping. The pallet label generated by the Shipping System range is printed and applied before releasing the pallet to the automated banding and wrapping unit for final pallet finishing before shipment.

All pallets are tightly stretch wrapped from bottom to top to protect the contents and provide tamper evidence should someone try to open a carton during transit to the distribution center.

Truck Loading and Shipping

Pallets will be loaded on the truck with no other deliverables on board and per the customer profile specifications.

Figure 8-9: Truck Loading

With our exclusive-use trucks, only lottery ticket games are sealed on board.

Our shipping personnel take great care to load the truck correctly for proper weight distribution. They make sure all required pallets are included, the truck is secured, and all required documentation is properly prepared.

Required shipment documents are detailed within the customer profile and usually include electronic copies of a shipment summary report, a production omissions listing, a short box listing, and a skid contents report. These documents can be either emailed, shipped on a CD, or sent via secure FTP site transfer for each ticket shipment based on the Lottery's preference. Also included with every game are inventory and validation files, sent via secure transfer. These files identify all good packs within the game and allow for distribution and system transactions.

Before closing and sealing the trailer doors, shipping personnel photograph the interior of the loaded trailer, retaining the digital photo in case of any discrepancy on arrival at the Texas warehouse. The truck is then locked and sealed.

The Texas Lottery is notified when the delivery truck leaves our Alpharetta production plant. In addition, shipment notification sent to the distribution center and Texas Lottery provides data regarding the game, expected arrival date and seal numbers used for the truck. Prior Texas Lottery approval of any changes of the vehicle or the driver enroute to the delivery is obtained when applicable.

On arrival, designated personnel can validate that the door seals are correct and intact, ensuring the trailer was not opened during transit. The seal is then broken only by the Texas Lottery.

Please refer to **Section 8.16.1** for information on Ticket Shipment and Delivery Security.

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Scientific Games Commitment to Security and Quality

Scientific Games has proven procedures and equipment in place to ensure the ticket characteristics found on Texas Lottery scratch games are of the highest quality and security. In fact, our entire game development process and production processes have multiple steps to ensure the quality production of our games. On the following pages, we have highlighted areas that the Texas Lottery may find helpful in determining our level of commitment to security and quality:

- Game development quality control
- Game programming quality control
- Materials quality control
- Printing quality control
- Finishing quality control
- Quality assurance audits
- Game design security
- Game ticket construction security
- Game play data security
- Testing procedures
- Security Laboratory
- Protective measures against unauthorized invasions

Scientific Games is dedicated to the continuous development of quality initiatives and programs that will help us deliver secure games with the highest level of integrity to the Lottery. An in-depth overview of this commitment to scratch game quality excellence is detailed on the following pages.

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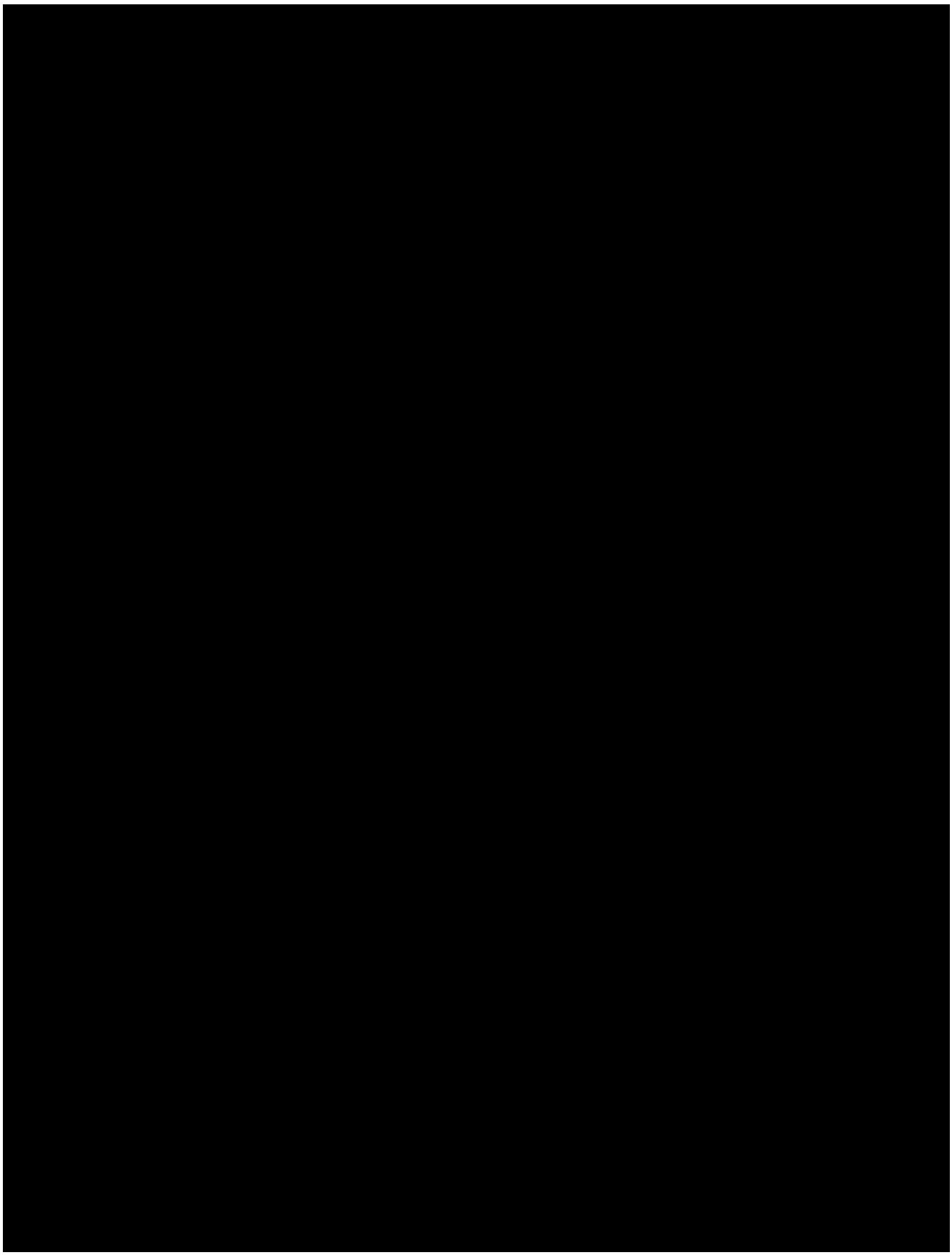

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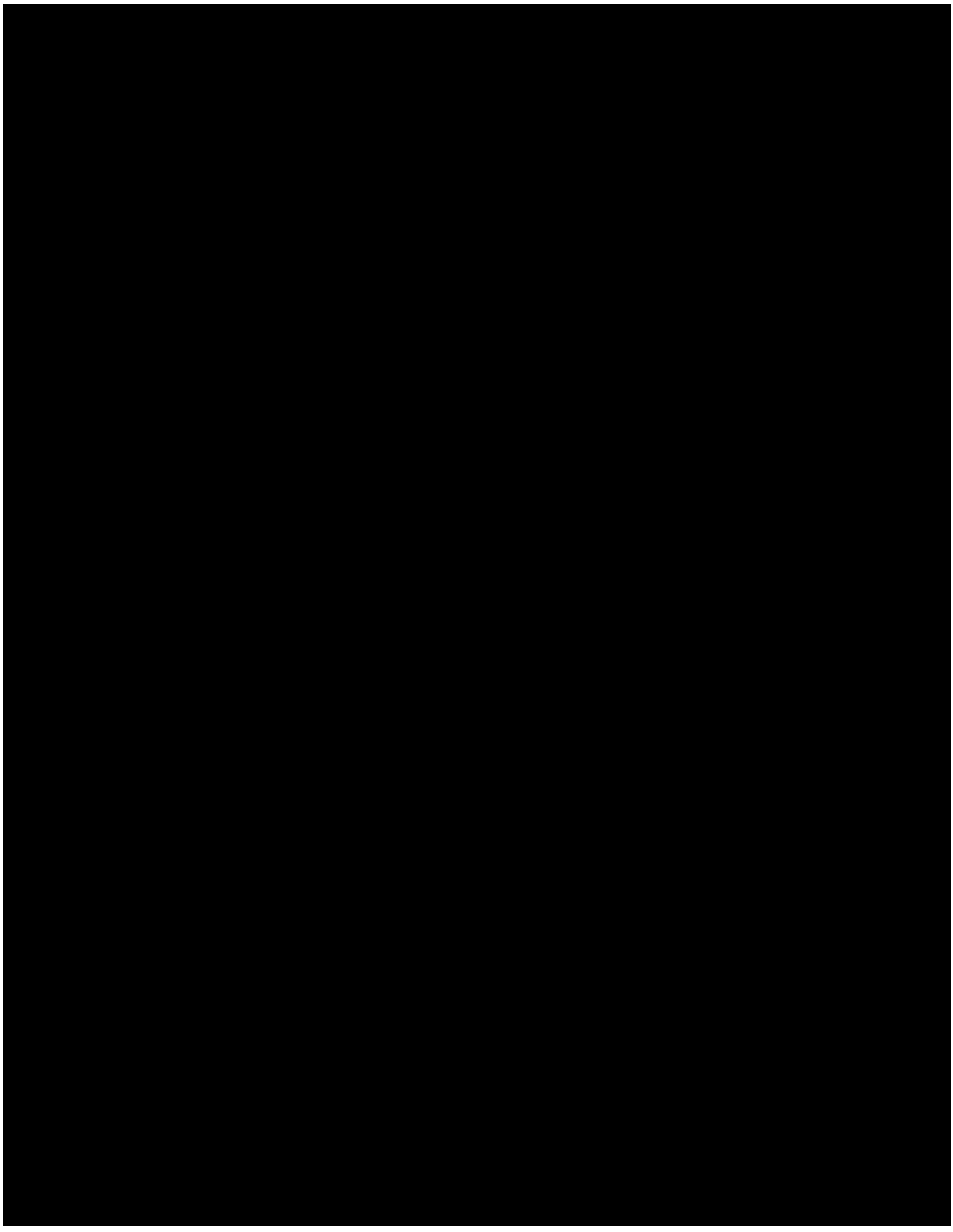

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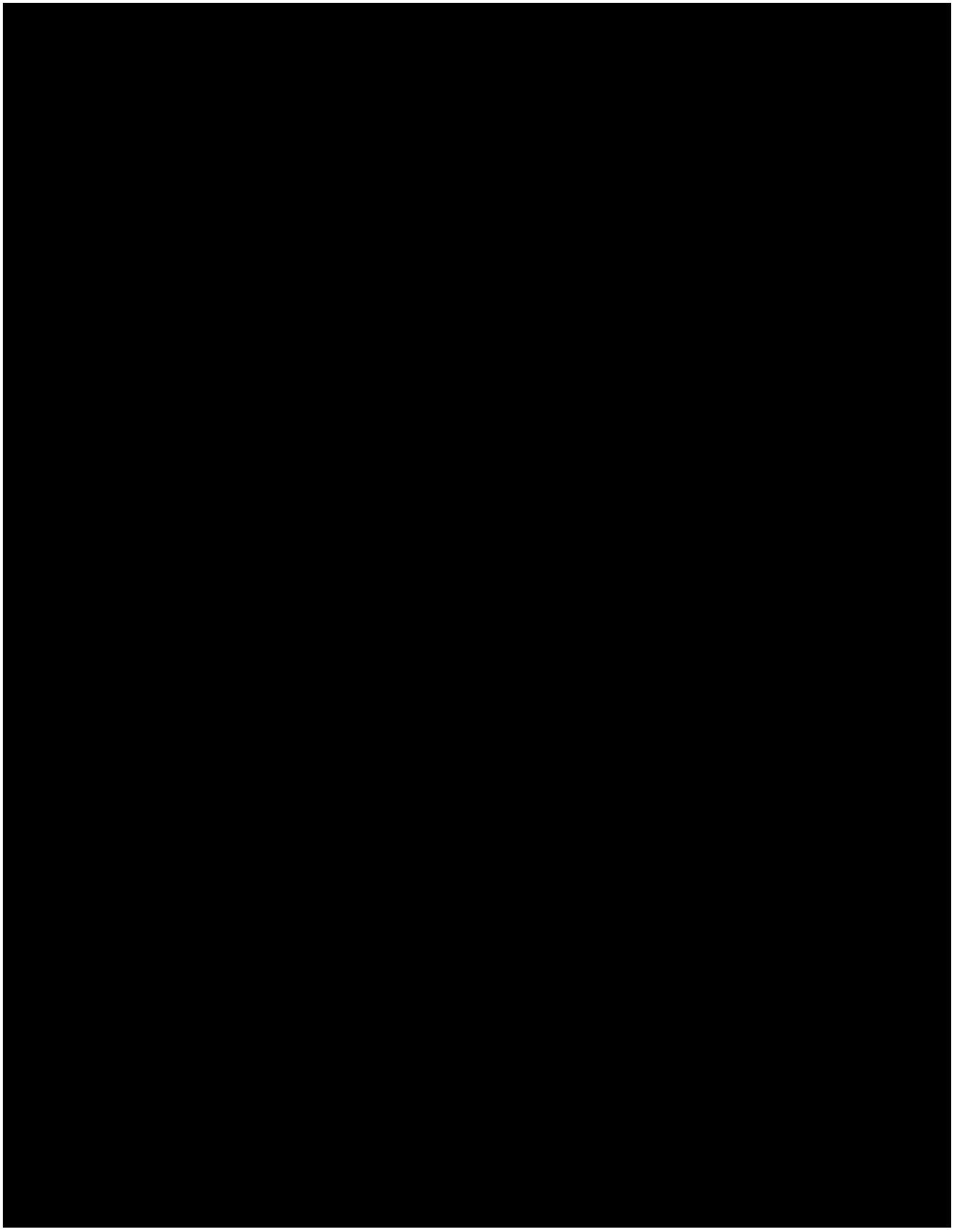

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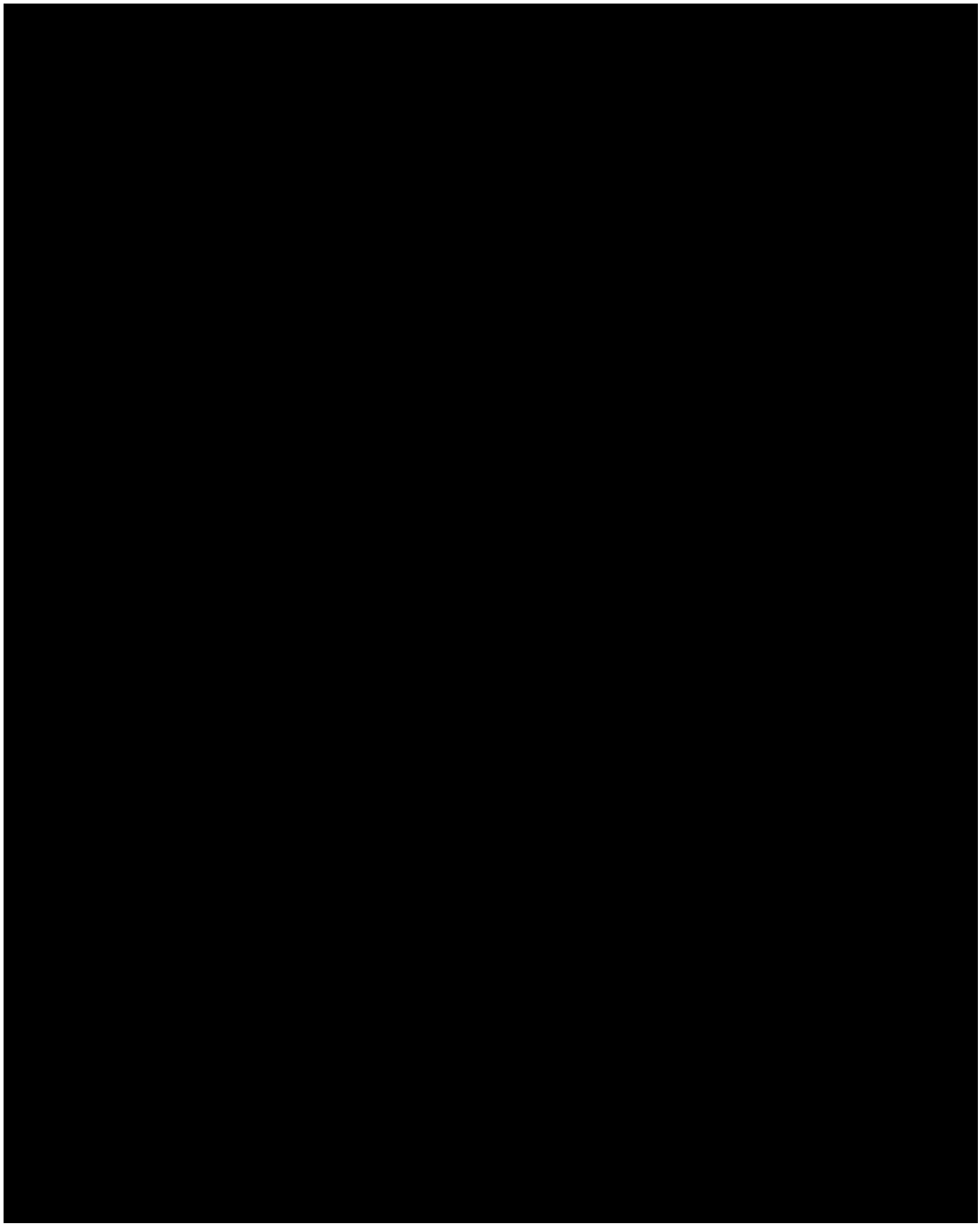

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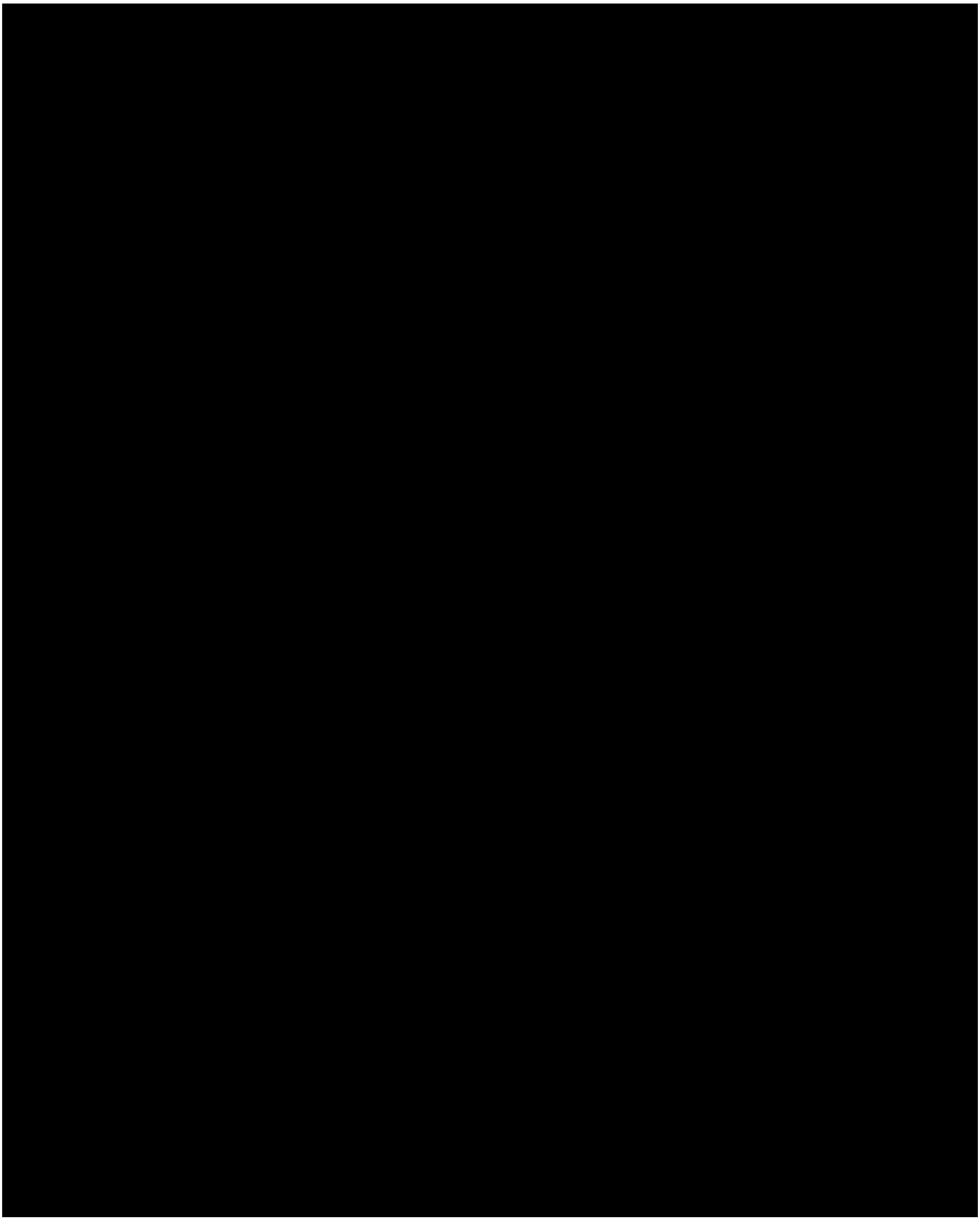

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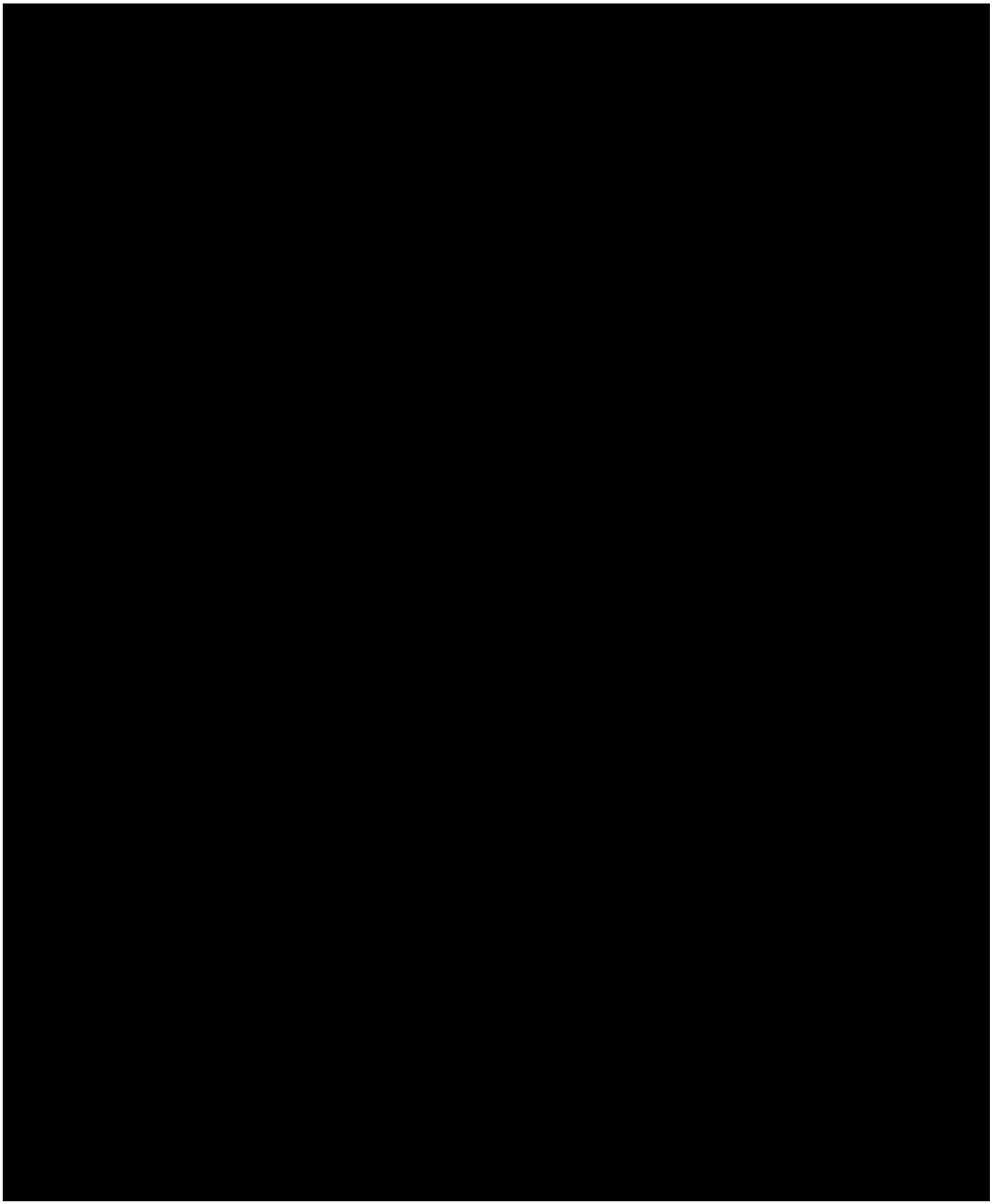

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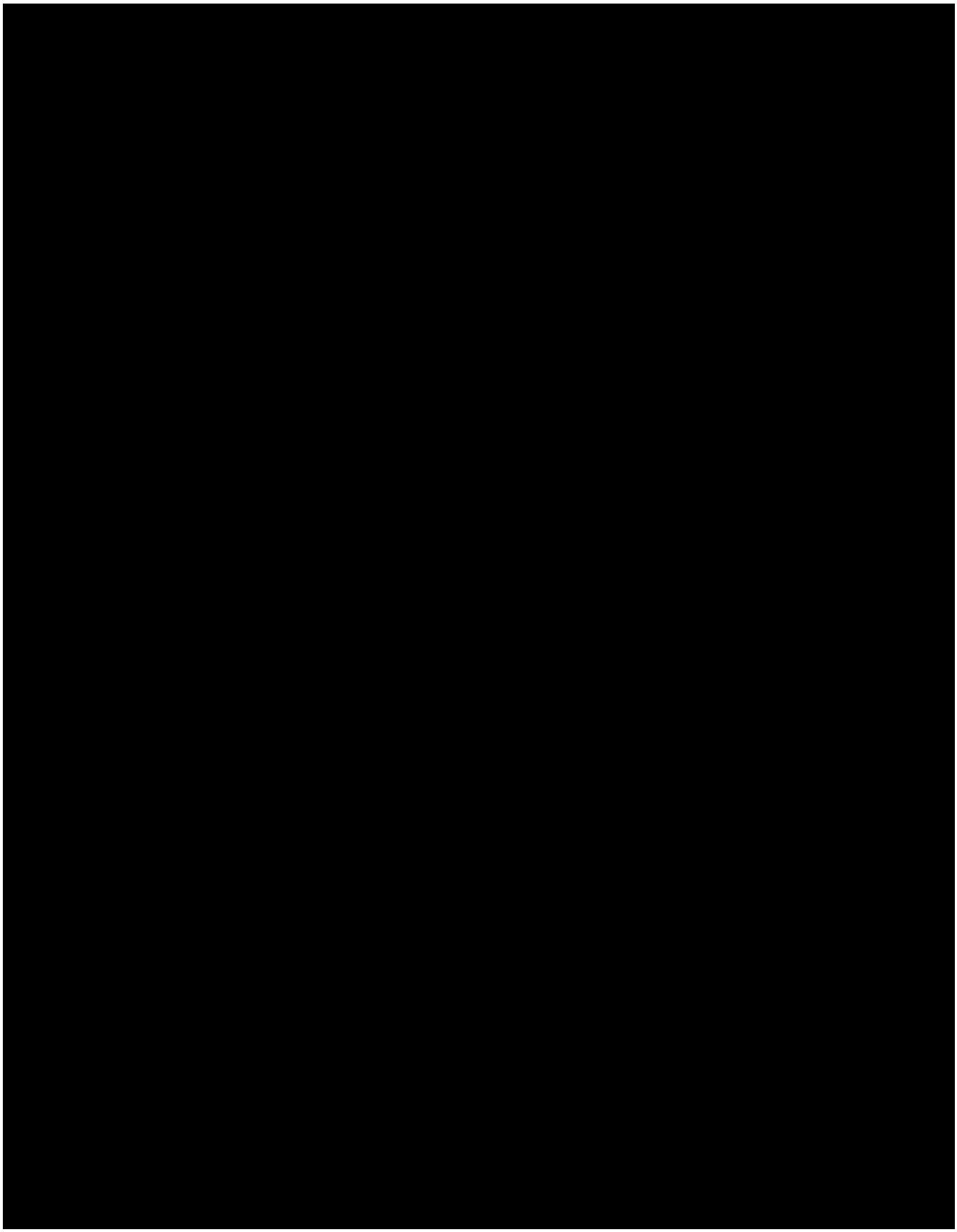

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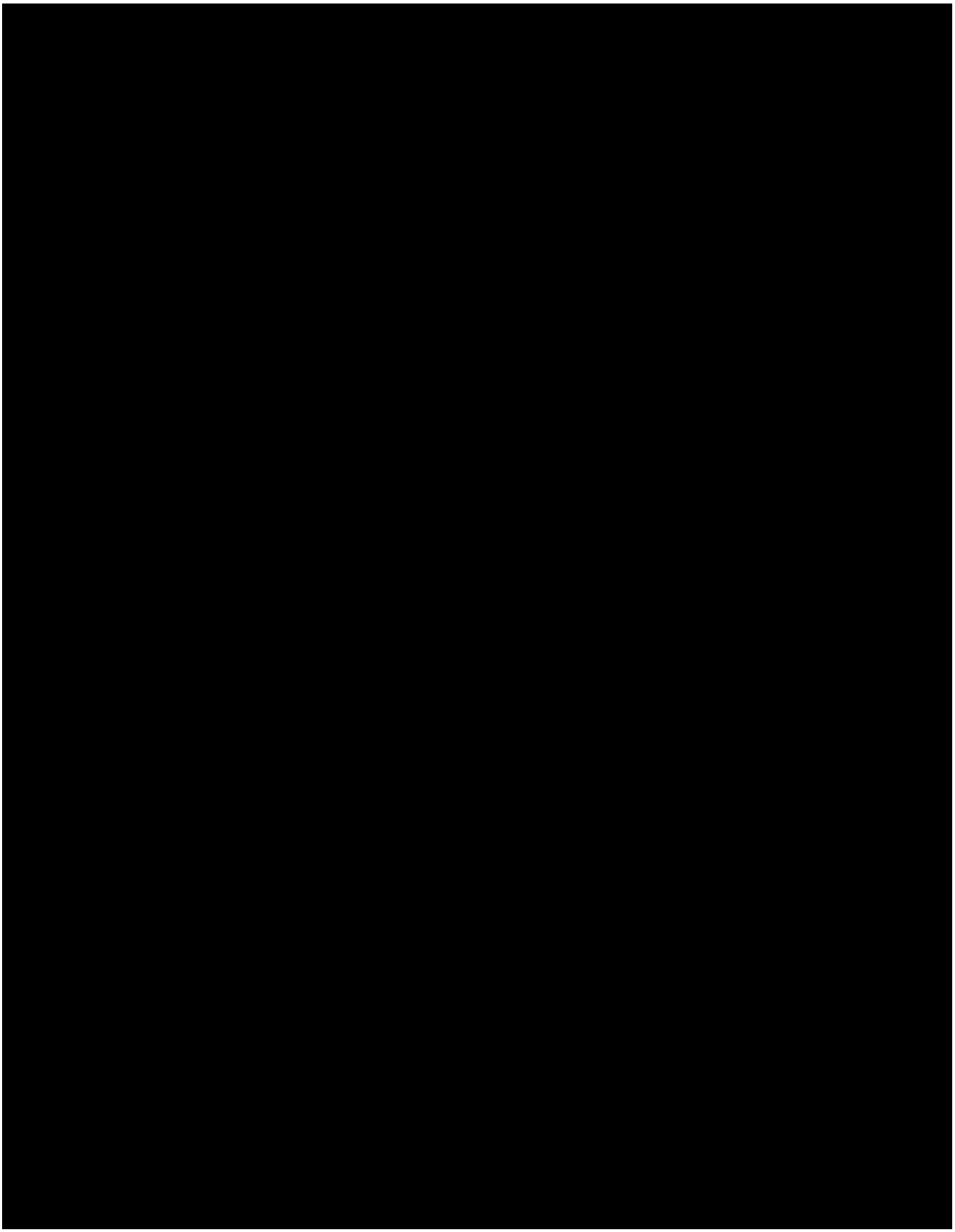

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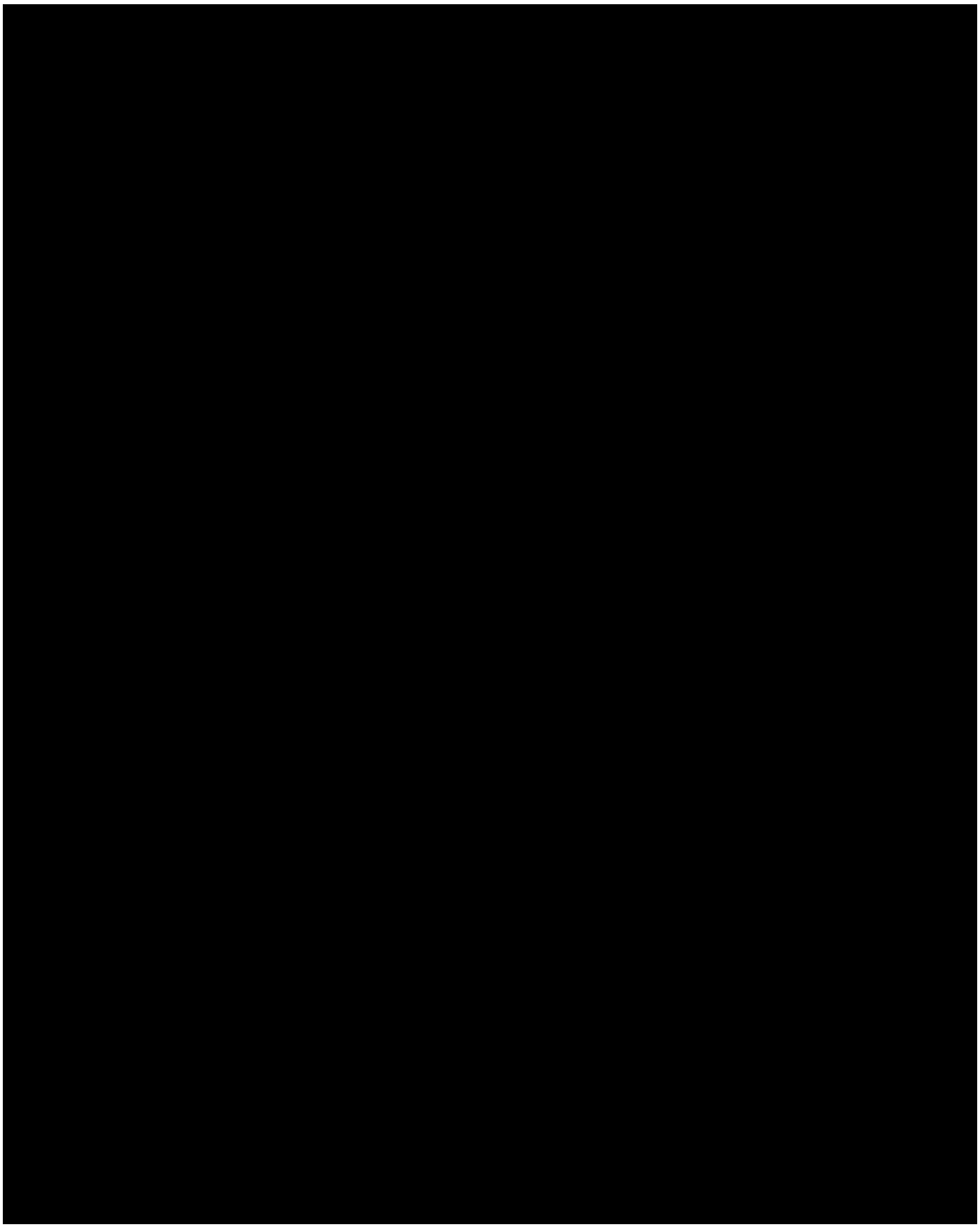

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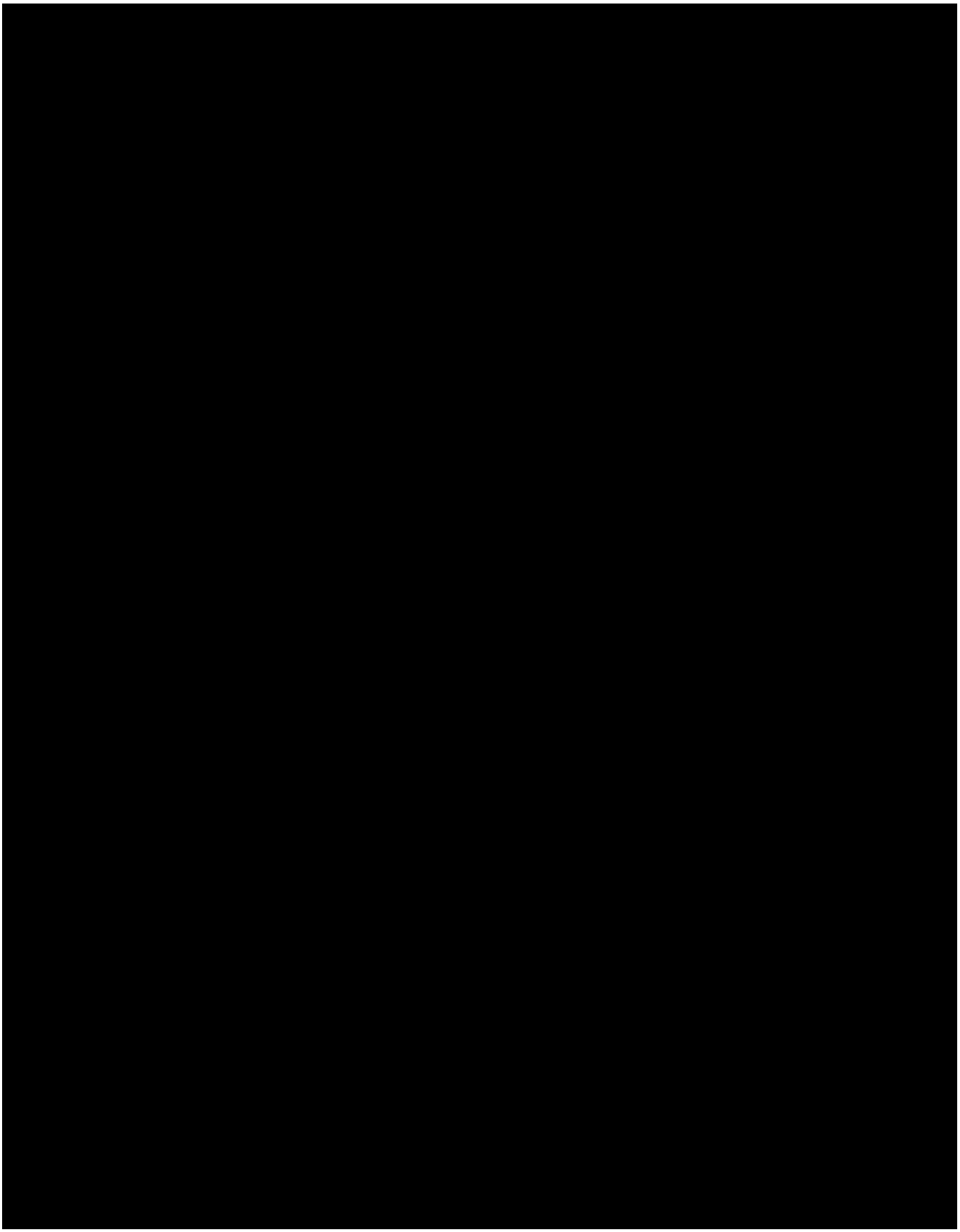

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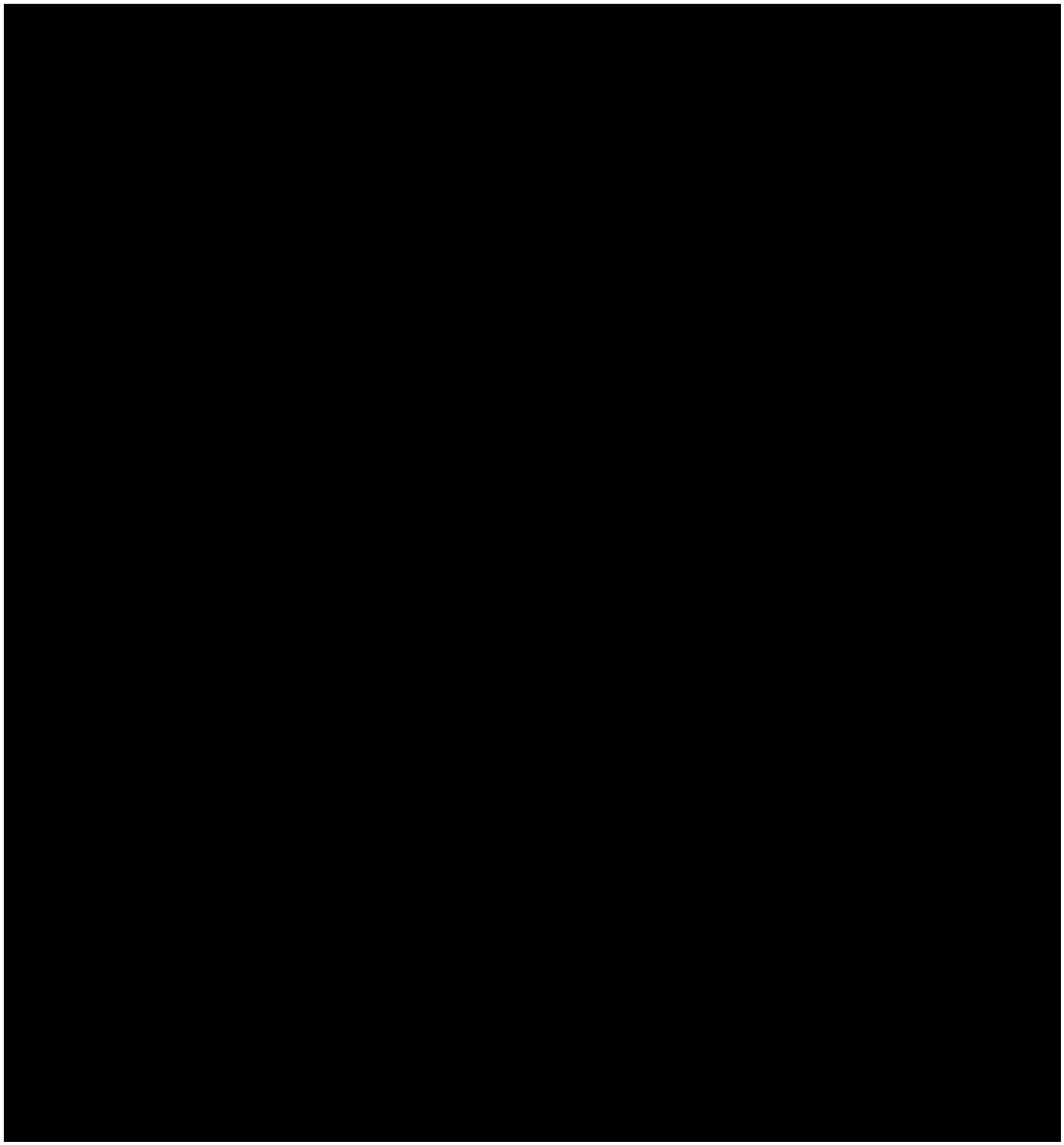

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8.2 Manufacturing Specifications

The Successful Proposer must manufacture individual game tickets that meet the following minimum requirements.

Scientific Games will manufacture individual game tickets that meet the following minimum requirements.

8.3 Ticket Stock

Tickets may be printed on various stocks, including but not limited to: 10 point virgin/recyclable coated two (2) sides, 10 point stock coated one (1) side and foil laminate one (1) side, 10 point stock coated one (1) side and holographic laminate one (1) side. All ticket stock must not curl, separate, or be easily split.

All products provided by the Successful Proposer under the Contract must conform to the Texas Lottery's requirements. In addition, if required by the Texas Lottery, the Successful Proposer must produce proof to the Texas Lottery's satisfaction that its ticket stock meets the guidelines specified in this RFP.

Requirements for ticket stock may vary per game and will be specified by the Texas Lottery in the executed working papers.

The Texas Lottery, in its sole discretion, reserves the right to modify ticket stock requirements at any time during the Contract with notice to the Successful Proposer. All tickets produced by the Successful Proposer under the Contract must be compatible with the ticket dispensing systems utilized now or in the future by the Texas Lottery.

Scientific Games has the ability to print instant tickets on various stocks—from 8-point to 12-point, virgin/recyclable to recycled/recyclable to foil, coated one side to coated two sides and everything in between. For the Texas Lottery, we will continue to produce tickets on 10-point virgin/recyclable coated two sides and 10-point foil or holographic stock coated one side. Ticket stock will not curl, separate or be easily split.

All games provided by Scientific Games to the Texas Lottery will conform to requirements. If required by the Lottery, we will provide proof to the Lottery's satisfaction that the ticket stock meets the guidelines specified in the RFP.

Because the Texas Lottery may choose to print on any one of the various stocks available through Scientific Games, the ticket stock will be specified in the executed working papers for every game.

Scientific Games understands the Texas Lottery may modify the ticket stock requirements at its discretion during the term of the contract. Prior to producing any games on different stock, we will make sure to meet the Lottery's security standards. All tickets produced by Scientific Games are tested in various dispensing systems in our QC lab to ensure compatibility with the Lottery's equipment now and in the future.

As the world's largest manufacturer of instant games, Scientific Games has an extremely large and diverse inventory of all paper stocks available for customer use. With our high usage, we have leverage with major paper suppliers to produce the paper stocks required to meet our customer demands. This allows us to ensure product availability in a timely manner. Scientific Games' Alpharetta facility produces billions of tickets annually, meaning we are one of the biggest paper card stock users in the nation. This allows us additional flexibility and access to the research and production capacity of this very important commodity.

Examples of tickets printed on additional stocks are identified on the following pages and also located in the **Instant Products Catalog** submitted with our proposal.

10-Point, Coated 2 Side Ticket Stock

Scientific Games will print instant tickets on 10-point, coated two side, foil-free, recyclable card stock. Pricing for 10-point virgin recyclable ticket stock is included in the base price.

Foil Stock

Research shows that games using foil stock sell an average of 9% better than games on regular paper stock, making them a valuable and effective opportunity for the Lottery.

The New Jersey Lottery went big with a family of multiplier foil games. Launched in Q3 of 2021, this family has it all: a great visual presence, a wide range of price points, appealing top prizes, multiplier features, as well as quick-win bonus boxes. By the end of 2021, all four games combined to net over $121 million is sales with an average index over 111. It proved to be such a great success for the New Jersey Lottery that they are planning another family of foil games in 2022.

Our creative team is highly experienced in creating exciting foil games that increase perceived value and offer strong player appeal. Foil stock is a separately priced **Specified Option**, in addition to the base price.

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Holographic Stock

Games printed on holographic substrate command players' attention and increase the perception of high-value gaming. Our strong relationships with major suppliers allow us to offer an extensive range of holographic patterns to satisfy the Lottery's requirements for a varied portfolio of exciting games.

Scientific Games' Holographic product reached nearly $4 billion in retail sales in calendar year 2021. California's 200X was a huge hit in 2021. With two reorders, this Electric Dots holographic game is the top selling holographic game of 2021 for the California Lottery.

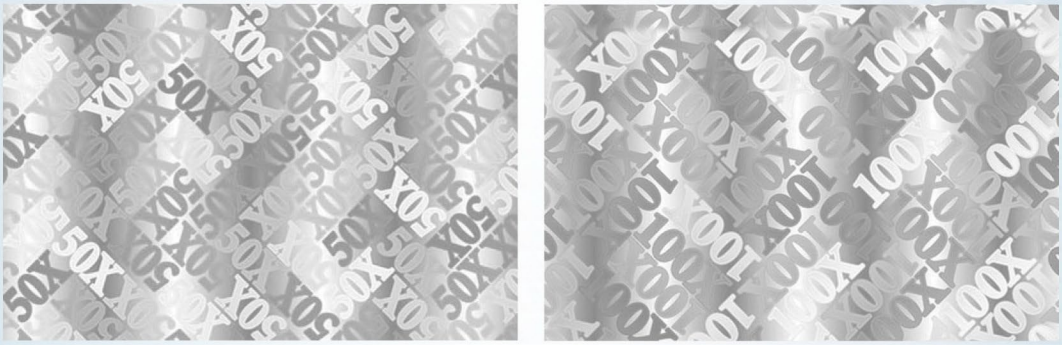
All holographic patterns can help draw attention to your game, but unique patterns add value by increasing visibility, as well as giving each game theme a unique tie to the substrate. Like the Massachusetts Lottery's Full of $500s game. Full of $500s blended an alluring title, money graphics and a new $ holographic pattern with an appealing color wash to pull players in. Indexing at 159 against 20 other $5 games, Full of $500s sold out in under 20 weeks. Holographic stock is a separately priced **Specified Option**, in addition to the base price.

$5
LOADED WITH $500 PRIZES
FULL OF
$500s
WIN UP TO $1,000,000!
WINNING NUMBERS
YOUR NUMBERS
PRIZE
WIN UP TO 12 TIMES
SCRATCH 2 CASH
$30
Enter 2nd Chance Draw at calottery.com/2ndChance or Mobile App
calottery
WIN UP TO $10,000,000!
200X
FAST $100 SPOT
FAST $250 SPOT
FAST $500 SPOT
FAST $1,000 SPOT
YOUR NUMBERS
39 CHANCES TO WIN!
1000001-000

Scientific Games realized the popularity of multiplier themes and worked alongside one of our vendors to create a custom multiplier-themed holographic stock. This new pattern is perfect for a family of games because it is available for 10X, 20X, 50X, 100X, and 200X custom stock.

Custom Multiplier-Themed Holographic Stock

Perfect for A Family of Games



These games are perfect for special occasions, such as the holiday season, and we can also customize holographic paper for specific events, such as an anniversary, to ensure greater visibility at retail.

Integrated Holographic

Want to create maximum impact with your instant products at retail? Check out our new integrated holographic designs—the holographic stock's shimmer appears throughout the entire ticket. No matter what area of the ticket is visible in the ticket dispenser, integrated holographic ensures that the ticket will garner added attention, resulting in higher game sales. Not only does this new design approach increase the perceived value of the game, but it also maximizes your investment in the holographic product. Integrated holographic games are a separately priced **Offered Option**, in addition to the base price.

Linked Play Holographic

Our final holographic product takes our Linked Play action one step further. Imagine your players' excitement when they remove the scratch-off coating on their scratch ticket and reveal shiny, holographic play symbols. This added element of surprise is a great way to maximize holographic stock, since we incorporate it into the play experience. This exciting new way to play is sure to enhance the play experience and stimulate player excitement as the only game with holographic play symbols. Linked Play holographic games are a separately priced **Offered Option**, in addition to the base price.

MicroMotion

As the exclusive, worldwide provider of MicroMotion, a patented printing process, we use a series of special coatings on a highly reflective foil substrate to create the illusion of motion right on the ticket. The finished product reflects light at varying angles to create a dazzling effect. Players can see and feel the raised MicroMotion finish, giving the ticket an even higher perceived value. But we didn't stop there. We went back to the R&D chalkboard and drastically improved the final results of this unique product. We reengineered MicroMotion with a specialty holographic-foil hybrid substrate and formulated inks, in combination with visual graphic enhancements and new MicroMotion patterns that demand players' attention.

For the 2021 holiday season, the Pennsylvania Lottery chose to brighten up their SNOW MUCH FUN $10 game with an assortment of MicroMotion snowflakes. In addition, they took it one step further to incorporate HD Games, an instant win, 5X Multiplier and Win All symbols. This game not only looked great but was a hit with an index of 130.

MicroMotion retail sales had significant growth in the industry from FY19 to FY20. Sales went from $369.8M in FY19 to $683.0M in FY20, an 84.7% sales growth. The number of MicroMotion game launches increased from four in FY19 to 29 in FY20, with our popular JAMES BOND 007 games contributing largely to this success. The Texas Lottery was a participant in the super fun game and promotion.

TEXAS LOTTERY
$5
007
JAMES BOND LOTTERY CHALLENGE
SECOND-CHANCE PROMOTION
ENTER FOR A CHANCE TO WIN A CASH PRIZE UP TO $1 MILLION OR MORE IN LAS VEGAS!
Reveal 3 matching symbols in the same GAME, win the PRIZE for that GAME. Reveal a Stack of Cash symbol in any GAME, win 7-TIMES the PRIZE for that GAME.
$100,000 TOP P
20 CHANCES TO WIN!
VOID
$10
PENNSYLVANIA LOTTERY
SNOW MUCH FUN
10 TOP PRIZES OF $500,000!
WINNING NUMBERS
YOUR NUMBERS
SYMBOL WINS ALL 15 PRIZES!
When any of YOUR NUMBERS match any WINNING NUMBER, win PRIZE shown under the matching number. Reveal a (FLURRIES) symbol, win PRIZE shown under that symbol automatically. Reveal a (5TIMES) symbol, win 5 TIMES the PRIZE shown under that symbol. Reveal a (WINALL) symbol, win ALL 15 PRIZES shown!
SCRATCH TO CASH

The Missouri Lottery launches one or two $30 games each year. The 2021 launch, 300X, printed with the MicroMotion technique is the top selling $30 game in the state. Missouri chose to break the game into four pulses, copper, green, silver, and aqua blue, to help extend the life of the game. Providing three FAST CASH spots also added a quick win element that all top tier games should consider.

We continue to reimagine concepts, add new patterns and create fresh new designs to keep this product growing and thriving. MicroMotion is a separately priced **Offered Option**, in addition to the base price.

Environmentally Sound Manufacturing

While providing our customers the flexibility and capacity to print their instant games, we must also monitor our impact on the environment. Because we understand the importance of conducting business in an environmentally responsible manner, we have established an active policy that oversees and maintains the health and safety of our employees and customers, protects the environment, and enables compliance with applicable state and government environmental laws. We call these environmental management principles the "Scientific Games Pollution Prevention, Re-Use, and Recycling Program."

Because of the complex and serious nature of environmental laws and regulations, Scientific Games continuously works with the Environmental Protection Agency to help ensure our ongoing compliance with environmental laws and regulations.

Environmentally Friendly Materials

As an industry leader in the production of instant game tickets, Scientific Games has led the industry in initiating the conversion of the instant game to a recyclable paper ticket stock and water-based ink technology. These efforts have resulted in a greener, more earth-friendly company.

Environmentally Responsible Substrates

Scientific Games has long led the lottery industry's initiative to use environmentally responsible substrates in lottery printing. We pioneered the drive to print and supply 100% recyclable products without compromising security and integrity of any instant games. For many years, we have successfully delivered thousands of recyclable instant games that have been on sale in a multitude of lottery jurisdictions in North America and around the world. These products have responded to the needs of lotteries and governments to reflect the environmental consciousness of today's consumers. We have developed long- standing relationships with our paper vendors—the majority of whom are certified as using sustainable forestry practices in the manufacture of their card stock and paper products, which are integral to the printing of instant games.

Figure 8-19: Rolls of Recyclable Ticket Stock

We source our paper from multiple qualified vendors to provide an array of product options.

Recycled/Recyclable Paper Stock

In 1990, Scientific Games introduced instant lottery games printed on secure recyclable paper stock. Over the years, our overall product mix has changed dramatically to a point that today more than 95% of our total ticket production prints on recyclable paper. The recyclable paper and card stock used for instant games conforms to government-regulated standards and guidelines including those for recycled material, recycled paper, recycled product and secondary waste materials.

Our paper vendors' technical advancements coupled with Scientific Games' Research and Development staff results in improved paper stock, providing improved perforations, print quality, barcode reading and the overall aesthetic appearance of the ticket.

We use recyclable or recycled/recyclable stock in the printing of our instant games. All unused instant game material, including plastic roll wrapping and paper roll wrapping (brown paper), are shredded and baled. Working through recycled paper brokers, we distribute our recycled ticket stock to various paper mills, which in turn create paper pulp. The pulp goes to other plants to produce usable paper products.

Recyclable Packaging Materials

The packaging materials used in our production process are also 100% recyclable and many of our vendors have recycling facilities at their disposal.

Sustainable Suppliers

By utilizing our ISO-certified quality reviews, Scientific Games guarantees that the raw ticket stock used to produce all our customers' instant tickets is of the highest quality, thus assuring the security, functionality and durability of said tickets. Scientific Games only purchases from leading manufacturers of raw paperboard stock to produce instant tickets. All of these suppliers are ISO 9001:2008 certified to ensure that consistent manufacturing processes are followed for each production run, thus providing a quality finished product that is always the same. We purchase paper stock from vendors that participate in the Sustainable Forestry Initiative and the Forestry Stewardship Council. We have provided Scientific Games' Forest Stewardship Council Chain of Custody Certificate in **Figure 8-20**.

Scientific Games Supports Sustainable Forestry Initiatives

CERTIFICATE
OF REGISTRATION

This is to certify that

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

complies with the requirements of

Forest Stewardship Council® - Standard for Chain of Custody Certification

for the following scope of certification

Tracking of wood based material.
Product Types: Coated Paperboard (P3.2), Metalized Paperboard (P3.5).
Claim: FSC Mix.
System Used: Transfer.
Certificate type: Single site.
Standard Versions: FSC-STD-40-004 V3-0, FSC-STD-50-001 V2-0.

Certificate No.:	CERT-0133414	Issue Date:	November 27, 2019
File No.:	1645756	Original Certification Date:	December 23, 2014
FSC Code:	SAI-COC-002046	Certification Effective Date:	December 22, 2019
Issue Number:	1	Certification Expiry Date(1):	December 21, 2024

Heather Mahon
Global Head of Technical Services
SAI Global Assurance

FSC www.fsc.org — The mark of responsible forestry — FSC® A000519

asi accredited ASI-ACC-026

Registered by: SAI Global Certification Services Pty Ltd, 680 George St, Level 37-38, Sydney, NSW, 2000, Australia with QMI-SAI Canada Limited, 20 Carlson Court, Suite 200, Toronto, Ontario M9W 7K6 Canada (SAI GLOBAL). This registration is subject to the SAI Global Terms and Conditions for Certification. While all due care and skill was exercised in carrying out this assessment, SAI Global accepts responsibility only for proven negligence. This certificate remains the property of SAI Global and must be returned to them upon request. To verify that this certificate is current, please refer to the SAI Global maintains an On-Line Certification Register: https://www.saiglobal.com/online/pefc/pefc_and_certification_register/

(1)The validity of this certificate shall be verified on www.info.fsc.org The list of the products groups included in the scope of this certificate may be obtained from SAI Global Certification Services Pty Ltd upon request or found at www.info.fsc.org This certificate itself does not constitute evidence that a particular product supplied by the certificate holder is FSC®-certified or FSC® Controlled Wood. Products offered, shipped or sold by the certificate holder can only be considered covered by the scope of this certificate when the required FSC® Claim is clearly stated on invoices and shipping documents.

SAI GLOBAL INFORM. INSPIRE. IMPROVE.

Figure 8-20: Forest Stewardship Council Certification for Scientific Games

8.3.1 Pack Insert Pieces

Except as otherwise specified by the Texas Lottery, the Successful Proposer shall be required to provide one (1) Pack Insert piece which shall be included in each shrink- wrapped pack of tickets. The size of the Pack Insert piece is based upon the size of the ticket dispenser. Currently the dispenser sizes require a 4" x 4", 4" x 8" or 4" x 12" Pack Insert piece.

An additional 500 Pack Inserts must be delivered two (2) weeks prior to ticket delivery. The Pack Inserts must be printed on front and back according to Texas Lottery specifications as indicated in the working papers for a specific game. The working papers must include sample draft artwork of the Pack Insert.

Scientific Games will continue to provide one pack insert piece included in each shrink-wrapped pack of tickets, except as otherwise specified by the Lottery. We understand that the size of the pack insert piece is based upon the size of the ticket dispenser and the Lottery currently has dispenser sizes that require a 4" x 4", 4" x 8" or 4" x 12" pack insert piece.

We will deliver an additional 500 pieces two weeks prior to ticket delivery. We will provide pack insert pieces that are printed on front and back according to Texas Lottery specifications as indicated in the working papers for a specific game. The working papers will include sample draft artwork of the pack insert.

8.3.2 Retail Samples (Voids)

At the Texas Lottery's request, the Successful Proposer may be required to supply approximately one thousand (1,000) (depending upon pack size) voided, non-winning ticket samples delivered in full pack quantities of actual size tickets for each game produced with quantities as detailed in the Customer Specifications Document. Such tickets shall have the word "VOID" printed prominently on the back of the ticket. The word VOID will also replace the ticket number on the front of the ticket. All void samples must be shrink-wrapped in pack sizes equal to those of the actual game. The number of retail (void) samples to be produced is subject to change at the Texas Lottery's sole discretion during the Contract period, based on the use of these samples in the field.

As requested by the Lottery's, Scientific Games will supply approximately 1,000 (depending upon pack size) voided, non-winning ticket samples delivered in full pack quantities of actual size tickets for each game produced. Quantities will be detailed in the Customer Specification document. Such tickets will have the word "VOID" printed prominently on the back of the ticket. The word VOID will also replace the ticket number on the front of the ticket. All void samples will be shrink-wrapped in pack sizes equal to those of the actual game. Scientific Games understands that the number of retail (void) samples to be produced is subject to change at the Texas Lottery's sole discretion during the Contract period, based on the use of these samples in the field.

8.3.3 Ticket and Pack Sizes

The Successful Proposer shall be required to produce tickets and packs in various sizes. Ticket and pack size (number of tickets per pack) will vary and will be determined by the Texas Lottery on a game-by-game basis and will be specified in the executed working papers. Ticket and pack sizes may be modified at the Texas Lottery's sole discretion and will be specified in the executed working papers.

Scientific Games produces tickets and packs in various sizes. We understand that the ticket and pack size (number of tickets per pack) will vary and will be determined by the Lottery on a game-by-game basis; therefore, all pack sizes will be specified in the executed working papers. We also understand that the Lottery, at its sole discretion, may modify the ticket and pack sizes. Such modifications will be specified in the executed working papers.

TPIA §552.110/552.1101

The ticket heights we can print are determined by the print cylinder size. Scientific Games maintains a large inventory of multiple cylinder sizes for each of our presses, which allow us to print the widest variety of ticket lengths in the industry.

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Gigantix®

Scientific Games places a high premium on consumer research. Players consistently request that we make things bigger—bigger play area, bigger play spots, bigger play symbols, bigger play instructions and bigger prizes. To capitalize on this opportunity, Scientific Games developed Gigantix, our oversized tickets that add more space for games—and more chances to win. These tickets can range in size from 8" x 8" to 12" x 8". We can also print the ticket back with our four-color process, giving the Lottery a perfect platform to deliver any relevant messaging in a highly impactful way. Promotional messages, players club information, stories about where the money goes—the oversized back of a Gigantix ticket gives lotteries plenty of room to deliver all these messages and more.

Gigantix games are available with extended play and Scratch My Back options. Players can experience even more play value at a price point they will love. We provide a sample Gigantix ticket in our Instant Products Catalog. Please see the sealed **Cost Proposal (Attachment H)** for pricing of Gigantix tickets.

TPIA §552.110/552.1101

As the market for instant tickets evolves, so will our processes to accommodate future ticket size variations.

8.3.4 Ticket Orientation

The Texas Lottery will require tickets to be printed in either horizontal or vertical formats.

Scientific Games can provide the Texas Lottery with scratch games in both horizontal and vertical formats. We have successfully printed games with both orientations in multiple sizes.

We offer tickets in both formats at the same price when the perforations is placed on the 4" side.

Scientific Games' printing, imaging and finishing systems are all designed to accommodate horizontal and vertical ticket orientations. Rotation of printed images from portrait to landscape is achieved through the digital prepress process. Our image systems allow for the same rotation of symbols and number characters with no degradation in clarity and readability.

8.3.5 Perforations

Perforations must be placed on the side equal to the width of the dispenser for the ticket regardless of the vertical or horizontal format. Current dispenser widths are 4", 8" and 12". Typically, the 4" size is used unless otherwise requested by the Texas Lottery.

The perforations between tickets must be deep enough, and must contain adequate space between perforations, to allow retailers and/or self-service vending machines to separate the tickets without damage. However, the perforations must not be so deep as to allow unintentional detachment of the tickets during normal handling or dispensing..

For Texas Lottery games, Scientific Games will perforate the tickets on the side equal to the width of the dispenser for the ticket regardless of the vertical or horizontal format. We understand that the current dispenser widths are 4", 8" and 12" and that the 4" size is typically used unless otherwise requested by the Texas Lottery. Perforations between tickets are deep enough to allow retailers and/or self-service vending machines to separate the tickets easily without damage, but are strong enough to keep tickets from detaching unintentionally during normal handling or dispensing.

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8.3.6 Font Generation

All imaged data (computer controlled) or graphic fonts (display printing) produced by the Successful Proposer for Texas Lottery scratch tickets – whether the data or fonts are standard, customized or licensed – must be approved by the Texas Lottery. The Successful Proposer shall be required to provide the Texas Lottery with samples of all imaged fonts and symbols that are available for use on tickets. In addition, the Successful Proposer shall be required to create any imaged data or graphic fonts, whether or not provided as samples, as specified in the executed working papers.

Scientific Games agrees that all imaged data (computer controlled) or graphic fonts (display printing) produced for Texas Lottery scratch tickets—whether the data or fonts are standard, customized or licensed—will be approved by the Texas Lottery. We acknowledge that we will be required to provide the Texas Lottery with samples of all imaged fonts and symbols that are available for use on tickets. In addition, Scientific Games will create any imaged data or graphic fonts, whether or not provided as samples, as specified in the executed working papers. All the fonts used for the imaged data and in the graphics will be specified in the working papers for each game. No game will be printed until the Texas Lottery approves the working papers.

Custom Designed Fonts and Symbols

Graphic designers at Scientific Games are uniquely skilled at imaged symbol design. Creating symbols requires a comprehensive understanding of the capabilities of the imaging equipment; lines and strokes on a symbol must be thick enough to appear crisp and legible under normal lighting conditions, but not so thick that they become unrecognizable to consumers. Symbols must conform to a specific imaging layout and fit within our coatings to comply with our production protocols.

Over the years of printing instant games, we have developed a vast library of symbols that can be used for imaging. So vast in fact that we could produce 65 games a year for the next five years without repeating a symbol, assuming approximately 75 symbols per game. There is a clear difference in the breadth and depth that Scientific Games' years of experience can offer in this arena. Encompassing over 25,000 symbols currently in production, over 500,000 symbols in our historical archive and a creative team with the knowledge to create any symbol imagined; Scientific Games is able to deliver unparalleled flexibility for imaging solutions.

With a library this large you can imagine that it requires some organization to manage. Our Composer system provides your Account Director with the tools to search this symbol database by keyword, gathering the variety of options available for each topic.

Additional fonts designed for the VersaMark DS6240 imagers will be available to the Texas Lottery at no additional cost. Scientific Games does not have any limitations in regards to the capability of imaging a variety of words, letters, numbers, characters or unique symbols. The standard game data and game symbols are imaged at 240 dpi and are at a minimum of 0.2" and 0.35" in height so that they are legible.

Many of today's most exciting instant lottery games use multicolor imaging to enhance play value. Scientific Games is a leader in building games that use colored imaging to maintain the entertainment value and excitement over multiple, repeated purchases. Multi-color imaging can be used to complement the theme or playstyle of a game, or it can be used as a bonus, multiplier or scratch win feature. Multiple colored ink imaging is a separately priced **Offered Option** in addition to the base price.

HD Games™ Symbols and Font Styles

Very rarely does true game-changing innovation come along that can redefine the Lottery's scratch product landscape. As the scratch game evolves, so does the available technology, the knowledge of the player and the need to break new, innovative ground. HD Games is one of these innovations and the first of its kind in our industry. This patent-pending product is more than an innovation, it combines enhanced ticket features that elevate the overall game experience.

At the nucleus of this new product is high-definition variable imaging, which allows much sharper definition and detail in the imaged game symbols, fonts and barcodes. This enhancement sharpens the clarity of the imaged elements and increases the visibility of human-readable numbers and captions. These imaging advancements open the door for highly detailed and unique characters, three-dimensional fonts, extraordinary prize symbols and covert security tactics. Underneath the HD imaging, retailers will find a brighter play area that improves the contrast and clarity of the imaged data for better visibility. Our new SecurTag™ security additive lies deep within this new, brighter play area which can be used by the Lottery as an additional tool for authenticating top prize winners.

HD Games are a separately priced **Offered Option**.

Scientific Games can currently image play fonts, symbols and HD Games in the following colors:

- Black
- Red
- Blue
- Green
- Burgundy
- Purple

We provide examples of game data and play symbols imaged using multiple and/or variable colors in our **Instant Products Catalog**. **Figure 8-23** shows a small sampling of the thousands of symbols currently used by our customers.

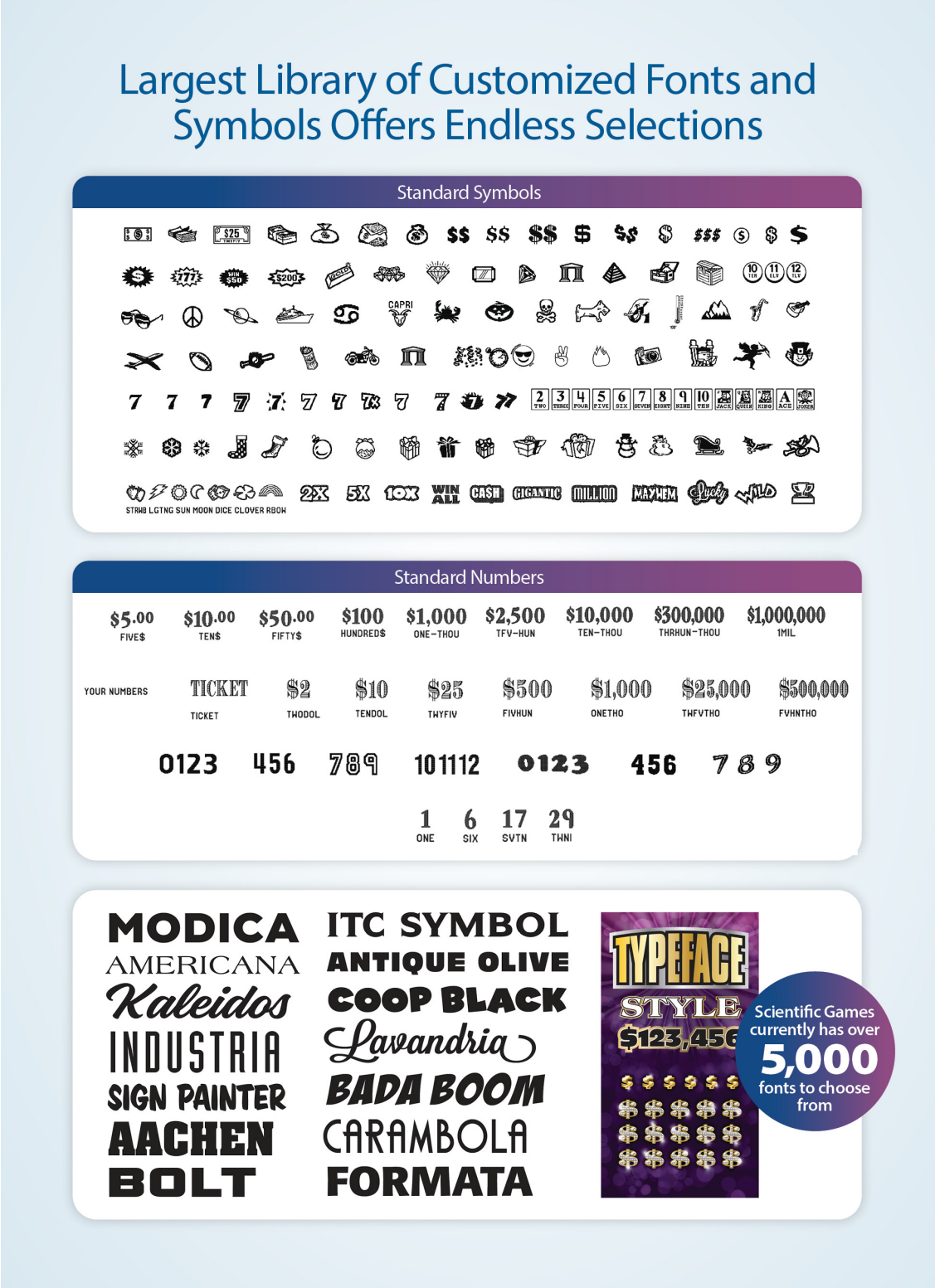

Figure 8-23: Sample Variable Imaged Symbols

Properly designated play symbols are essential to game design and player engagement.

In **Figure 8-24**, we display a small sample reflecting the multitude of standard and HD Games symbols and font styles available to the Lottery.

Figure 8-24: Sample of Standard Imaging and HD Game Symbols

8.3.7 Imaged Data

The game data will include, but not be limited to the following items: symbols, legends, captions, ticket numbers, pack numbers, validation numbers, and standard bar codes. These must be printed using a computer controlled imaging printer. Imaged data must meet the following requirements:

a. printed in black or colored ink approved by the Texas Lottery on the display printing side.

b. uniformly positioned and aligned on the tickets, unless otherwise specified in the executed working papers to prevent potential pick-out problems associated with said positioning and alignment.

c. the imaged symbols must be printed clearly, easily readable and distinguishable, and the images shall not bleed, be distorted or smeared.

d. accompanied by appropriate captions and legends for play and prize symbols to provide redundancy for security reasons, to prevent consumer disputes and/or to preserve alignment between play and prize symbols and their relative position on the ticket. Captions and legends must spell out or abbreviate the play and prize symbols in smaller font size than the actual play and prize symbols, in a different but recognizable format. The captions and legends used in each game must be specified in the executed working papers and agreed to by the Texas Lottery.

e. no scratch ticket will contain more game data than authorized in the executed working papers.

f. all game data must meet Texas Lottery security guidelines as specified in this RFP and as may be required during the Contract with respect to compromise and resistance to alteration.

g. the imaged data must not be damaged to a degree where the imaging is made illegible in the course of removing the scratch ticket coating, using normal pressure. The protective coating/seal coat must remain intact. In addition, after removal of the scratch ticket coating, by application of any commonly-occurring solvent, perspiration, saliva, water, soft drinks, coffee, etc., and then moderate rubbing (a minimum of ten (10) strokes) with a tissue, cotton swab or other soft object, the imaged data must remain readable.

h. each and every imaged symbol on the front of the ticket must be completely covered by scratch ticket coating with the exception of the quality control inspection window(s) on each ticket. Additionally, an exception to this requirement is granted for any game where the imaging is duplicated on the security coating, visible through translucent security coating or any other process so players know where to scratch.

i. any and all imaging must meet the requirements as specified in the executed working papers regardless of design, ticket size and press layout.

Scientific Games will provide the Texas Lottery instant tickets with game data that includes, but is not limited to:

- Symbols
- Legends
- Captions
- Ticket numbers
- Pack numbers
- Validation numbers
- Standard barcodes

These will be printed using a computer controlled imaging printer. The imaged data will meet the following Texas Lottery requirements:

a. Printed in black or colored ink as approved by the Texas Lottery on the display printing side.
b. Uniformly positioned and aligned on the tickets, unless otherwise specified in the executed working papers to prevent potential pick-out problems associated with said positioning and alignment.
c. The imaged symbols will be printed clearly, easily readable and distinguishable, and the images shall not bleed, be distorted or smeared.

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d. Accompanied by appropriate captions and legends for play and prize symbols to provide redundancy for security reasons, to prevent consumer disputes and/or to preserve alignment between play and prize symbols and their relative position on the ticket. Captions and legends will spell out or abbreviate the play and prize symbols in smaller font size than the actual play and prize symbols, in a different but recognizable format. The captions and legends used in each game will be specified in the executed working papers and agreed to by the Texas Lottery.
e. No scratch ticket will contain more game data than authorized in the executed working papers.
f. All game data will meet Texas Lottery security guidelines as specified in this RFP and as may be required during the Contract with respect to compromise and resistance to alteration.
g. The imaged data will not be damaged to a degree where the imaging is made illegible in the course of removing the scratch ticket coating, using normal pressure. The protective coating/seal coat will remain intact. In addition, after removal of the scratch ticket coating, by application of any commonly occurring solvent, perspiration, saliva, water, soft drinks, coffee, etc., and then moderate rubbing (a minimum of 10 strokes) with a tissue, cotton swab or other soft object, the imaged data will remain readable.
h. Each and every imaged symbol on the front of the ticket will be completely covered by scratch ticket coating with the exception of the quality control inspection window(s) on each ticket. Additionally, an exception to this requirement is granted for any game where the imaging is duplicated on the security coating, visible through translucent security coating or any other process so players know where to scratch.
i. Any and all imaging will meet the requirements as specified in the executed working papers regardless of design, ticket size and press layout.

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8.3.8 Game Pack Numbers

Each pack of tickets within a game must be identified with a unique consecutive and no- duplicating pack number (except for omissions that occur in production) for use in controlling ticket distribution, retailer inventory and accounting. Game and pack numbers must appear on the back of the ticket above the bar code image.

All tickets provided to the Texas Lottery by Scientific Games will be identified with a unique consecutive (with the exception of production omissions) and non-duplicating pack number for use in controlling ticket distribution, retailer inventory and accounting. Game and pack numbers will appear on the back of the ticket above the barcode image.

To ensure compliance to Texas Lottery standards, the pack number is created by game generation software following the rules set forth within the game specifications. The generation of the pack number is controlled by a programmatic "loop" within the game generation software, which ensures that:

1. The pack numbering starts with the first book number stated in the game specifications.
2. The pack numbering ends with the last book number from the last pool programmed.
3. The pack numbers run consecutively from the first to the last, and there are no gaps in the middle.
4. Each pack number is unique.

Before press, these conditions are tested and audited by the game audit software. After press, the conditions are further confirmed by the validation audit software. If any of the four abovementioned conditions is not true, the audit software aborts and returns an error condition that must be resolved before the game can be delivered. A similar process is used to create and audit the ticket numbers within a pack, such that there is no possibility of creating game data with incorrect pack or ticket numbers.

The serial number (game, pack and ticket number) is used to track the product from the instant ticket manufacturing to the instant ticket player and to the end of the game. This number is unique and identifies each pack and each ticket within the game.

8.3.9 Ticket Numbers

Each ticket within a pack must display a unique sequential number and reverse ticket count such that the ticket count left in the pack is to be included as part of the ticket number. For example, numbering will begin on a 250 ticket pack with 001(250), 002(249) . . . 250(001). The ticket numbers must be consecutive and non-duplicating in the pack and no omissions are allowed within the pack. Ticket numbers must appear on the back of the ticket and must follow the game and pack number printed above the bar code.

In addition, a quality control inspection window must be placed on the front of all tickets. Some printing processes may require more than one (1) ticket window. This window must contain the three-digit ticket number as printed on the back of the ticket. Proposers must document the procedures used to assure that ticket numbers are consecutive and must not appear more than one (1) time per pack.

Each ticket within a pack will display a unique sequential number and reverse ticket count such that the ticket count left in the pack is included as part of the ticket number. For example, numbering on a 250 ticket pack begins with 001(250), 002(249) . . . 250(001). The ticket numbers will be consecutive and non-duplicating in the pack and no omissions will occur within the pack. Ticket numbers will appear on the back of the ticket and will follow the game and pack number printed above the barcode.

A quality control inspection window will be placed on the front of all tickets. This window will contain the three-digit ticket number as printed on the back of the ticket. We will document the procedures used to assure that ticket numbers are consecutive and will not appear more than one time per pack.

The game generation software creates ticket numbers within each pack number. The sequence is subjected to programmatic audit to ensure accounting for each ticket number within a pack without duplication before image files are released to production.

The inspection process conducted during printing ensures the ticket number imaged in the quality control inspection window matches the ticket number printed with the pack number on the ticket back.

During the packaging process, any pack that does not contain all tickets is omitted. Scientific Games utilizes Vision inspection system cameras to detect beginning and ending ticket numbers during the finishing process to ensure packs are complete.

8.3.10 Validation Number

A unique "validation" number will be imaged on the front of the ticket. The format of the validation number will be detailed in the Customer Specifications document. This validation number must be covered with a scratch ticket coating and must meet the requirements of the Texas Lottery. The location of the validation number will be at the approval of the Texas Lottery.

Scientific Games will continue to provide a unique "validation" number that is imaged on the front of the ticket. We agree that the format of the validation number will be detailed in the Customer Specifications document. This validation number will be covered with a security coating scratch-off material and meet the requirements of the Texas Lottery. The location of the validation number will be at the approval of the Texas Lottery.

Validation Numbering

Scientific Games will provide a unique validation number on the front of each ticket, to be used for winning ticket validation and reconstruction. The validation number will be covered by rub-off coating in the protected play area.

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In the following section we describe how the process provides a validation number in a secure manner.

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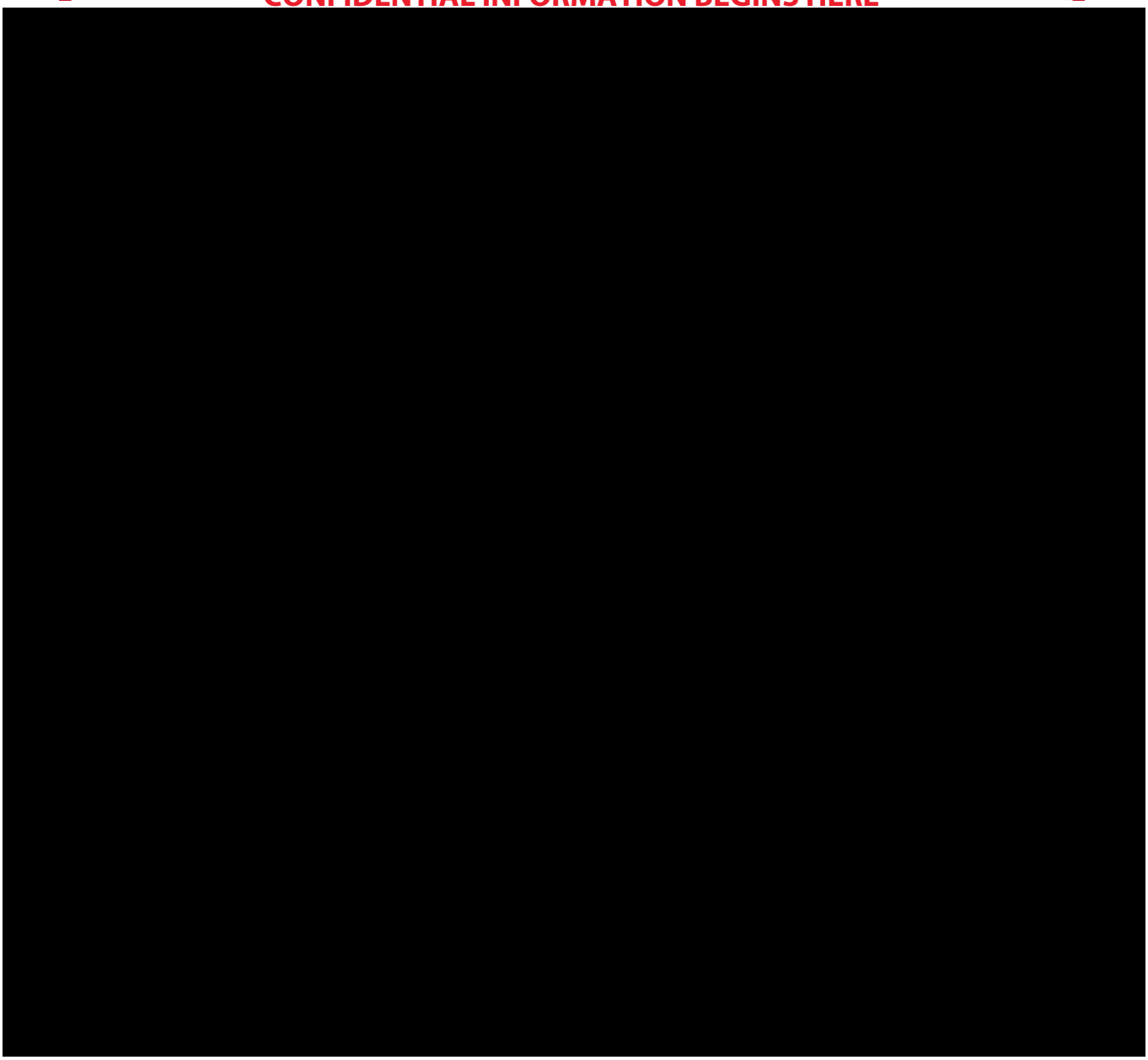

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8.3.11 Validation Algorithm

The Successful Proposer must use the low-tier algorithm the Texas Lottery currently has in use, subject to change/revision during the Contract term in the Texas Lottery's sole discretion. The Texas Lottery Operations and Services vendor (currently IGT Texas) will provide the software code to the Successful Proposer. The Successful Proposer must provide a compatible mid/high-tier algorithm within two (2) Days of Contract execution if the algorithm has changed or the Successful Proposer has not recently done business with the Texas Lottery. Otherwise, the Successful Proposer must use the mid/high-tier algorithm provided by the Texas Lottery.

Scientific Games will continue to use the low-tier algorithm the Texas Lottery currently has in use, subject to change/revision during the contract term in the Texas Lottery's sole discretion. We understand the Texas Lottery's lottery operator will provide the software code. We will provide the Texas Lottery a compatible mid-/high-tier algorithm within two days of contract execution if the algorithm has changed. Should Scientific Games be unable to provide a compatible mid-/high-tier algorithm, we will use the mid-/high-tier algorithm provided by the Texas Lottery.

8.3.12 Back of Ticket Bar Codes

Each ticket must contain a bar code imaged on the back of the ticket. The bar code will consist of a game ID, the pack number, and the individual ticket number. The Successful Proposer must place the bar code in a location suitable for reading by the validation equipment used by the Texas Lottery. If any restrictions on placement apply, the Proposer must state such restrictions in its Proposal. The bar code will have a quiet zone at each end. The format of the bar code will be detailed in the Customer Specifications document. The bar code must meet ANSI specifications, achieve a first-time read rate of 95%, achieve a third-time read rate of 99% and be printed to Texas Lottery specifications. The Successful Proposer must be able to support standard bar codes.

Each ticket will contain a barcode imaged on the back of the ticket. The barcode will consist of a game ID, the pack number, and the individual ticket number. Scientific Games will continue to place the barcode in a location suitable for reading by the validation equipment used by the Texas Lottery. Scientific Games does not have any restrictions on the placement of the barcode. The barcode will have a quiet zone at each end. The format of the barcode will be detailed in the Customer Specifications document. The barcode will meet ANSI specifications, achieve a 95% first-time read rate, achieve a third-time read rate of 99% and be printed to Texas Lottery specifications.

The barcode print quality will meet or exceed the guidelines set forth in ISO15416:2016 (Barcode Print Quality Guideline). Scientific Games grades every imaged barcode with inline camera systems during printing to ensure readability. Because Scientific Games utilizes the back ticket barcodes for our own internal quality and inventory tracking systems, we are confident our barcode read rates will exceed the expectations of the Texas Lottery.

Ticket Inventory Barcode

Scientific Games can create and image a barcode on each ticket back that incorporates the game, pack, and ticket number, as well as a validation number. The barcode is multifunctional—it is an inventory control tool as well as a means of ticket validation.

Because of the importance of this barcode, our systems include multiple checks to confirm the validity of the barcode as well as the quality. Checks are conducted during game programming to ensure that each ticket's barcode decrypts to the correct numeric combination. During printing, every barcode is scanned and graded to ANSI standards. Any barcode that receives a failing grade results in the entire pack being rejected. Additional checks of ticket barcodes are conducted offline in the Quality Assurance lab and packaging audit stations to once again confirm the information decodes correctly for validation of the ticket at retail.

8.3.13 PDF417 Bar Codes

The Successful Proposer shall be required to print PDF 417 or other bar codes in the play area for all Texas Lottery scratch tickets. The addition of this bar code to the ticket design will be at no additional cost to the Texas Lottery. The bar codes shall comply with the standards agreed to by the Texas Lottery.

Scientific Games will print PDF417 or other barcodes in the play area for all Texas Lottery scratch tickets. The addition of this barcode to the ticket design will be at no additional cost to the Texas Lottery. The barcodes will comply with the standards agreed to by the Texas Lottery.

8.3.14 Universal Product Codes (UPC)

UPC bar codes must be printed on the back of all scratch tickets as specified in the executed working papers and the Customer Specifications document.

UPC barcodes will be printed on the back of all scratch tickets as specified in the executed working papers and the customer specifications document.

Retailer UPC Barcode

Each instant game ticket provided to the Lottery by Scientific Games will contain a game specific universal product council code (UPC) printed to NAICS standards on the back of the instant ticket. The game number and the UPC check digit are the portion of the UPC that makes it unique to each game.

Scientific Games, based on specifications from the Lottery, will generate the UPCs which are printed on the ticket back. Upon creation of the barcode, software will verify that the check digit is correct and highlight any errors. The file can then be exported for use in a variety of applications, including production of game tickets, point-of-sale material and online usage.

Scientific Games produces UPC barcodes of commercial quality that meet ANSI standards. All UPC barcodes are verified during prepress file preparation; then readability is tested during printing by the press and quality assurance departments.

8.3.15 Screened Price Point

The price point of each scratch ticket game must be screened on the back of the ticket in no more than a 25% screen of the same ink color as the ticket back.

Scientific Games will screen the price point of the game on the back of the ticket in no more than a 25% screen of the same ink color as the ticket back. The screened image will be clearly printed without obscuring the legibility of the ticket copy.

8.3.16 Scratch Ticket Coating

The scratch ticket coating must be opaque and of such quality as to maintain the security of the ticket symbols and validation information. (Refer to Section 8.27.1 regarding security expectations.) The border between the scratch surface and the uncovered portion of the ticket must be sharp and even, i.e., the scratch ticket coating may not "drip" onto the display printing. The scratch ticket coating must be smooth and regular to the touch.

The scratch ticket coating must be readily removable with a reasonable degree of resistance when scratched with commonly used items (scrapers, knives, keys, coins, etc.). After the scratch ticket coating is removed, significant residue must not be present. Scratch ticket coating must remain readily removable for a minimum shelf life of thirty- six (36) months under normal warehouse conditions. The scratch ticket coating must be non-toxic and not irritating to the skin. It must cover the play area and overlay into the display area.

The design of the overprint must be such that virtually all of the scratch ticket coating is covered by an overprint color (either a "Full" or "Screened Down" intensity). The overprint must extend up to or beyond the edges of the play area onto the paper, foil or holographic and must be regular so that the consumer may easily detect any irregularities in the ticket.

Any and all scratch ticket coating areas must meet the requirements as specified in the executed working papers regardless of design, ticket size and press layout.

The scratch ticket coating will be opaque and of such quality as to maintain the security of the ticket symbols and validation information. (Refer to **Section 8.27.1** regarding security expectations.) The border between the scratch surface and the uncovered portion of the ticket will be sharp and even, i.e., the scratch ticket coating may not "drip" onto the display printing. The scratch ticket coating will be smooth and regular to the touch.

The scratch ticket coating will be readily removable with a reasonable degree of resistance when scratched with commonly used items (scrapers, knives, keys, coins, etc.). After the scratch ticket coating is removed, significant residue will not be present. Scratch ticket coating will remain readily removable for a minimum shelf life of 36 months under normal warehouse conditions. The scratch ticket coating will be non-toxic and not irritating to the skin. It will cover the play area and overlay into the display area.

The design of the overprint will be such that virtually all of the scratch ticket coating is covered by an overprint color (either a "Full" or "Screened Down" intensity). The overprint will extend up to or beyond the edges of the play area onto the paper, foil or holographic and will be regular so that the consumer may easily detect any irregularities in the ticket.

Any and all scratch ticket coating areas will meet the requirements as specified in the executed working papers regardless of design, ticket size and press layout.

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8.3.17 Protective Coating/Seal Coat

The game data under the opaque scratch ticket coating must be covered by a transparent coating in a manner such that the symbols are protected when the consumer rubs off the scratch ticket coating. If the seal coat is removed, it must exhibit evidence of tampering and be non-repairable.

The game data under the opaque scratch ticket coating will be covered by a transparent coating in a manner that protects the symbols when the consumer rubs off the scratch ticket coating. If the seal coat is removed, the ticket will exhibit evidence of tampering and be non-repairable.

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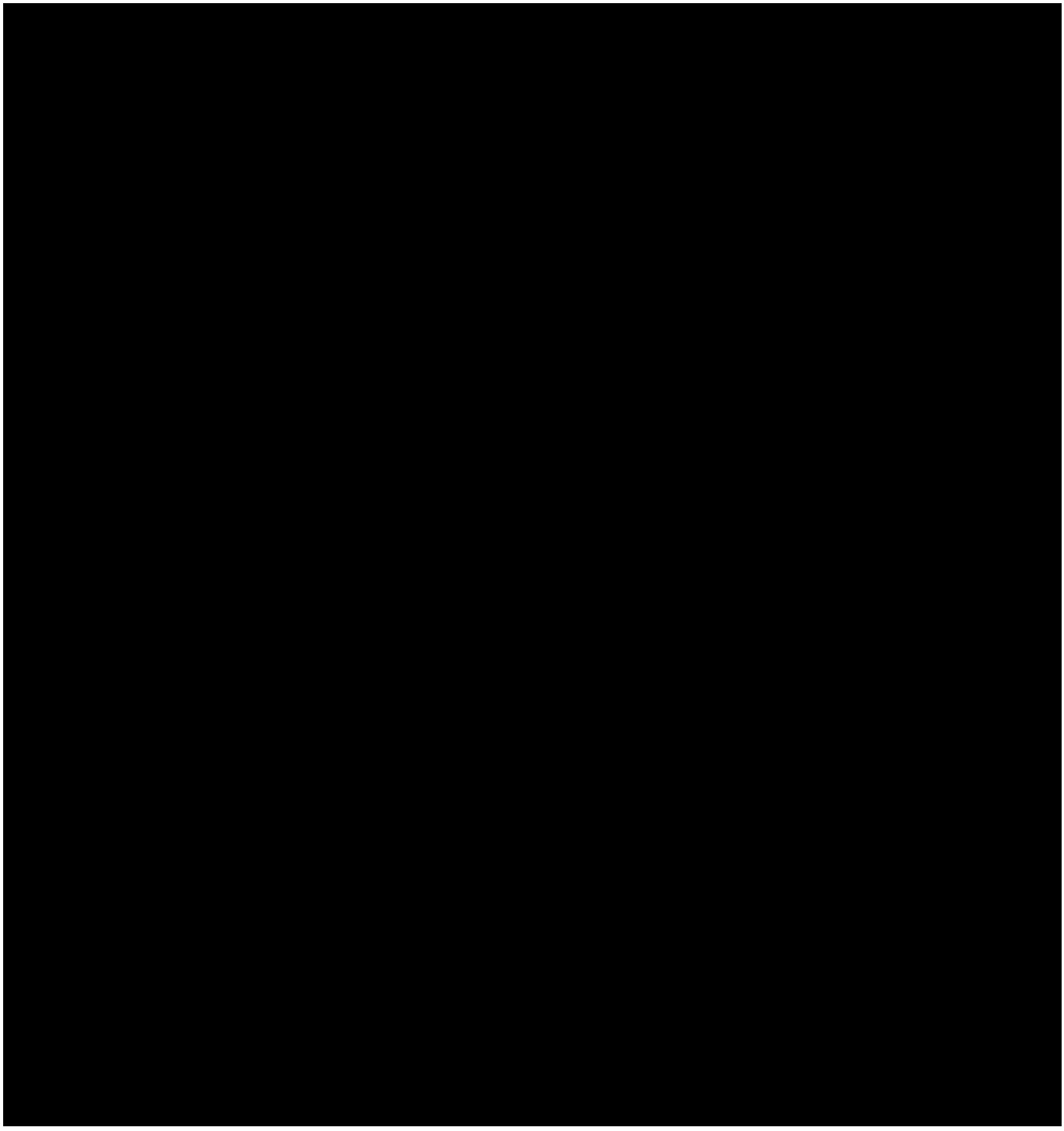

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8.3.18 Display Printing

Display colors on the front of the ticket must be printed using either four-color process or spot colors or both. Spot colors may be specified by the Texas Lottery as PMS (Pantone Matching System) colors or equivalents. One (1) color must be available for printing on the back of the ticket. The Successful Proposer is required to employ the necessary production processes in order to produce the game tickets as represented in the executed working papers.

Inks must be of such nature that there is no "offsetting" or picking from the front of tickets to the back of tickets on an adjacent page, and vice versa.

Subject to normal printing trade tolerances and practices, the display printing must be properly registered.

Scientific Games will print display colors on the front of the ticket using either four-color process, spot colors or both. The spot colors can be specified by the Lottery as either Pantone® Matching System (PMS) colors or equivalents. One color will be available for printing on the back of the ticket.

Scientific Games will employ the necessary production process to produce the game tickets as represented in the executed working papers.

Inks will be of such nature that there is no "offsetting" or picking from the front of tickets to the back of tickets on an adjacent page, and vice versa.

Scientific Games agrees that subject to normal printing trade tolerances and practices, the display printing will be properly registered.

Front Display Printing

Scientific Games is capable of producing instant games with outstanding color graphics on both sides of the ticket on any of our four printing presses.

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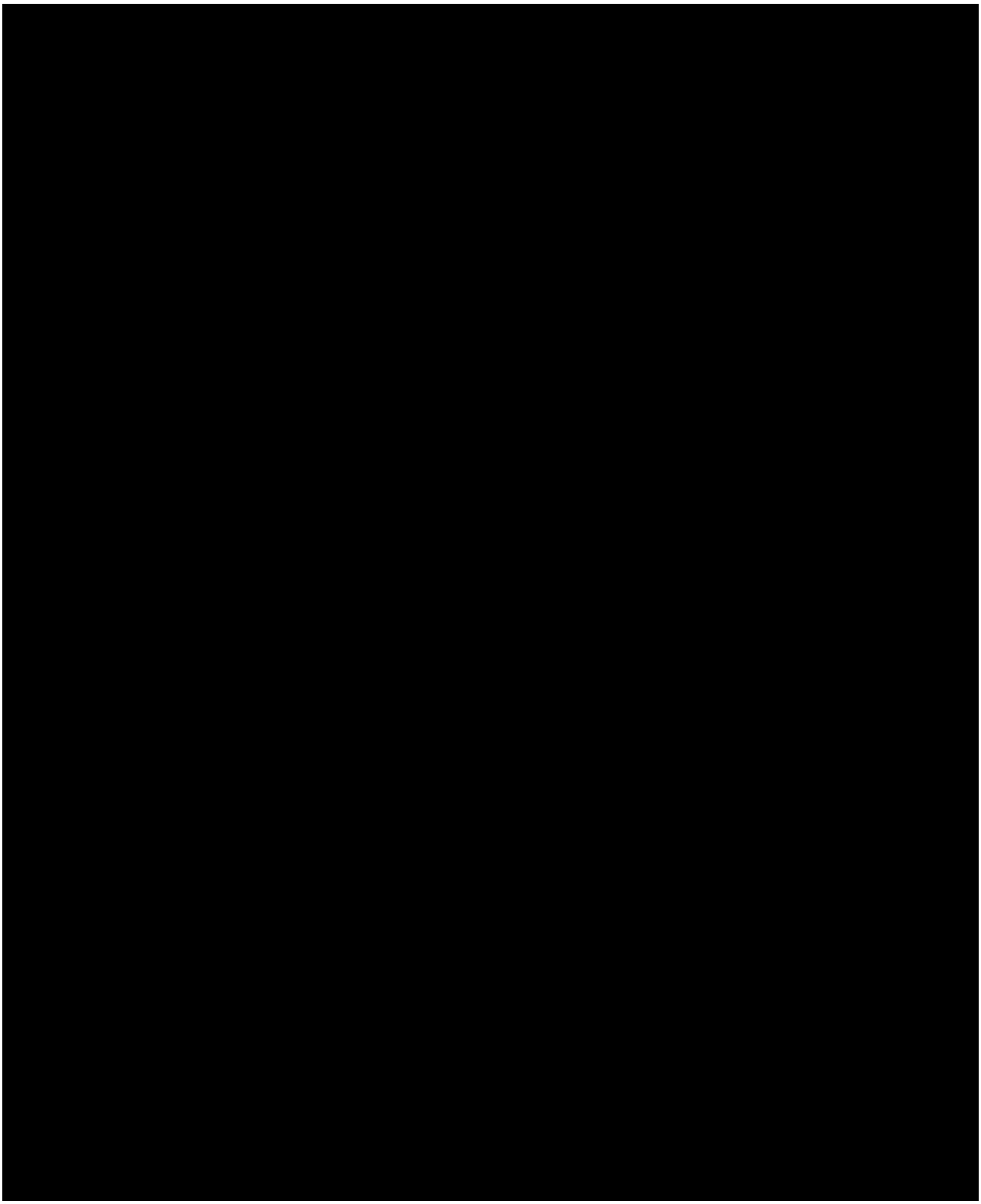

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Each of our presses allows us to print a wide variety of display colors that add extra excitement and help games stand out from the clutter at retail. We can print the minimum of seven display colors (not including exposed secure ticket stock) on the ticket display area.

The inks we use for display and ticket back printing will not smear, run or stain under normal handling or use by retailers and consumers, nor will they offset from the front of the tickets to the back. We have dedicated ink technicians on each press at all times to ensure the ink quality remains high so that the graphic images on the tickets remain sharp and clearly defined, and the text is clearly readable with normal vision under normal lighting conditions.

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Optional printing and other features are priced in our sealed **Cost Proposal** (**Attachment H**).

Back Display Printing

Our back print black ink is specially formulated for the fine text and screened elements commonly printed on ticket backs. This ensures the text and graphics on the back of the instant ticket will be clearly readable with normal vision under normal lighting conditions. As with all our inks, the back-side ink will not offset from the front of tickets to the back of tickets on an adjacent page, or vice versa.

The back side of the Texas Lottery tickets contain important elements that will be equally aesthetic and functional.

Scientific Games has the ability to print multiple colors on the back of a ticket when indicated by the game specifications. The Texas Lottery may choose to add additional colors to the back of the ticket to enhance play instructions, highlight a promotion, or emphasize the game name.

The number of colors available for the back of the ticket depends upon the number of colors used for the display and overprint and the press on which the game is produced. Scientific Games' presses can print the following number of colors on the ticket back (**Figure 8-27**).

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8.3.19 Overprint

The overprint colors must be printed on top of the scratch ticket coating. The overprint must consist of an artistic design that covers at least the same dimensions as the scratch ticket coating. The overprint must be well defined, un-blurred and sharp in order to highlight any tampering of the ticket.

Inks must be of such nature that there is no "offsetting" or picking from the front of tickets to the back of tickets on an adjacent page, and vice versa.

Subject to normal printing trade tolerances and practices, the scratch ticket coating and overprint must be properly registered.

Scientific Games will cover the scratch ticket coating with overprint colors. The overprint will be of an artistic design using at least three overprint colors and will cover at least the same dimension as the scratch ticket coating. The overprint will be well defined, un-blurred and sharp in order to highlight any tampering of the ticket.

Inks will be of such nature that there is no “offsetting” or picking from the front of tickets to the back of tickets on an adjacent page, and vice versa.

Scientific Games agrees that subject to normal printing trade tolerances and practices, the scratch coating and overprinting will be properly registered.

To supplement ticket security, Scientific Games’ overprint designs will be such that virtually all of the rub-off cover material is covered by an overprint color (either a full or screened-down intensity), the overprint extends up to or beyond the edges of the rub-off onto the security stock and the overprint is regular so that irregularities in the ticket may be easily detected. Our overprint inks are of such a nature that there is no offsetting from the front of tickets to the back of tickets on an adjacent page, and vice versa.

The number of colors available for the overprint area depends on the number of colors used for the display and the ticket back. Overprint inks can create continuous images across the ticket front, adding a powerful look to your games. Please see our sealed **Cost Proposal** (**Attachment H**) for pricing of additional overprint colors, beyond those specified as part of the base price.

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While design capability is an important function of overprint colors, security is also an important function of this ticket layer. For example, large areas of a single color over play spots or straight lines near critical validation information under the scratch-off material can make the ticket more susceptible to compromise techniques. Scientific Games' overprinting will be a regular, artistic design and will be clear, unblurred and sharp to facilitate detection of tampering. A blurred image with unclear edges will be an indication of tampering.

Scientific Games' overprint designs and inks deter compromise of the game data covering. Solvents used in various compromise methods will cause distortion of or damage to our overprint inks, making it tamper evident and unsaleable.

While tickets are frequently designed with an overprint image that continues from the display area to the scratch-off portion of the ticket, the border between the rub-off surface and the uncovered portion of the ticket will be sharp and even, i.e., the rub-off cover material may not drip onto or encroach into the display printing.

8.3.20 Ink Colors

The Successful Proposer must be able to produce a total of up to ten (10) colors projected to be five (5) front display colors, with one (1) display color being a full bleed, one (1) back color, three (3) overprint colors and one (1) ultraviolet ink for benday patterns. When using a four-color process method of printing one (1) design across the display graphics and the overprint area, colors must be consistent from one surface to the other, i.e., the same ink used for display and overprint colors. The printing method (or process) must be approved by the Texas Lottery.

Scientific Games can produce a total of up to 10 colors on a ticket. According to the Texas Lottery's specifications in the RFP, these colors will break down as five front display colors with one display color being a full bleed, one back color, three overprint colors and one ultraviolet ink for benday patterns. As the Texas Lottery's current vendor, we have printed billions of tickets following Texas' color preferences.

When using a four-color process method of printing one design across the display graphics and the overprint area, colors will be consistent from one surface to the other, i.e., the same ink used for display and overprint colors. The printing method (or process) will be approved by the Texas Lottery through signing of the game specifications.

The important things to know about Scientific Games' ink colors are:

- We purchase large volumes of ink opening up access to ink vendor's research and development efforts.
- We perform more matching for spot colors than other suppliers.

Because we are a large volume customer we have access to the ink suppliers' highest quality inks and coatings.

Specialized Inks and Coatings

With billions of tickets produced during our nearly five decades of printing, and, Scientific Games has developed superior, proprietary and highly specialized inks and coatings that are fine tuned to our equipment's capabilities and our customers' requirements. These inks are environmentally sound and have been extensively analyzed to ensure consumer safety and resistance to damage from environmental factors found in normal handling and use by consumers. Our sophisticated press drying and curing systems are specifically designed to work in concert with our inks and coatings to make certain that tickets will not offset or transfer their inks and coatings between one another in pack form.

Our ink and coating systems are serviced by the on-site Wikoff Ink department comprised of 26 Quality and R&D professionals. The majority of these inks are blended on-site with a Wikoff plant also located in Alpharetta.

In addition, we have trained ink technicians on all shifts to ensure that the ink is made to our specifications and performs at acceptable levels on the press. Our head research chemist develops formulations to meet the unique needs of our equipment and our customers. All ink formulations are the property of Scientific Games and are proprietary for our use. They are all specially formulated to work as a cohesive unit in providing ticket security and the "snap" needed to sell instant tickets.

8.3.21 Benday Patterns

The benday patterns used for all games must be printed in a configuration approved by the Texas Lottery. Unless previously authorized by the Texas Lottery, the benday pattern must be printed using the maximum number of patterns used based on the number of tickets across the web and the number of repeats on the press in each game. The use of ultraviolet or fluorescent inks that are visible only under a specialized light source are required to print the benday pattern. Benday patterns must cross every symbol and prize and must be applied in such a manner as to cause detection if an alteration has taken place.

Scientific Games will print benday patterns on all tickets in configurations approved by the Texas Lottery. The benday pattern will be printed using the maximum number of patterns available based on the number of tickets across the web and the number of repeats on the press for each game, unless otherwise specified by the Lottery. The benday patterns will be printed with ultraviolet inks that are only visible under a specialized light source. The benday patterns will cross every symbol and prize and will be applied in such a manner as to cause detection if an alteration has taken place.

The important things to know about Scientific Games' bendays are:

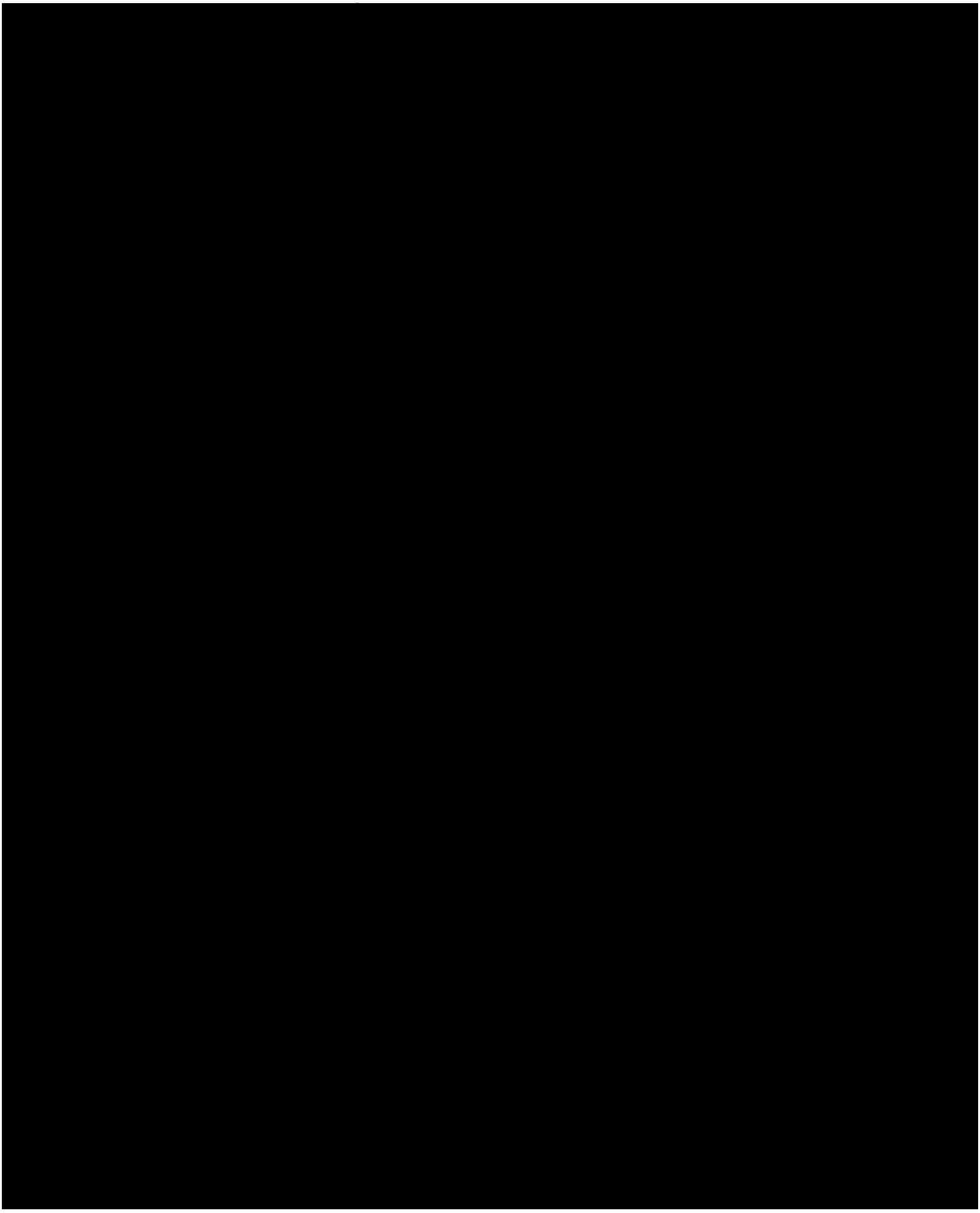
- We offer both clear and ultraviolet bendays.
- Our variety of benday patterns are limited only by the size of the repeat.

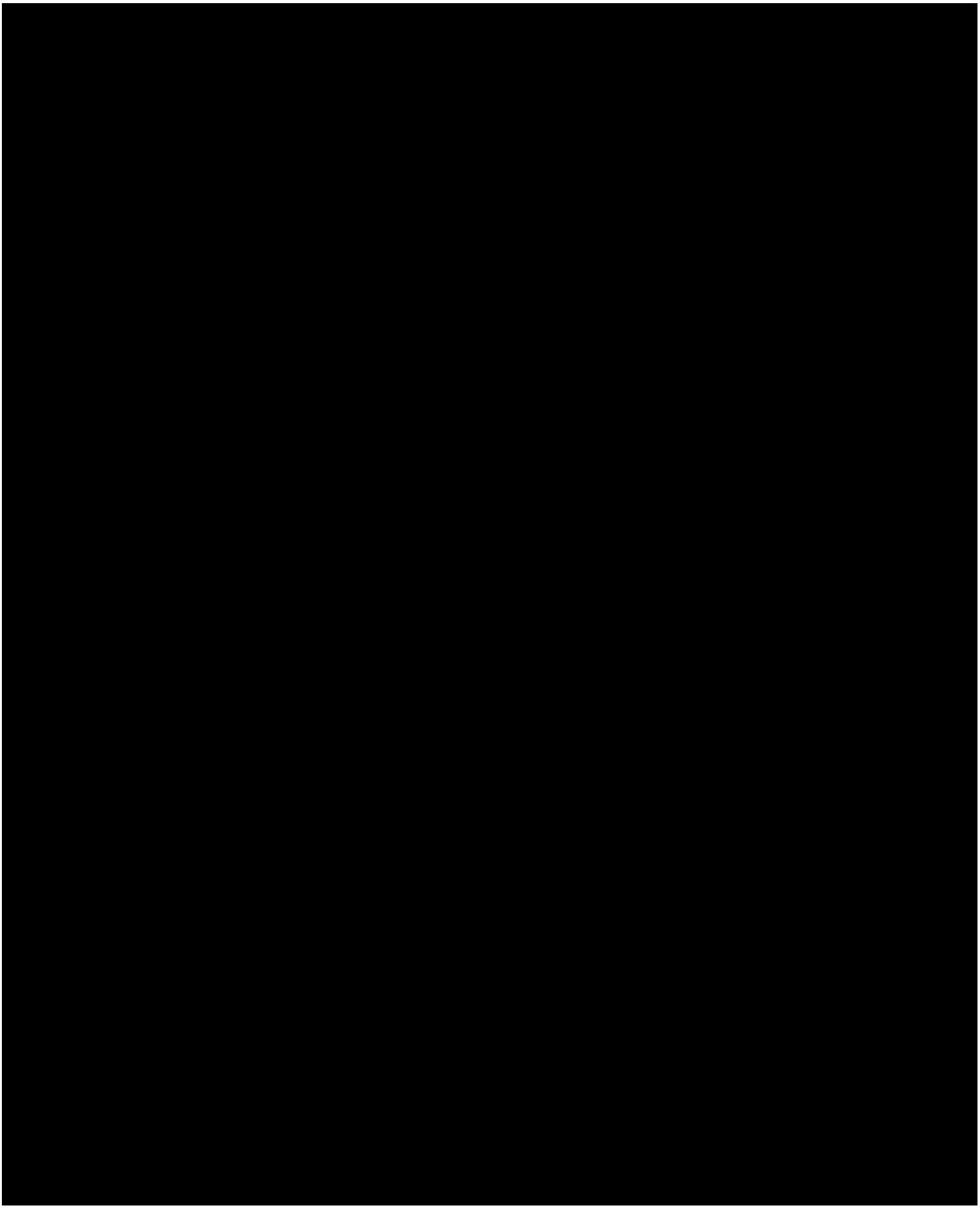
We also have a wide variety of confusion patterns available for added security.

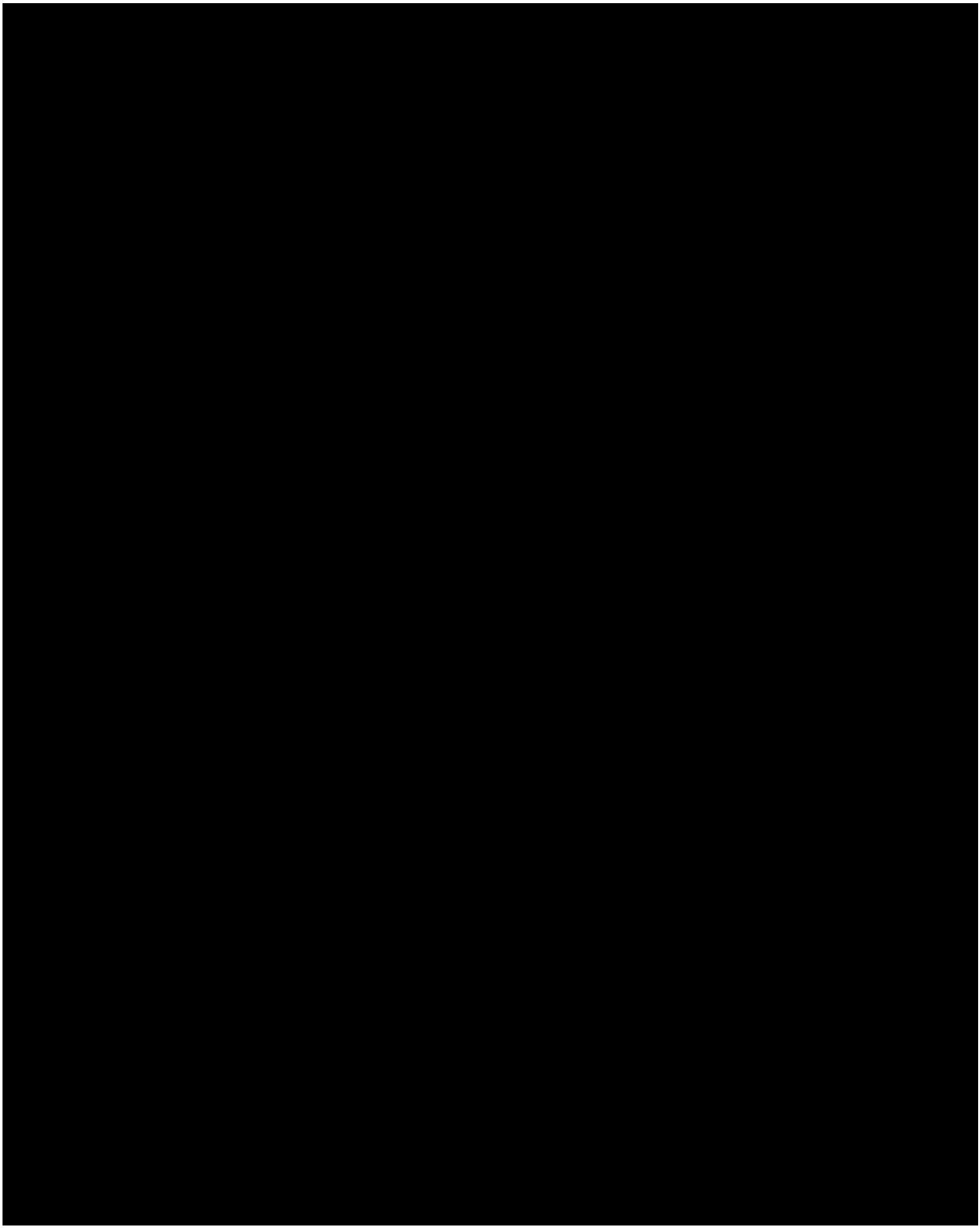
8.3.22 Security Tint or Primer

Each game must include a security tint in the play area on either or both the lily pad or seal coat which provides security against color copying. The design must be such that removal or tampering of the lily pad and/or seal coat will exhibit evidence of tampering. Security tints are required regardless of paper stock or printing process. The color tint used will be agreed upon by the Texas Lottery and the Successful Proposer and specified in the executed working papers. If the Successful Proposer believes that any of the Texas Lottery's requested changes would not be beneficial or appropriate, the Successful Proposer must contact the Texas Lottery to discuss the concern. Proposers must submit sample draw-downs of all security tint colors available on specified paper stock at the time of submission of response to this RFP, with a breakdown of the components that make up each color (e.g., white lily pad and yellow security tint).

Each game will include a security tint in the play area on the lily pad to provide added security against color copying. These security tints, in conjunction with the ticket design, help highlight and exhibit any evidence of tampering. The security tint will be provided regardless of the ticket stock or printing process unless special game style circumstances arise, in which the customer will need to approve. The Texas Lottery will specify the tint color to be used on each game in the executed working papers. On the following pages we submit sample draw-downs of all security tint colors available. All samples are constructed with tinted primers. Our un-tinted, clear seal coat will cover the lily pad in printed games. Each graphic shows a breakdown of the components of each color. Next to each illustration, we have included actual draw down samples showing each security tint and paper combination.







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8.4 Omissions

8.4.1 Omitted Packs

If any part of a pack fails to meet the quality requirements specified in this RFP, the entire pack must be omitted. Omitted packs must be reflected in the validation and inventory media, and the Successful Proposer shall provide an independently audited report showing the disposition of all omitted tickets. Actual packs omitted must be pulled from the shipping cartons and not delivered to the Texas Lottery. Proposers must provide a detailed overview of the system used to track omitted packs, including, but not limited to, the use of automation, audit tools, etc.

Scientific Games understands that if any part of a pack fails to meet the quality requirements specified in this RFP, the entire pack must be omitted. We will reflect omitted packs in the validation and inventory media, and will provide an independently audited report showing the disposition of all omitted tickets. Actual packs omitted will be pulled from the shipping cartons and not delivered to the Texas Lottery. In this section, we provide a detailed overview of the system used to track omitted packs.

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8.4.2 Number of Omitted Packs

The number of omitted packs must not result in a variation unacceptable under Section 8.8 (Prize Guarantees) between the End of Production Prize Structure and the executed working papers prize structure as specified in this RFP.

The number of omitted packs will not result in a variation unacceptable under Section 8.8 (Prize Guarantees) between the end-of-production prize structure and the executed working papers prize structure as specified in this RFP.

8.5 Scratch Ticket Coating Quality

8.5.1 Non-Recognizable Tickets

Neither winning tickets nor non-winning tickets shall *be recognizable from any characteristic of the ticket other than by the symbols concealed by the scratch ticket coating or other exposing material.*

Scientific Games understands that neither winning tickets nor non-winning tickets shall be recognizable from any characteristic of the ticket other than by the symbols concealed by the scratch ticket coating or other exposing material. Fully integrated inline printing process ensures print consistency throughout the press run. Winning tickets of all values and non-winning tickets are all printed at the same time, under the same conditions.

8.5.2 Minimize Possibility of Tampering

To maximize the security and integrity of the game and to maximize consumer confidence in the game, the Texas Lottery deems it essential to minimize the possibility of tampering. Ticket design must *be such that tampering or attempts to tamper are evident. Accordingly, visible scratches, holes or pitting in the scratch ticket coating that expose any portion of the underlying ticket stock (whether or not any portion of the imaged symbols are exposed) may be cause for the Texas Lottery's rejection of or games produced by the Successful Proposer.*

Instant tickets produced by Scientific Games are designed to maximize security and integrity of the game and consumer confidence in the game. We design and produce tickets so that tampering or attempts to tamper are evident. We agree that tickets with visible scratches, holes or pitting in the scratch-off material that exposes any portion of the underlying ticket stock, whether or not any portion of the imaged symbols are exposed, may be cause for rejection of tickets.

Scientific Games' scratch tickets contain built-in features to protect against counterfeiting and alteration attempts. Our unique ticket construction features game symbols that are sandwiched between security coating layers that resist any practical or economical invasion technique to determine win or loss status. Our ticket construction ensures each of our games meets laboratory testing required by the Lottery.

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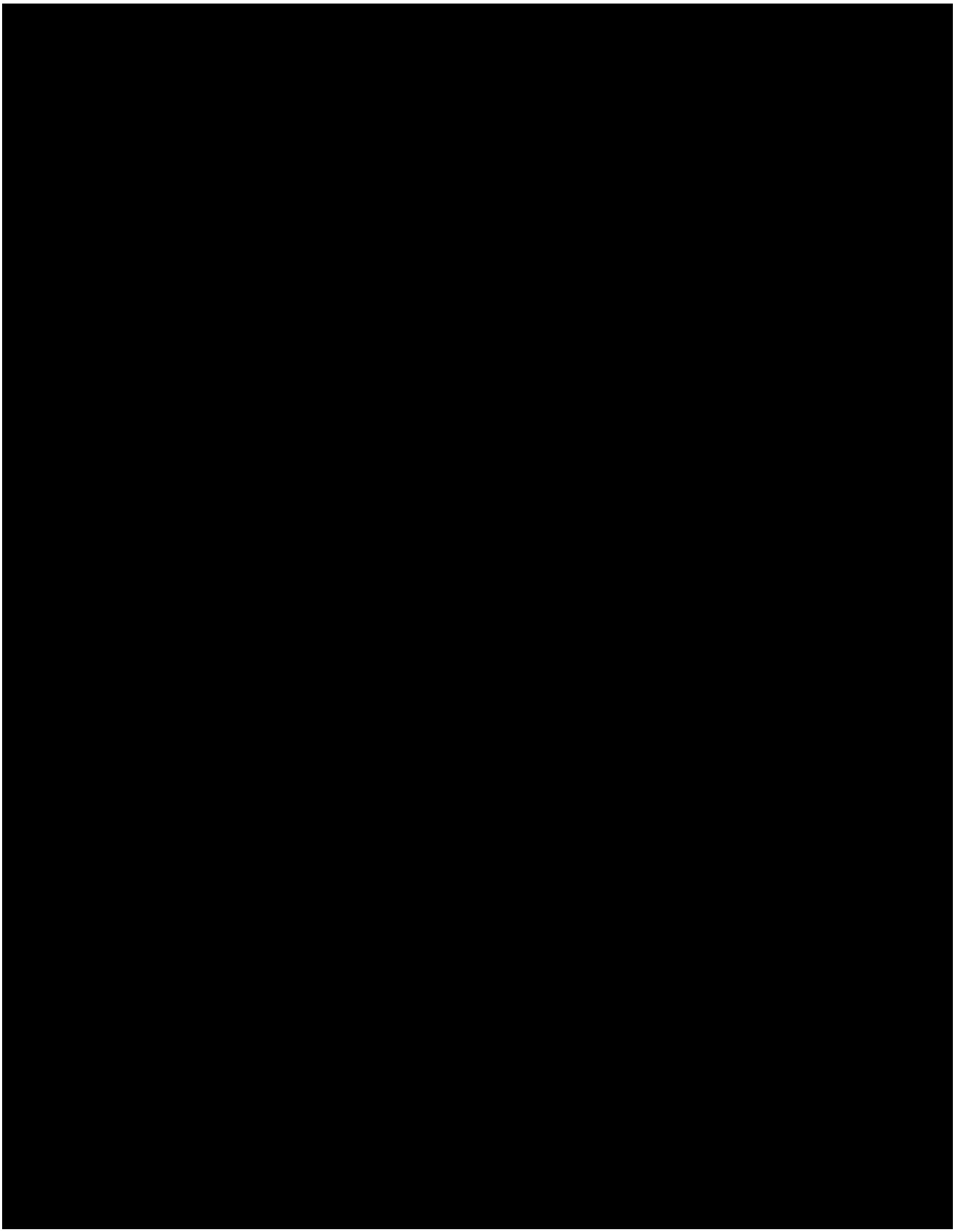

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8.5.3 Minimization of Ticket or Game Compromise

The Successful Proposer must make a continuous and best effort to ensure that the risk of ticket or game compromise is minimized.

Scientific Games will make a continuous and best effort to ensure that the risk of ticket or game compromise is minimized.

8.6 Randomization

8.6.1 Odds of Winning

The odds of winning any prize of any level on a given ticket must not vary from the odds of winning that prize as stated in the final approved prize structure by reason of deficiencies of randomization including, without limitation, by virtue of the ticket's location in its pack, shipping box, pool, or game; or by virtue of the contents (whether exposed or covered with scratch ticket coating) of any other ticket in the same pack, shipping box, or pool.

Scientific Games will provide instant tickets whose odds of winning any prize of any level on a given ticket will not vary from the odds of winning that prize as stated in the final approved prize structure by reason of deficiencies of randomization including without limitation, by virtue of the ticket's location in its pack, shipping box, pool, or game. The odds of winning will not vary by virtue of the contents, whether exposed or covered with scratch ticket coating, of any other ticket in the same pack, shipping box, or pool.

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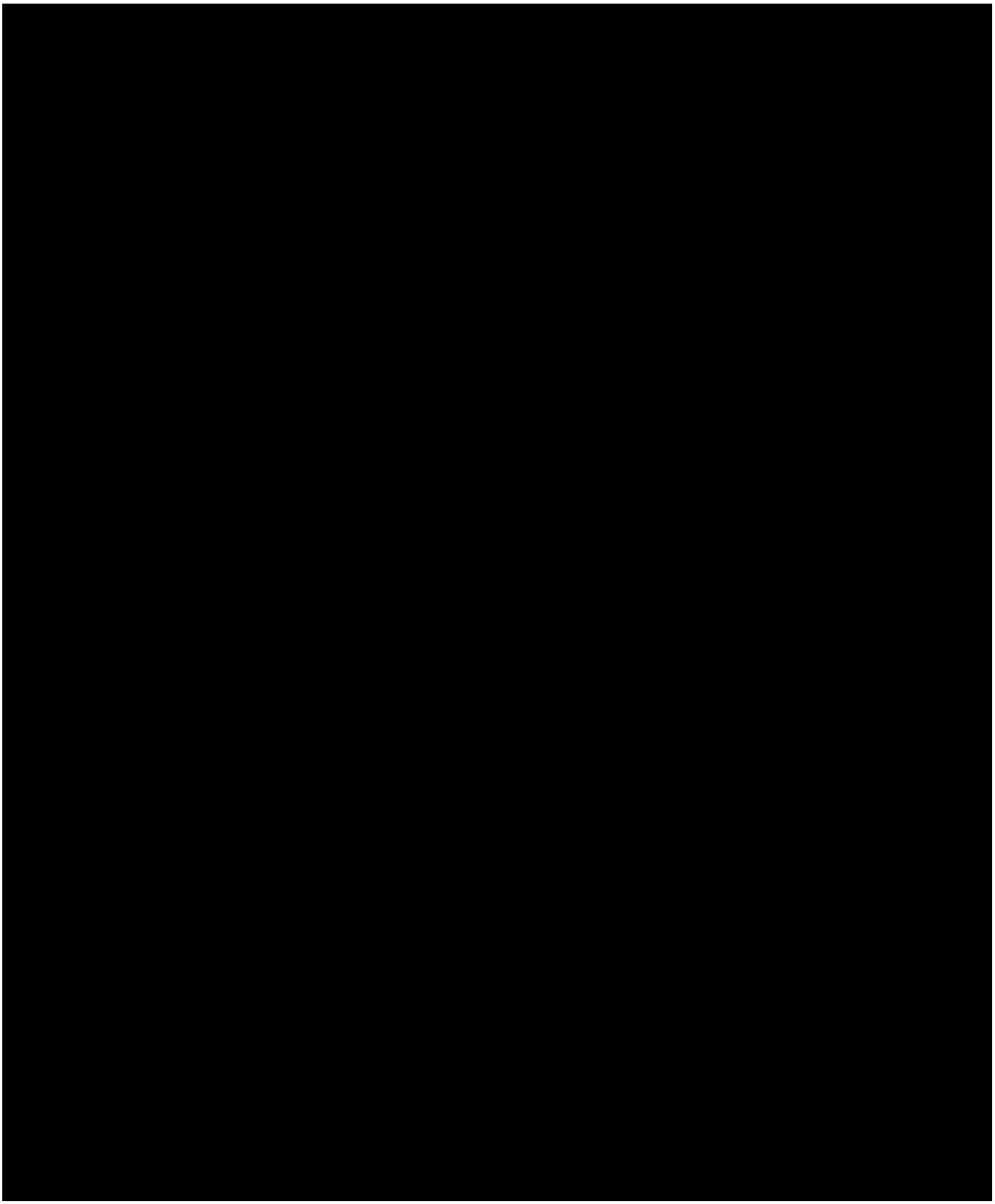

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8.6.2 Random Distribution of High-Tier Winners

High-tier winners must be randomly distributed within the pools of tickets or the game as a whole as specified by the Texas Lottery in the executed working papers. The size of said pools must be agreed to by the Texas Lottery and the Successful Proposer.

High-tier winners will be randomly distributed within the pools of tickets or the game as a whole as specified by the Texas Lottery in the executed working papers. The size of pools for each game will be agreed to by the Texas Lottery and Scientific Games.

Scientific Games has developed the mathematical analysis tools that confirm that all pack numbers in the game have the same chance to have at least one big winner. We use these tools to routinely analyze Scientific Games' randomization routines and to ensure all games that we produce an unbiased and unpredictable winning and non-winning tickets.

As in the shuffling of low-level winners, Scientific Games uses a sophisticated, proprietary randomizer to control the randomization of high level winners. This routine has successfully shuffled hundreds of billions of live tickets for our customers worldwide without a single incident of winner pick-out or winner predictability.

Our audit procedures include creating and reviewing special prize distribution reports for each game. These reports are designed to ensure that all high-level winners are distributed within each book and within each pool. The test specifically proves that no single ticket number or no single book number is "hot" and that each ticket number and each book number is equally likely to have a high-tier winner. This prevents high-level winner pick out.

With the frequency of large top prizes in Texas Lottery games, it is essential that the Lottery's instant product partner demonstrate an unfailing approach to data security.

8.6.3 Non-Winning Consecutive Tickets

The Successful Proposer must be able to limit the number of consecutive non-winning tickets in a pack. The maximum number of consecutive non-winning tickets within a pack will be specified in the executed working papers by the Texas Lottery.

Scientific Games will limit the number of consecutive non-winning tickets in a pack. We understand that the maximum number of consecutive non-winning tickets within a pack will be specified by the Texas Lottery in the executed working papers.

Scientific Games' mathematicians and programmers have carefully analyzed this problem. If not done correctly, a bias can be introduced to the game software that mixes winning and non-winning tickets. We have developed special routines to limit the number of consecutive non-winning tickets in a pack and the analysis tools to ensure that we have not created predictability. These routines ensure that Scientific Games' games represent an unpredictable and unbiased mixture of winners and non-winners.

A sufficient level of randomization of low-level winners exist within each "GLEPS" book category to prevent the practical pick-out of winners for all games produced by Scientific Games. Randomization of low-level winners will be controlled to eliminate the potential of extremely long strings of non-winners (e.g., more than twelve non-winners in a row for games offering probabilities of winning approximately 1:4 and more than 15 non-winners in a row for games offering probabilities of winning of approximately 1:5).

8.6.4 Right to Inspect

The Texas Lottery reserves the right to inspect the methodology and implementation of such randomization on its own or with the aid of an independent consultant at any time. In accordance with the Texas Public Information Act and State Lottery Act, any information gathered throughout this process will be held in confidence by the Texas Lottery and/or its representative.

Scientific Games understands the Texas Lottery reserves the right to inspect the methodology and implementation of such randomization on its own or with the aid of an independent consultant at any time. We understand that any information gathered throughout this process will be held in confidence by the Texas Lottery and/or its representative.

8.7 Guaranteed Low End Prize Structure (GLEPS)

Each pack of tickets must contain a guaranteed dollar value of low-tier prizes as specified by the Texas Lottery in the executed working papers. A minimum of four (4) different configurations of low-tier prizes must be equally and randomly incorporated in each pool and throughout all pools in the game. The different ways to win a low-tier prize within a GLEPS configuration will be randomly placed within a pack of tickets. Each configuration must have the same total dollar value of low-tier winners when mathematically possible, but each will have varying numbers of winners of various denominations. Low-tier is currently defined as a prize value of $24.99 or less. For higher price point games that do not contain low-tier or adequate low-tier prizes, a comparable structure for lower value prizes will be required as specified by the Texas Lottery in the executed working papers and/or the Customer Specifications Document. These are currently referred to as G-tier prizes. The low-tier and G-tier values will be defined in the Customer Specifications Document and executed working papers.

Each book of tickets produced by Scientific Games will contain a guaranteed dollar value of low-tier prizes as specified by the Lottery in the executed working papers. Four different configurations of low-tier prizes will be equally and randomly incorporated in each pool and throughout all pools in the game.

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The different ways to win a low-tier prize within a GLEPS configuration will be randomly placed within a book of tickets. Each configuration will have the same total dollar value of low-tier winners, but each will have varying numbers of winners of various denominations.

Scientific Games understands that low-tier is currently defined as a prize value of $24.99 or less. We also understand that for higher price point games that do not contain low-tier or adequate low-tier prizes, a comparable structure for lower value prizes will be required as specified by the Texas Lottery in the executed working papers and/or the Customer Specifications Document. We acknowledge that these are currently referred to as G-tier prizes and that the low-tier and G-tier values will be defined in the Customer Specifications Document and working papers.

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8.8 Prize Guarantees

The Successful Proposer shall be required to submit a standard audit letter by a certified public accounting firm relating to game production within two (2) weeks prior to the delivery of each game. The Successful Proposer must guarantee the following:

1) *Winning tickets are distributed with no discernible pattern throughout the entire population.*
2) *Unless otherwise agreed to in the working papers, ticket quantities will be guaranteed within ±2% from the quantity stated in the executed working papers, and all prize levels will be guaranteed within ±2% of the percentage of prize fund within the final executed prize structure from the executed working papers proportionate to actual quantity shipped. Overall prize payout will be within ± .005 (1/2 percent). Prize Payout tolerance example: 65.00% payout converts to a decimal of .6500. The ± .005 tolerance would allow for a range of .645 to .655 which converts to a percentage of 64.50% to 65.50%.*
3) *Overall odds of the game should not vary more than ± .0005 (1/20 percent) from the final executed prize structure from the executed working papers.*

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4) Top or other tier-level prizes that are specified in the executed working papers as a guaranteed quantity will be verified and guaranteed in the End of Production Prize Structure for the game produced.

Scientific Games will submit a standard audit letter by our certified public accounting firm relating to game production within two weeks of delivery of each game. Scientific Games will guarantee the following:

1. **Ticket Distribution** – Winning tickets are distributed with no discernible pattern throughout the entire population.
2. **Guaranteed Ticket Quantities** – Ticket quantities will be guaranteed within ± 2% from the quantity stated in the executed working papers, and all prize levels will be guaranteed within ± 2% of the percentage of prize fund within the final executed prize structure from the executed working papers proportionate to actual quantity shipped. Overall prize payout will be within ± .005 (1/2 %).
3. **Game Odds** – Overall odds of the game will not vary ± .0005 (1/20%) from the final executed prize structure from the executed working papers.
4. **Top Tier-Level Prizes** – Top or other tier-level prizes that are specified in the executed working papers as a guaranteed quantity will be verified and guaranteed in the end of production prize structure for the game produced.

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8.9 Security Specifications

8.9.1 Essential Need for Security

It is intended that all sections of this RFP have implied the essential need for security, though such may not be explicitly stated. The Proposal must make clear and specify the precautions, safeguards, inspections, reporting and other measures that will attend the entire program and its parts.

Texas' implied intent for the essential need of security is understood and acknowledged by Scientific Games. Throughout this proposal we have clearly specified precautions, safeguards, inspections, reporting and other measures that attend our entire production program and its parts. In **Section 8.16** we provide our plant and system security measures.

The basis of the Lottery's business, and in fact, the entire lottery industry, is the integrity of its products. If players have cause to doubt that integrity, the industry and its members will suffer. That is why Scientific Games' business is based on an unwavering commitment to security. Security is present and paramount in every aspect of the design, materials procurement, programming, production, transportation, storage, distribution, validation and disposition of game tickets. From our manufacturing plants and ticket construction to redemption and game design, security is of the utmost importance.

As the Lottery's business partner, Scientific Games brings this commitment to security to protect and enhance the Lottery's integrity. We identify threats and opportunities through risk assessment processes, internal and external audits, information sharing programs, training, and by working with our external partners (customers, third-party information security firms, consultants and VARs). We continuously monitor and prioritize information security threats and work to implement solutions and controls to reduce risks to our stakeholders.

With our full functioning facility in Montreal, Canada, Scientific Games has immediate technical backup support staff and production staff to take over full print operations in case of an emergency.

With nearly 50 years of experience providing secure instant game tickets worldwide, Scientific Games has the capability and an unmatched depth of resources required to maintain constant vigilance against any breach of security and will demonstrate our understanding of the overriding importance of security in all phases of ticket production.

8.9.2 Maintaining Constant Vigilance

The Proposer must demonstrate the capability and integrity required to maintain constant vigilance against any breach of security. Failure to meet or to maintain security standards acceptable to the Texas Lottery may be grounds for Contract termination.

Scientific Games is committed to providing our customers, employees and affiliates with a highly secure and controlled environment. We have upheld our integrity for almost 50 years and demonstrated our capability and integrity required to maintain constant vigilance against any breach of security. We acknowledge that failure to meet or to maintain Texas Lottery-approved security standards will be grounds for exclusion from further consideration, or if a contract has been awarded, will be grounds for immediate cancellation of the contract.

Key ways we maintain constant vigilance against any breach of security:

- **Physical Security Measures**
  - 24/7/365 physical security of all game production and shipping areas
  - Badge access systems that protect each entry point into different departments and the server room.
  - Digital camera systems record access to game programming department.
  - Game programming servers are secured by limited badge access.
  - Separation of duty—separate teams of employees for programming, audit and operations (production).
- **Logical Security Precautions**
  - Live game data is created and protected by proprietary solutions that encrypt sensitive data end-to-end.
  - Sensitive RNG data is protected by a dedicated seed server system. Multiple key holders are required to gain access to these game seeds.
  - Microsoft authentication and authorization controls provide logical access to computer systems and services. Access structure is built on least privilege principles.
  - Automated systems are used to create live game data. Employees do not directly interact with game software on production systems.
- **Production Security Safeguards**
  - Multiple ticket alteration precautions and safeguards are designed into every instant ticket we produce.
  - Numerous inspections and safeguards of instant game materials including paper, ink, coatings, plates, shrink-wrapping, boxes and pallets.
  - Safeguards and security measures for transport of instant games.
  - State-of-the-art palletizing robots provide higher level of security by limiting personnel contact with product and tightly controlling the prize balancing pack removal process.

8.10 Ticket Testing Samples

8.10.1 Sample Tickets

Together with its Proposal, each Proposer that has not previously printed tickets for the Texas Lottery must submit one thousand (1,000) constructed samples of scratch lottery tickets: five hundred (500) on coated two-side paper stock, five hundred (500) samples on foil stock and five hundred (500) samples on holographic stock. Each Proposer that has not previously printed tickets for the Texas Lottery must provide sample tickets that represent each printing process currently in use (e.g., flexographic, gravure, offset or combination printing). These samples must have all required bar codes on the ticket. The tickets submitted will be used for security testing by the Texas Lottery, and for examination of the appearance and overall quality of the construction of the proposed ticket. Conforming lottery tickets or similar tickets produced for other lotteries will be acceptable. No samples will be accepted other than those produced by the proposed manufacturing process.

Scientific Games has printed tickets for the Texas Lottery for nearly 30 years. Should the Lottery require any specific tickets samples, we would be happy to provide them.

8.10.2 Acceptance of Sample Tickets

Notwithstanding anything herein to the contrary, acceptance of sample tickets as part of a Proposal does not limit or restrict the Texas Lottery's authority to test tickets manufactured and submitted by the Successful Proposer under any Contract resulting from this RFP. Acceptance of sample tickets as part of a Proposal shall not be deemed approval of tickets manufactured under any Contract resulting from this RFP.

We understand that notwithstanding anything herein to the contrary, acceptance of sample tickets as part of a proposal does not limit or restrict the Texas Lottery's authority to test tickets manufactured and submitted by Scientific Games under any contract resulting from this RFP. Acceptance of sample tickets as part of a proposal will not be deemed approval of tickets manufactured under any contract resulting from this RFP.

8.11 Test Game

8.11.1 Sample Test Game

Any Successful Proposer that has not previously printed tickets for the Texas Lottery must provide, at no additional cost to the Texas Lottery, a test game that includes the high-tier algorithm, inventory, high- and low-tier validation media and sample tickets and/or bar codes of high-, mid-, low-tier and non-winning tickets to verify compatibility and functionality of information and systems. The Successful Proposer shall develop working papers for the test game. The compatibility and functionality of information and systems must be approved by the Texas Lottery prior to production of the first game under the Contract. The test game must be delivered to the Texas Lottery no later than eight (8) weeks from the date of execution of the Contract resulting from this RFP.

Scientific Games is a current vendor to the Texas Lottery and therefore is proven to print games that are compatible with the Lottery's systems. We will continue to provide, at no additional cost to the Texas Lottery, a test game that includes the high-tier algorithm, inventory, high- and low-tier validation media and sample tickets and/or bar codes of high-, mid-, low-tier and non-winning tickets to verify compatibility and functionality of information and systems. We will develop working papers for the test game. We understand that the compatibility and functionality of information and systems will be approved by the Texas Lottery prior to production of the first game under the Contract. We will deliver the test game to the Texas Lottery no later than eight weeks from the date of execution of the Contract resulting from this RFP.

8.11.2 Texas Lottery Changes

If at any time the Texas Lottery decides to change ticket, bar code or validation media formats, it shall be the responsibility of the Successful Proposer to provide additional test games at no additional cost to the Texas Lottery.

If at any time the Texas Lottery decides to change ticket, barcode or validation media formats, it will be Scientific Games' responsibility to provide additional sample games for testing at no additional cost to the Texas Lottery.

8.12 Ticket Reconstruction

8.12.1 Ticket Reconstruction Process

Upon request of the Texas Lottery, the Successful Proposer must provide only to authorized Texas Lottery security personnel a report reconstructing the play data of any ticket. The reconstruction may be accomplished by using the game, pack and ticket numbers, validation number or bar code or portions or combinations of those items. The reconstruction report must be submitted by secure electronic transfer or, upon request, by fax and must contain the following information:

1) The complete game number, pack number, ticket and validation number;

2) An indication of whether the ticket was a winning or non-winning ticket; and

3) In the case of a winning ticket, the prize amount.

4) A representation of the play area as it would have appeared on the actual ticket.

Upon the request of the Texas Lottery Scientific Games will provide authorized Texas Lottery security personnel a report reconstructing the play data of any ticket. The reconstruction can be accomplished by using either the game, pack and ticket numbers, validation number or barcode or portions of combinations of these items. Scientific Games will submit the reconstruction report via secure electronic transfer or, upon request, by fax and will contain the following information:

5. The complete game number, pack number, ticket and validation number
6. An indication of whether the ticket was a winning or non-winning ticket
7. In the case of a winning ticket, the prize amount
8. A representative of the play area as it would have appeared on the actual ticket

Scientific Games retains an audit log of each ticket reconstructed that provides the requestor, game/ticket information, date requested, date of reply, non-winning or winning ticket, amount of prize and person responding.

A monthly reconciliation report listing all reconstructions requested by the Texas Lottery will be provided to the Texas Lottery Security Manager no later than the 10th of the following month.

The following section describes the method by which Scientific Games and designated Texas Lottery personnel will reconstruct single tickets, packs or full games. In addition, we discuss our process for facilitating ticket reconstructions including security controls and procedures. Our method is fully tested, 100% accurate and backed by nearly 50 years of reconstruction experience.

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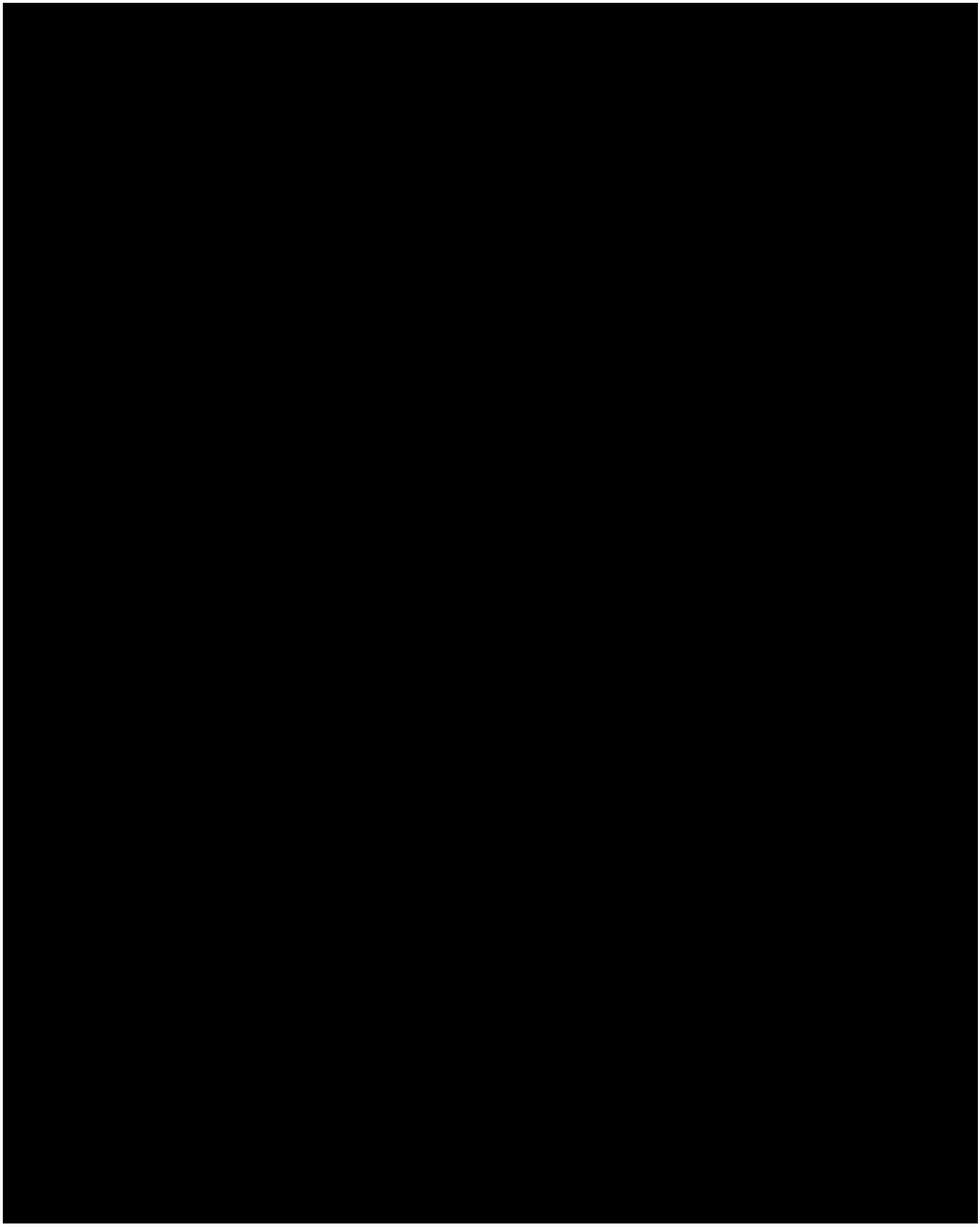

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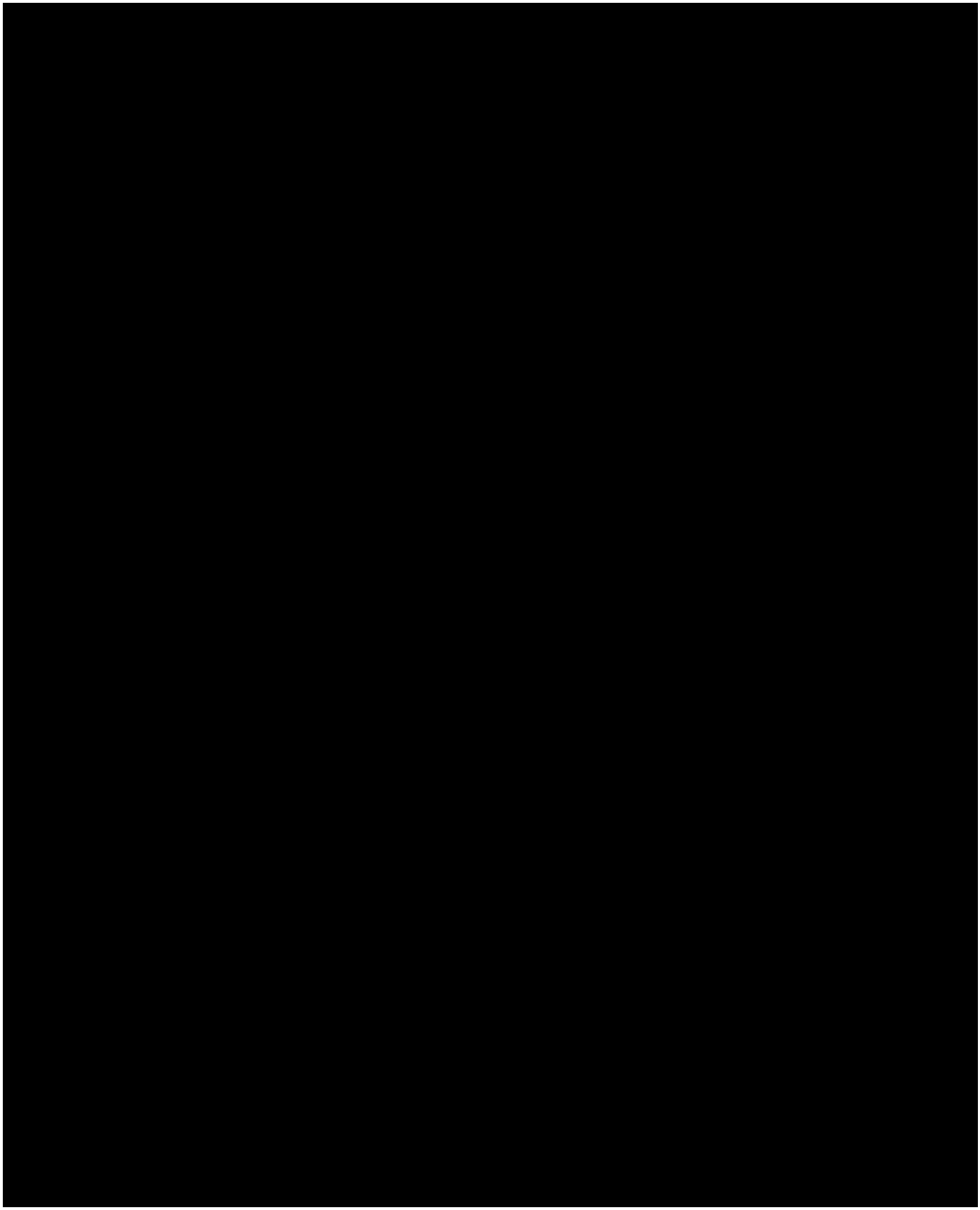

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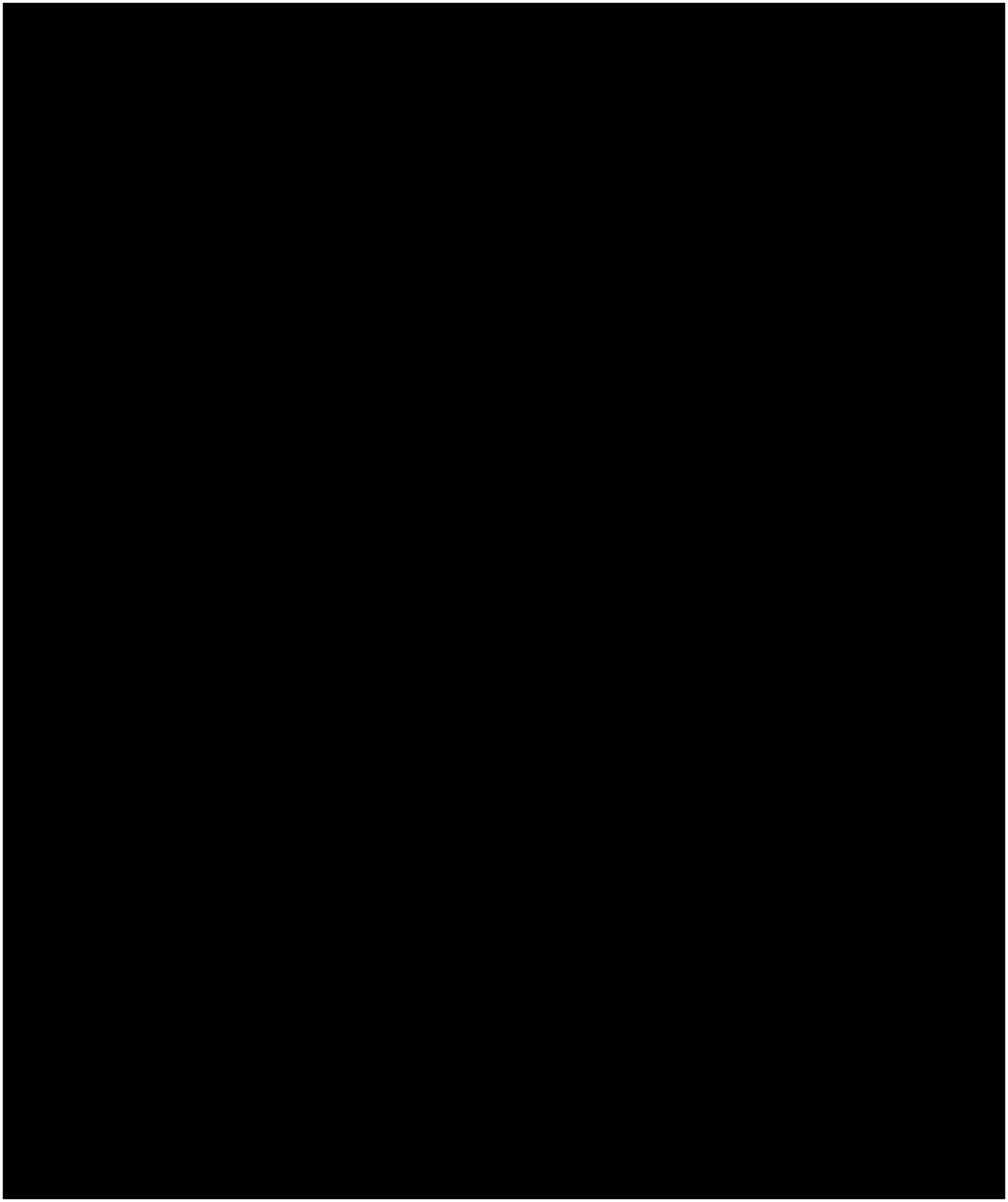

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8.12.2 Audit Log

The Successful Proposer must maintain an audit log of each ticket reconstructed that will provide the requestor, game/ticket information, date requested, date of reply, non- winning or winning ticket, amount of prize and person responding.

Scientific Games will maintain an audit log of each ticket reconstructed that will provide the requestor, game/ticket information, date requested, date of reply, non-winning or winning ticket, amount of prize and person responding.

8.12.3 Monthly Reconciliation Report

A monthly reconciliation report listing all reconstructions requested by the Texas Lottery shall be provided to the Texas Lottery Security Manager no later than the 10th Day of the following month.

When requested, Scientific Games will provide a monthly reconciliation report listing all reconstructions to the Texas Lottery Security Manager no later than the 10th day of the following month.

8.13 Employee Security

The Successful Proposer must *prevent its employees involved in game production and Texas Lottery retailers involved in the sale of scratch tickets from ascertaining or learning the location of winning tickets, and at the Texas Lottery's request, the Successful Proposer* shall *provide its employee security procedures.*

Scientific Games prevents its employees involved in game production and Texas Lottery retailers involved in the sale of scratch tickets from ascertaining or learning the location of winning tickets. At the Texas Lottery's request, Scientific Games provide its employee security procedures.

Scientific Games understands the sensitivity of the Lottery operations and how important integrity is to your mission. That is why we developed a security program that prevents anyone in our game design, programming and printing operations in our global offices, including our warehousing and distribution operations, from ever knowing or ascertaining the location of winning tickets. Additional details regarding personnel security are provided in **Section 8.16.1**.

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8.14 Security Breach

Upon discovery of any breach of security, especially theft or disappearance of any paper stock, tickets, waste, printing plates, imaged media, program files or the like, the Successful Proposer must *immediately notify by telephone the Texas Lottery Security Manager and the Texas Lottery designated contacts in the Customer Specifications document. The Successful Proposer* must *promptly follow up with written notification to the Texas Lottery detailing the specifics of the occurrence and what steps have been taken by the Successful Proposer to correct the problem. If a breach of security occurs, the Successful Proposer* must *provide to the Texas Lottery Security Manager and/or the assigned Texas Lottery Enforcement investigator any and all information and documentation requested during the investigation of the breach. The Texas Lottery* will *be the sole judge of the adequacy of the steps taken and reserves the right to specify other steps to be taken.*

Upon discovery of any breach of security, Scientific Games will immediately notify by telephone the Texas Lottery Security Manager and the Texas Lottery designated contacts in the Customer Specifications document. This will be followed up with written notification detailing the specifics of the occurrence and what steps Scientific Games has taken to correct the problem. If such a breach of security occurs, Scientific Games will provide to the Texas Lottery Security Manager and/or the assigned Texas Lottery Enforcement investigator any and all information and documentation requested during the investigation of said security breach. Scientific Games acknowledges that the Texas Lottery is the sole judge of the adequacy of the steps taken and reserves the right to specify other steps to be taken.

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8.15 Production and Transfer of Game Production Data

In the event that the game tickets are produced at a location different than the production media, the Texas Lottery requires *secure transfer of the game production data. Any production media data that is transported via telecommunications* must *be encrypted and transferred using a method approved by the Texas Lottery.*

Scientific Games' instant tickets are produced in the same location that the production media is produced. No production media is transported via telecommunications.

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8.16
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SCIENTIFIC GAMES

8.16 Plant and System Security

8.16.1 Importance of Security

The Successful Proposer must understand the overriding importance of security in all phases of design, material procurement, production, transportation, storage, validation and disposition of game tickets.

Scientific Games understands the overriding importance of security in all phases of design, material procurement, production, transportation, storage, validation and disposition of game tickets.

We recognize that security and integrity form the foundation of all successful lottery organizations. Lotteries would fail in their mission to provide funds to good causes without the players' fundamental belief that ticket production is fair and uncompromised.

To that end, the following section provides a description of the controls in place at Scientific Games that protect the confidentiality, integrity and availability of an instant ticket game.

We have developed and implemented an overall ticket security plan for the production of instant tickets to include the following components:

Plant Security

At Scientific Games, our primary mission is to maintain the public's trust in the lottery products and services we provide. Security is in our DNA, and we understand and appreciate that the Texas Lottery expects the systems and services that we provide will meet or exceed your ongoing security requirements. Ensuring we and our customers stay ahead of evolving threats, as well as how to address and mitigate those threats, is essential to our day-to-day performance.

Our game development and production processes, which we detail throughout our proposal, demonstrate our deep understanding of the overriding importance of security in all phases of design, material procurement, production, transportation, storage, distribution and creation of game validation files. Each day, we rely on multiple and overlapping procedures and systems that ensure we take the required precautions for every game. This includes manufacturing certifications for ISO 9001:2015, ISO 27001:2013 for game programming, and ISO 14001:2015, which provide the backbone for all safeguards, inspections, reporting and other measures performed for each game.

Our comprehensive security plan is designed to detect and prevent fraud. To stay current with protocols relevant to maintaining the security and integrity of the Lottery, Scientific Games performs regular audits and provides rigorous training and education for its employees.

Facility:

- 24/7/365 on-site state-certified security staff
- 176 digital cameras throughout the property (data retained for 90 days)
- In-house locksmith

- Keycard required to access exterior doors and sensitive internal areas (imager room, computer rooms)
- Environmental detection systems
- Fire detection and suppression systems
- Security-modified perimeter doors
- Perimeter vehicular barriers
- Business continuity and disaster response plans
- Single-person, keycard turnstile entry between administrative offices and production area
- Patrolling security officers
- Segregation, containment and destruction of secure product, documents and waste
- Cargo and transportation security program
- Wall locker controls
- 24/7/365 breach detection on all perimeter doors and windows
- 24/7/365 monitoring of environmental conditions
- Infraction ticketing program

Security Officer Posts

Standard shift coverage includes the manning of a security control center and a redundant secondary post at all times, as well as two roving officers. We strategically located the control center and secondary redundant post adjacent to the production building and administrative office building entryways. These posts are well equipped with redundant surveillance, access control, intrusion, life and safety systems, and communication terminals. A security equipment locksmith and repair workshop, photo ID station, SGEP site monitoring station, and security vault are part of the control center layout. The control center's electrical panels and field devices are linked to a back-up generator that can indefinitely power its general utility and critical system components' needs.

Expectations of Privacy and Searches in the Workplace

With the exception of activities relating to personal hygiene and health, there is no general or specific expectation of privacy in the Scientific Games workplace, either on the premises or elsewhere while on official business. Scientific Games reserves the right to conduct random or focused searches to monitor prohibited item policy compliance and mitigate property loss and threats to workforce safety.

Company premises, personnel, work areas, lockers, personal vehicles if driven or parked on company property, and other personal items such as clothing, bags, purses, briefcases, backpacks, lunch boxes and other containers are subject to search at any time based on reasonable suspicion or when circumstances pose a credible threat to the workforce.

Photography Restrictions

No photographic equipment can be used within the facility without express consent from the Security Director or an officer of the company. Approved photography sessions require escort by uniformed security officers to make certain that only authorized footage is taken within restricted areas.

Physical Facility Security Plan

At Scientific Games, maintaining the integrity of your game offerings is paramount. Our product integrity, secure practices and verifiable processes come together to help protect the reputation and standing of your Lottery so you can maintain trust among your citizens, elected leaders and other stakeholders. We understand that the Lottery requires your scratch product and our printing operations to be of the highest security and integrity. In this section, we demonstrate how we will maintain a confidential, high-level comprehensive approach to security through the use of procedures, methods, strategies and internal security controls.

Security Policy

Scientific Games recognizes that security and integrity form the foundation of all successful lottery organizations. Lotteries would fail in their mission to provide funds to good causes without the players' fundamental belief that ticket production is fair and uncompromised.

"Our mission is to protect the Lottery's integrity. Designed with a focus on physical, logical and digital security, our multi-layered security systems approach and processes confirm our continued commitment to protecting your brand."

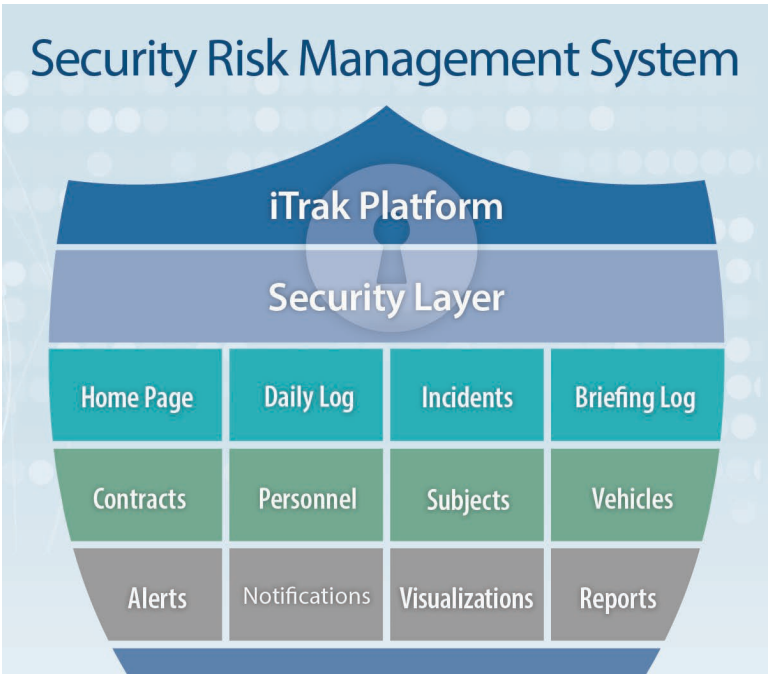
Stephen Richardson
Senior Vice President, Chief Compliance Officer and Director Corporate Security

A security breach of any kind is one too many. As a testament to the importance we place on security, we have appointed a former Assistant Director at the Federal Bureau of Investigation, Stephen Richardson, as our Chief Compliance Officer (CCO) and Director of Corporate Security. As CCO, Steve oversees all of the company's compliance programs for employees, product development, production, sales supply chain and security. Additionally, he oversees the creation of guidelines, policies and training sessions to ensure that the organization complies with government regulations, industry and international standards, and internal policies and programs to evaluate and investigate compliance risks.

TPIA §552.110/552.1101

Risk Assessment and Treatment

Scientific Games' Lottery Security department uses a centralized, converged platform that enables real-time information gathering and automated dissemination for a multitude of tailored transactions and tasks that security personnel initiate and handle. It is the primary documentation platform for Lottery Security officers' daily logs, incident and investigation report management, visitor activity, subject profiling and blacklists with associated media file retention and briefings, and a business intelligence module for use by corporate security management.



This system gathers and automates real-time information, provides management reports and allows security officers to log incident management and subject profiling logs, investigation management, varied media file retention and briefings.

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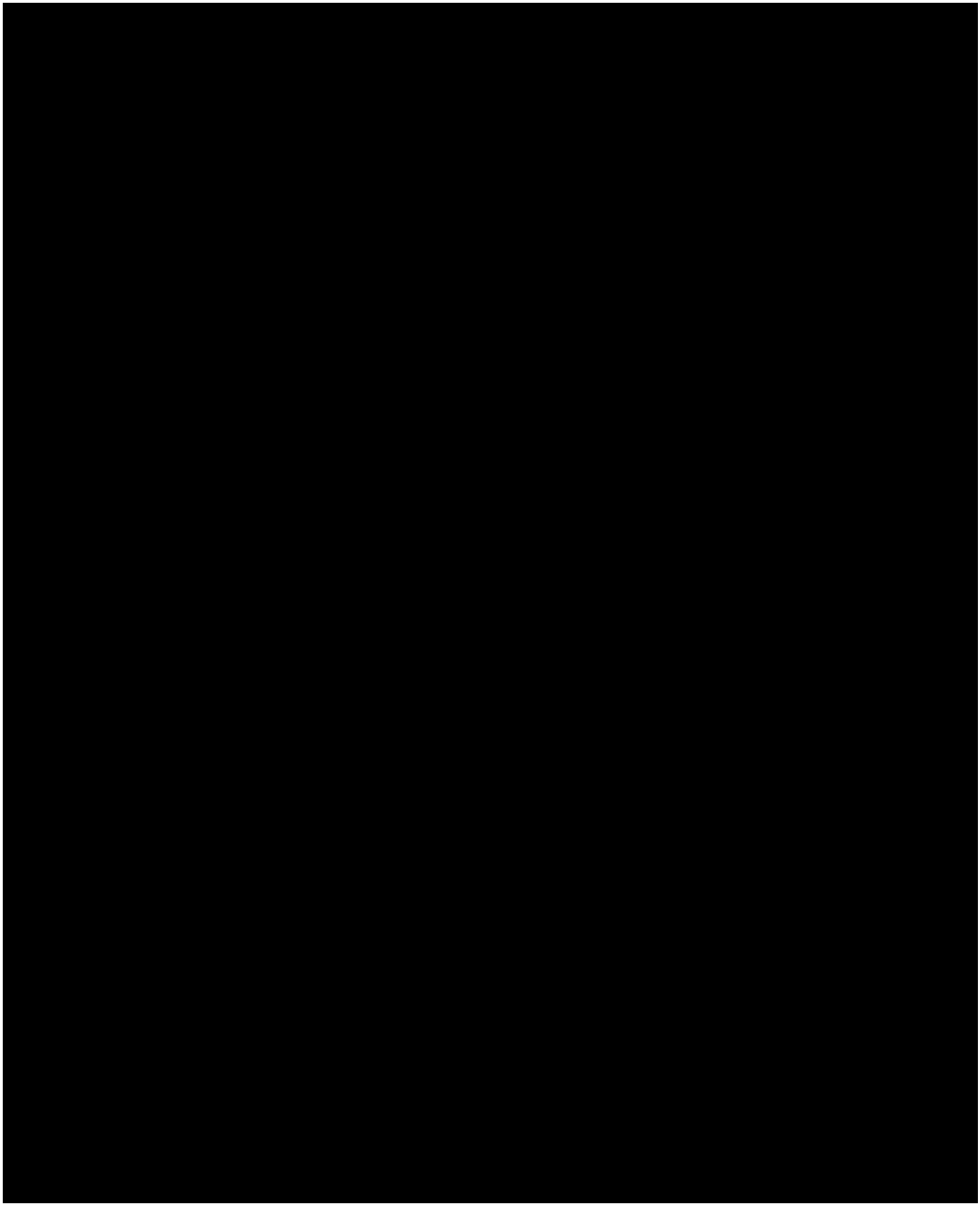

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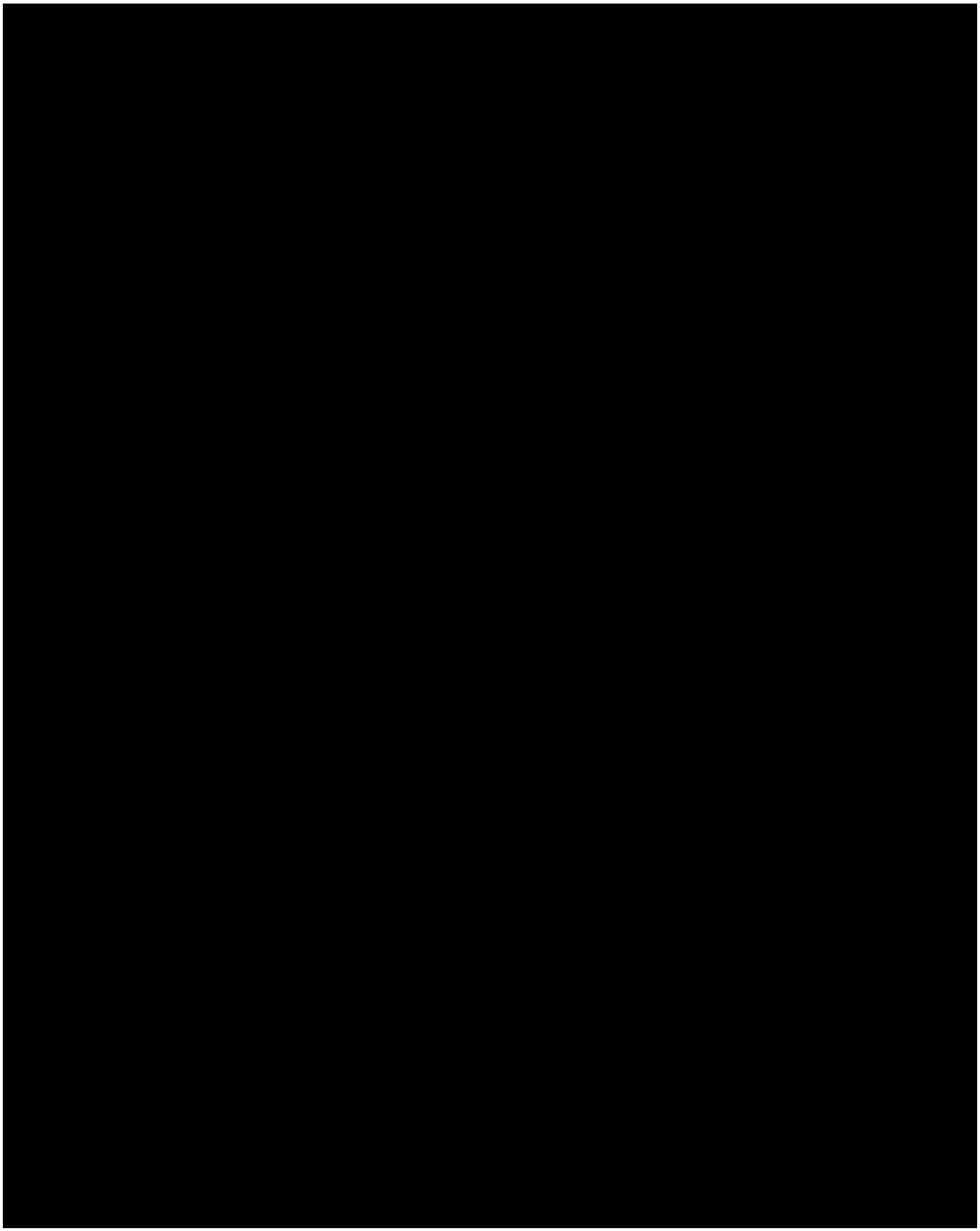

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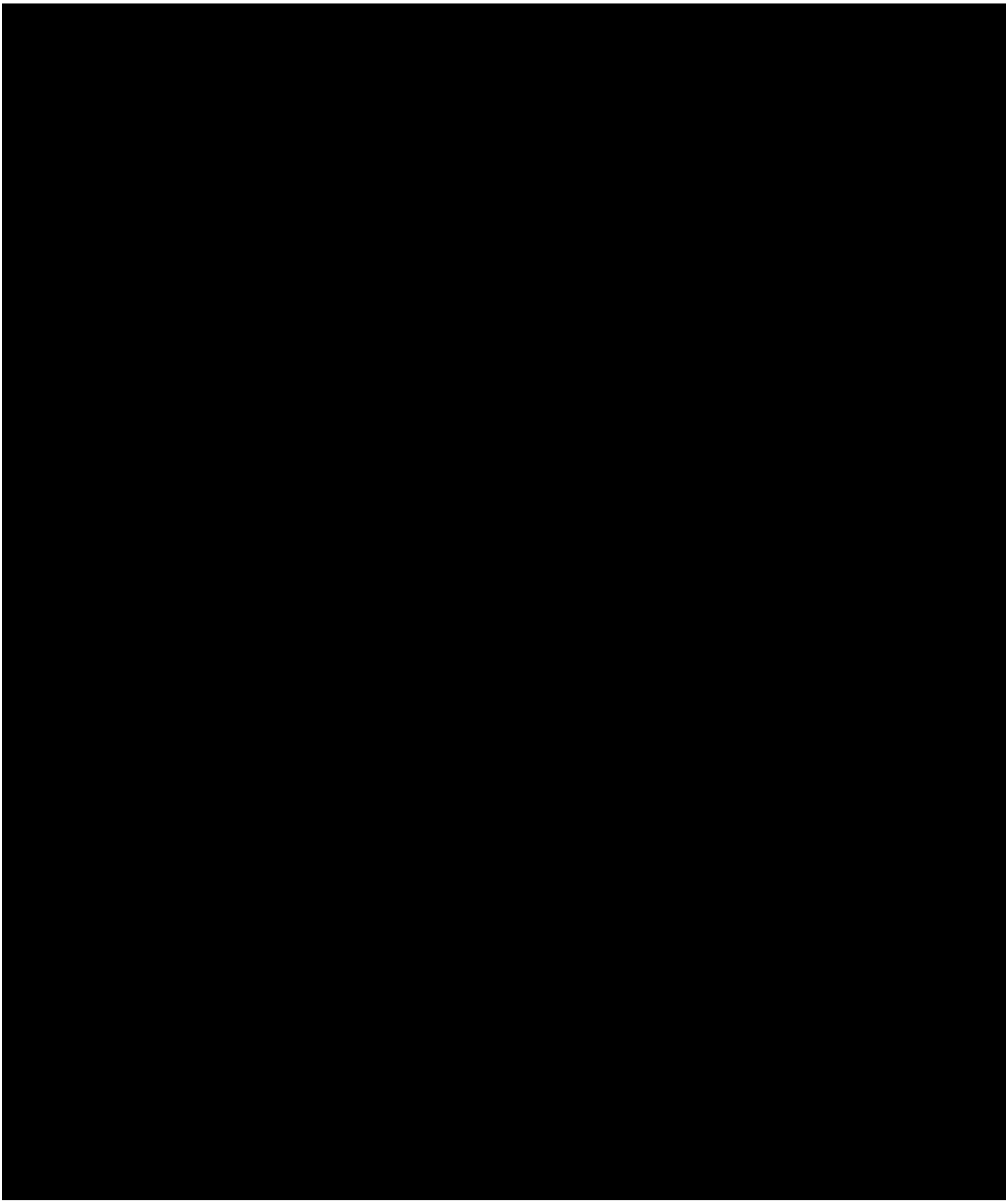

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Internal and External Security

Strong User Authentication and Password Control Measures

Scientific Games' system access security measures are consistent with the current U.S. Department of State's information security policy, including specific requirements for password length, complexity, history, and account lockout. The operating system will use and automatically enforce appropriate password length and expiration. We change or disable default passwords and users as part of our device hardening process, and accounts will automatically disable after 60 days of inactivity. Users are required to change their passwords on their first login after a password reset.

Firewall Packet Inspection

We configure the dynamic packet filtering firewall systems to allow access only by those entities with predefined hosts or terminals, ports, services and destination-specific rules. We provide all access through a secure and private IP network. We configure for high availability in each redundant set of firewalls. This approach supports the principle of least privilege regarding unauthorized access, malware, denial-of-service attacks and other security threats.

Intrusion Detection and Intrusion Prevention

We integrate intrusion detection system (IDS) and intrusion prevention system (IPS) systems into the firewalls, inspecting all inbound and outbound network activity to identify suspicious patterns that would indicate a network or system attack. If needed, the IDS and IPS module within the firewall sends an alert to the operations team to notify them of a potential attempt to gain access to the central gaming system components.

Every connection must pass through the IDS and IPS model to eliminate potential denial-of-service attacks, viruses, worms or malware. In addition, we equip each server with antivirus and anti-malware software, updating them on a regular basis. To prevent unauthorized traffic, it blocks or filters connections to the central gaming system that are not private or dedicated to Lottery transaction processing.

We use IDS, IPS and firewall functionality, via firewall hardware. This gives our customers state-of-the-art threat detection and prevention. It provides intelligent defenses against targeted attacks, traffic anomalies, spyware, denial-of-service attacks and malware, and it notifies us of these attempts when they occur.

TPIA §552.101/§466.022

Security-centric tools include:

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TPIA §552.101/§552.139

TPIA §552.101/§466.022

Operations Security Plan Evaluation and Maintenance

TPIA §552.101/§552.139

Industry Certifications

Scientific Games became the first scratch ticket game vendor in the industry to be assessed, approved and certified under the ISO 27001:2005, for our Alpharetta, Montreal and Leeds facilities. We have continued to maintain certification and now hold the most recent certification, ISO 27001:2013 audited by British Standards Institution (BSI). This certification covers our game programming administration systems as they apply to the operation of our information security management system for scratch game development and operation. This standard ensures the selection of adequate and proportionate security controls that protect information assets and give confidence to our customers.

Lastly, we are certified compliant with the WLA Security Control Standard:2016 (WLA SCS:2016). Our systems have been evaluated as offering the highest levels of security.

Ticket Production Security

Our Alpharetta printing facility, where the Texas Lottery's instant games will be produced and stored for shipment, is equipped with a complete multi-layered security system. Scientific Games holds a high standard of security alertness in all phases of design, material procurement, production, transportation, storage, distribution, validation and disposition of tickets.

Scientific Games employs procedures throughout the production process to preclude persons involved in the production, distribution or sale of instant game tickets from ascertaining the location of winning instant game tickets.

Design Security

Security of an instant ticket game begins with design. Scientific Games recommends incorporating many different security features into each ticket design as possible to ensure the integrity of every game.

We produce instant ticket games using the industry's most secure and technologically advanced continuous production process. Our manufacturing team prints non-winning and winning tickets, including high-tier ones, at the same time and in the same way. This continuous production process prevents any type of pick-out problem where someone can identify the winning ticket by a distinctive characteristic of the ticket during production. A winner can only be determined by scratching the ticket, revealing the play symbols and following the play instructions.

Scientific Games incorporates many security features in the design of Texas Lottery instant games in both the play area and the overall ticket graphics.

The following game data secure design features minimize or prevent ticket compromise by preventing pick-out problems and cut-and-paste attacks:

- **Symbol Float** – Randomly shifting or floating the play symbols and validation barcode within the ticket play area increases the difficulty of micro-scratching to identify winning symbols or validation information.
- **Captions** – By printing specialized font captions for each play symbol, we make attempts to alter the symbols much more difficult as the fine-detail caption must be altered as well.
- **Instant Game Validation System** – The instant ticket validation system positively identifies each individual ticket by comparing it to the electronic record of fact, the validation file. The human-readable validation number and secure data matrix validation barcode uniquely and accurately identify all tickets in the game. Since the validation number is logically related to the play and prize symbols, processing the ticket through the instant game validation system will identify any attempt at altering play symbols via cut-and-paste.
- **Encrypted Barcode Validation Data** – Scientific Games uses complex encryption algorithms to encrypt the validation data within the ticket's barcode. This encryption conforms to the requirements of the instant ticket validation system.
- **Game-Book-Ticket Number** – The unique inventory number applied to every ticket allows Scientific Games, the Lottery and retailers to accurately and conclusively account for each and every ticket in the game.

Incorporation of certain secure design features in the ticket art also aids in protecting tickets from compromise:

- **Security Tint** – Creating contrast between the play area surface and overprint design colors allows easy detection of micro-scratching efforts.
- **Overprint Colors** – Using a combination of numerous colors in screened and solid designs in the scratch-off area deters cheaters from pinpricking key image elements and trying to recolor the surface to disguise the exposure attempts.

- **Scratch Area Design** – Curved and circular-type patterns in the scratch area graphics reduce successful scratch coating lift attempts.
- **Benday Patterns** – Visible, invisible or micro-printed patterned lines in the gameplay area frustrate cut-and-paste attempts.
- **Play Symbol Design** – Scientific Games' exclusive HD Games™ option includes high-resolution play symbols with intricate features that are very difficult to alter.
- **Unique Game Review** - All new game play or complicated games are run through a Unique Game Review (UGR) process which analyzes the playability, feasibility and security of the game. The UGR process includes internal audit, game programming and production team management.

Game Programming Security

Security is the primary concern during the manufacturing of every game. This is especially true for game programming.

Security First

Security is paramount throughout every phase of game development from inception through and including the play experience. Our approach to security encompasses three distinct areas—confidentiality, integrity and availability.

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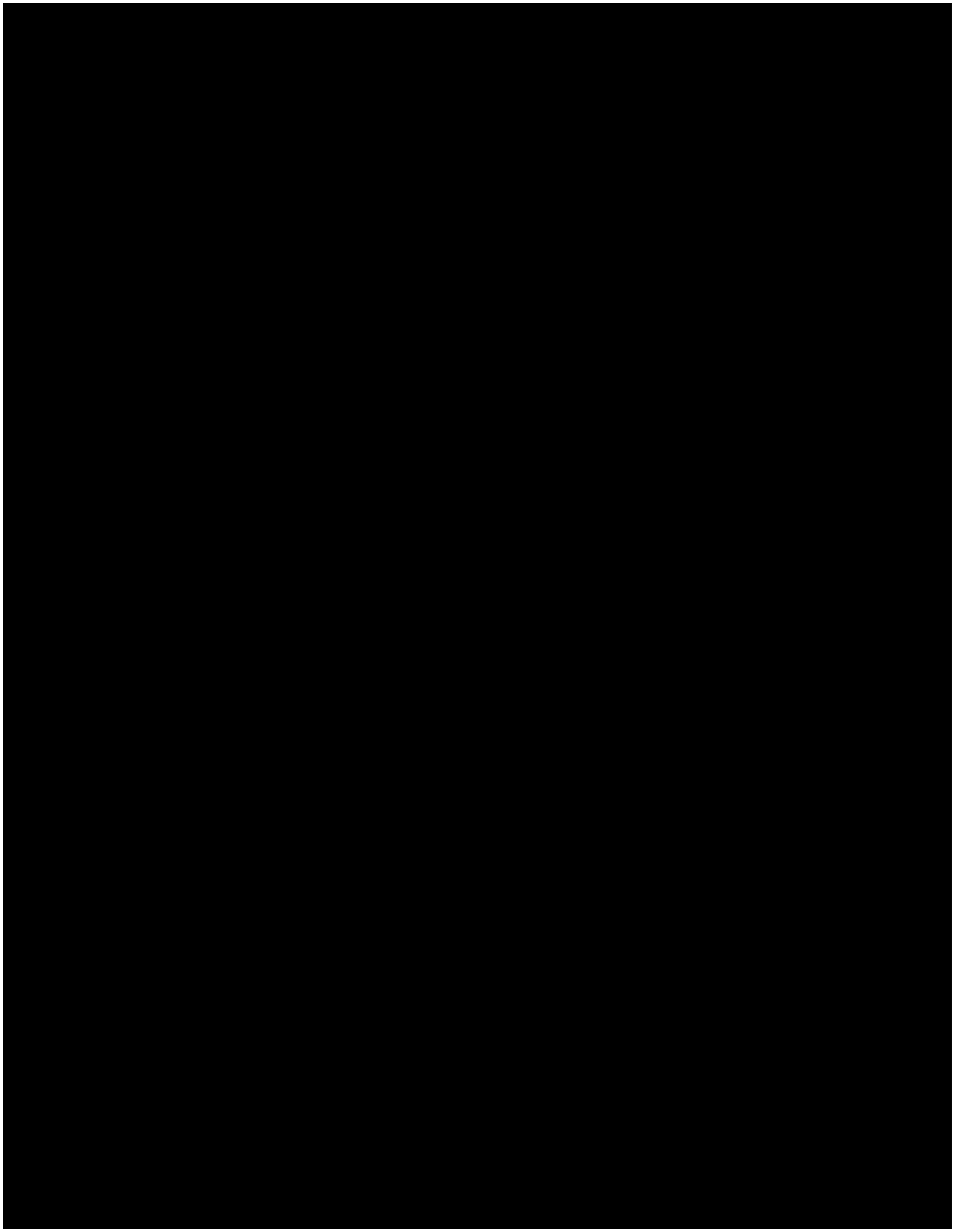

TPIA §552.101/§552.139

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Integrity: Games are Unified from Game Specification to Delivery

Game security is also about game integrity. Scientific Games' systems are integrated from the development of game specifications and game shipment to ticket validation and game closure. These systems make sure that the game, as defined by the Lottery, is the game that the Lottery actually receives in the warehouse. Every ticket that we deliver respects the rules in the game specifications.

Availability: Systems are Accessible for Use

And finally, security is about system availability. Scientific Games' modern data center architecture, production systems and processes have been designed to ensure secure and reliable game support for mission-critical lottery services. Distributed computing processes, server virtualization, redundant hardware components and environmental controls, global data centers, and robust networks all contribute to a system that provides highly available services. Scientific Games also maintains an operational, off-site data center and off-site data backups for continued support in the event of a disaster at the primary data center.

Game Development Security Controls

- **Physical and Logical Access Controls –** Limits physical access to facility and information
- **Separation of Duty –** Job responsibilities do not overlap or result in conflicts of product integrity
- **Separation of Systems –** Isolate the game development and game production environments
- **Encryption Systems –** All game data is encrypted when created and decrypted micro-seconds before imaging on paper
- **KDS360 –** Patented security system that protects game data and improves security
- **Third-Party Logging and Review –** Independent third party used to detect and log sensitive file access
- **Monthly, Quarterly and Annual Third-Party Security Assessments –** Independent security firm analyzes and reports on security of production systems
- **ISO 27001 Security Certification –** Documented policies and procedures covering 133 separate security controls
- **SSAE16 Audit –** Independent accounting firm that documents compliance with security, integrity, confidentiality and availability principles
- **System Penetration Testing –** Well-known security firms and tools used to evaluate external vulnerabilities
- **WLA Certification** – Lottery-specific security controls representing current best practices

ISO 27001

As previously noted in our physical security section we maintain the current ISO 27001:2013 audited by British Standards Institution (BSI). This certification applies to our game programming development and production systems as they apply to the operation of our information security management system for instant ticket game development and operation. This standard ensures the selection of adequate and proportionate security controls that protect information assets and give confidence to our customers.

Why does this matter to the Texas Lottery? We ensure the most qualified game programmers operating in a most secure game programming environment in the lottery vendor world today. Security of game programming is paramount. Each of our game programming teams constantly implements programming and procedural improvements. These changes lead to more secure systems and processes.

ISO 27001 and ISO 9001

Our game programming processes and systems are certified for security and quality by the International Organization for Standardization.

Ticket Shipment and Delivery Security

Scientific Games will ship packaged tickets in quantities identified in the game specifications from our production facilities in Alpharetta or Montreal to the Texas distribution facility. All ticket shipments to the distribution center are made in sealed and tracked trucks. Our transportation vendor partners monitor the trucks while in route through direct communication with the driver or GPS monitoring systems.

Security measures to store, package and ship scratch tickets to our own and customer distribution facilities are maintained through procedures that account for each ticket and provide overall surveillance. Games are always securely stored inside of the printing facility before being transported. All packaging and storing of scratch games within the facility are performed under surveillance by the digital surveillance monitoring system and a security officer.

All transportation vendors are bound by contract to follow Scientific Games' operational requirements which include carrier screening through federal sources, adequate insurance certificates, and driver vetting.

Drivers transporting goods are provided only the federally required Bill of Lading, which contains limited information so that confidentiality and integrity of the game information during transport from our facility to the distribution center is maintained. Documents detailing the shipment contents and game information will be sent via email to the distribution center and Lottery personnel so that no physical data is accessible to those transporting the product.

To maintain security of the ticket shipment during transit, we employ the following procedures:

- **Loading** – Our shipping team inspects each trailer to ensure structural integrity and cleanliness. If the trailer does not meet our specifications, we reject it and insist on a new trailer. All loading occurs under continual video surveillance, digitally recorded and stored on file. A digital photograph is taken of the load prior to closing the trailer doors and retained. Should there be any question of the load being compromised enroute, we can compare against this photo.
- **Sealing** – Our security officers lock each trailer with a uniquely numbered, Scientific Games branded bolt seal with a tensile strength rating of 4,000 lbs., and additional uniquely numbered strip seals on all access points. We maintain manifests with issued bolt and seal numbers for reconciliation. Before departure, a copy of the driver's license is acquired and filed for record. All drivers acknowledge transit security procedures when the sign for receipt of the load.

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- **Transit** – Trailers are monitored throughout duration of transit by our transportation providers. Scientific Games security and shipping departments are available 24/7 to receive updates or delays.
- **Receiving** – On arrival at the distribution center, the seals are verified against the numbers listed on the Bill of Lading before the seals are cut and trailer doors opened. If requested, the seal cutting and verification process can be supervised by a Texas Lottery official. Contents of the trailer is verified against shipping documents received prior to arrival.

Should a trailer breach occur during transit, the transportation vendor or receiving warehouse (depending on point of detection) notifies our security director. A recovery team will go to the location to investigate the nature and cause of the breach, recover product and re-secure the load as needed. We compare the games received at the warehouse with the shipping manifest to detect any altered or missing game cartons or packs of tickets.

Redemption Security

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8.16.2 Security Measures

The Successful Proposer and each Subcontractor, at minimum, must provide the following security measures for each area where game tickets and waste are produced or stored.

In the following sections, Scientific Games provides its security measures for each area where game tickets and waste are produced or stored.

8.16.2.1 Security Procedures

Adequate security procedures to prevent unauthorized entry to computer areas, ticket production and storage area(s) through window and door entry points. Locking and alarm devices must secure each critical computer production and storage area (including computer media) through all possible entry points. The Texas Lottery Enforcement Director or designated representative must approve the Successful Proposer's and, if applicable, any Subcontractor's plant security prior to first production under any Contract resulting from this RFP and reserves the right to request changes in plant and system security procedures at any time during the Contract term. The Successful Proposer and its Subcontractors must implement all Texas Lottery-requested modifications prior to production taking place.

As a current provider to the Texas Lottery, Scientific Games can confidently state that we meet the Lottery's security procedures. In fact, our security procedures meet the highest lottery industry standards. We safeguard computer areas from unauthorized entry, and ticket production and storage areas through window and door entry points. We have implemented locking and alarm devices to secure each critical computer production and storage area (including computer media) through all possible entry points.

Scientific Games acknowledges that the Texas Lottery Enforcement Director or designated representative may desire to inspect and approve the plant security prior to first production under any contract resulting from this RFP. We understand that the Lottery reserves the right to request changes in plant and system security procedures at any time during the contract term. Scientific Games' security is able to make modifications that can be implemented prior to production taking place.

8.16.2.2 Visitors' Log

A visitors' log for all facilities where Texas Lottery scratch tickets are manufactured or stored. A log of the destination and disposition of Texas Lottery imaged material, and omitted tickets by shredding, burning, or dissolving at the Successful Proposer's facility. Such material must not leave the Successful Proposer's facility until it has been processed and is no longer identifiable as Texas Lottery material. The Successful Proposer must use an auditable record system to account for all ticket stock and materials destroyed.

Scientific Games agrees to maintain a visitors log for all facilities where Texas Lottery scratch tickets are manufactured or stored. We will maintain a log of the destination and disposition of Texas Lottery imaged material, and omitted tickets by shredding, burning, or dissolving at our facility. Such material will not leave our facility until it has been processed and is no longer identifiable as Texas Lottery material. Scientific Games will use an auditable record system to account for all ticket stock and materials destroyed.

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8.16.2.3 Access to Ticket Area

Access to the area where lottery tickets are produced or stored must be approved by the Texas Lottery. A system of identification of such individuals (such as badges, cards, etc.) is required. If the area is part of a larger plant, it must be possible to limit this access and to secure the area outside normal work hours.

Scientific Games agrees that access to the area where lottery tickets are produced or stored will be approved by the Texas Lottery. A system of identification of such individuals (such as badges, cards, etc.) is required. Scientific Games agrees to limit this access and to secure the area outside normal work hours.

8.16.3 Changes to Plant Security

The Successful Proposer shall notify the Texas Lottery Enforcement Director of any and all significant changes to the plant security.

Scientific Games will notify the Texas Lottery Enforcement Director of any and all significant changes to the plant security. Details regarding facility access can be found in **Section 8.16**.

8.16.4 Computer Generated Media

Unless specifically authorized to be kept for a specific period of time by the Texas Lottery, all production computer generated media must be sanitized by an appropriate method to make data irretrievable at the completion of production of the game(s) for which they were used. Computer generated media not scheduled for erasure at the end of the production run must be kept in a secure manner as specified by the Texas Lottery.

Unless specifically authorized to be kept for a specific period of time by the Texas Lottery, all production computer generated media will be sanitized at the completion of production of the game(s) for which they were used. Computer generated media not scheduled for erasure at the end of the production run will be kept in a secure manner as specified by the Texas Lottery.

Scientific Games' game production systems create and encrypt game data files for each game and only the imaging systems have the ability to decrypt it. The moment the game data file is imaged on press, the file is deleted.

Scientific Games uses a third-party recycling company who specializes in electronic media disposal. All media is securely destroyed and documented with a Certificate of Destruction.

8.16.5 Data Security Plan

The Successful Proposer must provide an information security plan approved by the Texas Lottery Security Manager, Texas Lottery Information Technology Manager, and the Texas Lottery Information Security Officer detailing the information security, during development and production, of all computer-generated media, software, systems, and any other information designated by the Texas Lottery. This is to include any encryption methods required for validation of winning tickets. Any and all changes to the data security plan must be pre-approved by the Texas Lottery Security Manager, Texas Lottery Information Technology Manager, and the Texas Lottery Information Security Officer. The Information Security Plan must include at a minimum:

1) *INFORMATION SECURITY ORGANIZATION*
2) *ROLES AND RESPONSIBILITIES*
3) *POLICY AND STANDARDS MANAGEMENT*
4) *RISK MANAGEMENT*
5 *)INCIDENT RESPONSE*
6) *SECURITY AWARENESS AND TRAINING*
7) *INFORMATION SECURITY PROCEDURES*

Scientific Games will provide the Texas Lottery Security Manager, Texas Lottery Information Technology Manager, and the Texas Lottery Information Security Officer with its approved information security plan detailing the information security, during development and production, of all computer generated media, software, systems and any other information designated by the Texas Lottery including any encryption and decryption. We acknowledge that any and all changes to the data security plan must be pre-approved by the Texas Lottery Security Manager, Texas Lottery Information Technology Manager, and the Texas Lottery Information Security Officer.

The Information Security Plan will include at a minimum:

1. Information Security Organization
2. Roles and Responsibilities
3. Policy and Standards Management
4. Risk Management
5. Incident Response
6. Security Awareness and Training
7. Information Security Procedures

An overview of Scientific Games' data security plan is included in **Section 8.1**.

8.16.6 Information Security Audits

The Successful Proposer must provide any information security audits and remediation of findings on request to the Texas Lottery Security Manager, Texas Lottery Information Technology Manager and the Texas Lottery Information Security Officer.

We will provide any information security audits and remediation of findings on request to the Texas Lottery Security Manager, Texas Lottery Information Technology Manager and the Texas Lottery Information Security Officer.

8.16.7 Business Continuity Plan

The Successful Proposer must provide a Business Continuity Plan to the Texas Lottery Business Continuity Coordinator.

Scientific Games knows that continuity of the Texas Lottery's scratch ticket business depends on every aspect of the production process, including game design and programming operations, printing facilities, warehousing, and shipping. Accordingly, Scientific Games currently operates under a lottery approved disaster recovery plan. The plan describes how Scientific Games would continue the production process if a business-affecting accident occurs, specifically at the ticket production facility. In addition, it highlights measures taken to mitigate our business risks when considering a number of possible emergency scenarios. When planning for the worst-case scenario, all plans cover seven scenarios:

1. Maintain people and facilities, lose data
2. Maintain people and data, lose facilities
3. Maintain people, lose data and facilities
4. Lose people, maintain data and facilities
5. Lose people and data, maintain facilities
6. Lose people and facilities, maintain data
7. Lose people, facilities, and data

We always write our disaster recovery plans to respond to the business impact of an event, not the cause.

Sample Plan

Our sample disaster recovery plan, at a minimum, addresses the following:

- Risk, threat and vulnerability analysis
- Recovery strategy
- Emergency response
- Plan activation
- Recovery operations
- Plan validation, testing and maintenance

At the end of this section, we submit a sample disaster recovery plan that identifies areas of risk and provides solutions for the management of the instant ticket lifecycle. The entire, current approved global business continuity plan contains highly sensitive information with detailed inventories of equipment and personnel and will be provided to the Lottery upon contract award and made available for review during audits.

Instant Games

Scientific Games prints instant game tickets at four geographically disperse locations: Alpharetta, Georgia; Leeds, U.K.; Montreal, Canada; and Santiago, Chile. We assign every instant game to a primary plant with at least one recovery plant. In the event of a catastrophic incident at your primary print facility, we will print your scheduled instant games at the preapproved recovery plant. Games that are not primary to the failed plant will revert to their primary facility. If the recovery plant has insufficient capacity, it will shed some of its games for which it is the primary site and send them to their secondary site. In this way, we print all tickets at a facility with a proven track record for a given game.

With the customer's permission, we print frequently-run games at two or more plants on a scheduled basis to ensure seamless transfer of production in case of a serious event. The Lottery's primary facility is Alpharetta, and the secondary is Montreal.

The Alpharetta facility has been built to withstand EF3 tornadoes with no damage, i.e., tornadoes with winds of up to 165 mph.

Alpharetta Printing Plant Recovery Plan

We have equipped the printing facility we use to produce and store instant games for the Texas Lottery with a complete multi-layered security system to protect the games from compromise and theft. Our standard of security alertness is high in all phases of design, material procurement, production, transportation, storage, distribution, validation and disposition of tickets.

We have also made preparations for a disaster and subsequent recovery to our primary printing plant in Alpharetta to ensure an uninterrupted supply of new game inventory for the Texas Lottery.

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While there has never been an interruption of production at the plant, we have made every preparation for the event of a disaster and subsequent recovery. Because we originally designated the facility as our sole printing plant in North America, we designed and built it to be as resilient as possible to any disasters by meeting stringent earthquake and hurricane codes. We also provide power redundancy and backup power generation, a self-contained infrastructure for fire control and sophisticated systems for fire prevention. The power supply is underground, limiting the impacts of weather. Power is also distributed to help ensure that should power be interrupted in one area; all others would be able to continue operation. We designed the facility around a core that physically supports our manufacturing components to insulate the potential of such events. We test the recovery plan annually. It ensures recovery in 72 hours and features complete redundancy and hot backup press equipment, packaging system and programming capability.

With Scientific Games' four presses and 10 finishing lines in Georgia, a backup print facility in Montreal, the Texas Lottery can rest easy knowing that we have laid the groundwork to mitigate your risk and exposure to loss of revenue.

Our business recovery plan also includes redundant suppliers for all materials should disaster befall one of our suppliers, as well as redundant power supplies to our printing facility. Scientific Games has internal and external backup capability for all phases of ticket manufacturing. We have also adopted a policy of secondary vendors for the supplies necessary to print instant tickets. Consequently, we have backup vendors for paper, ink, plates and supplies necessary to continue operations should any one supplier experience an issue.

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No one knows for certain how they will handle disaster until it actually strikes. With our level of disaster recovery experience, however, we always have a meticulous, well-tailored plan in place before anything happens. We can then immediately roll out this plan seamlessly in the event disaster does strike. Scientific Games will keep your Lottery safe.

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BUSINESS RECOVERY PLAN

SCIENTIFIC GAMES

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

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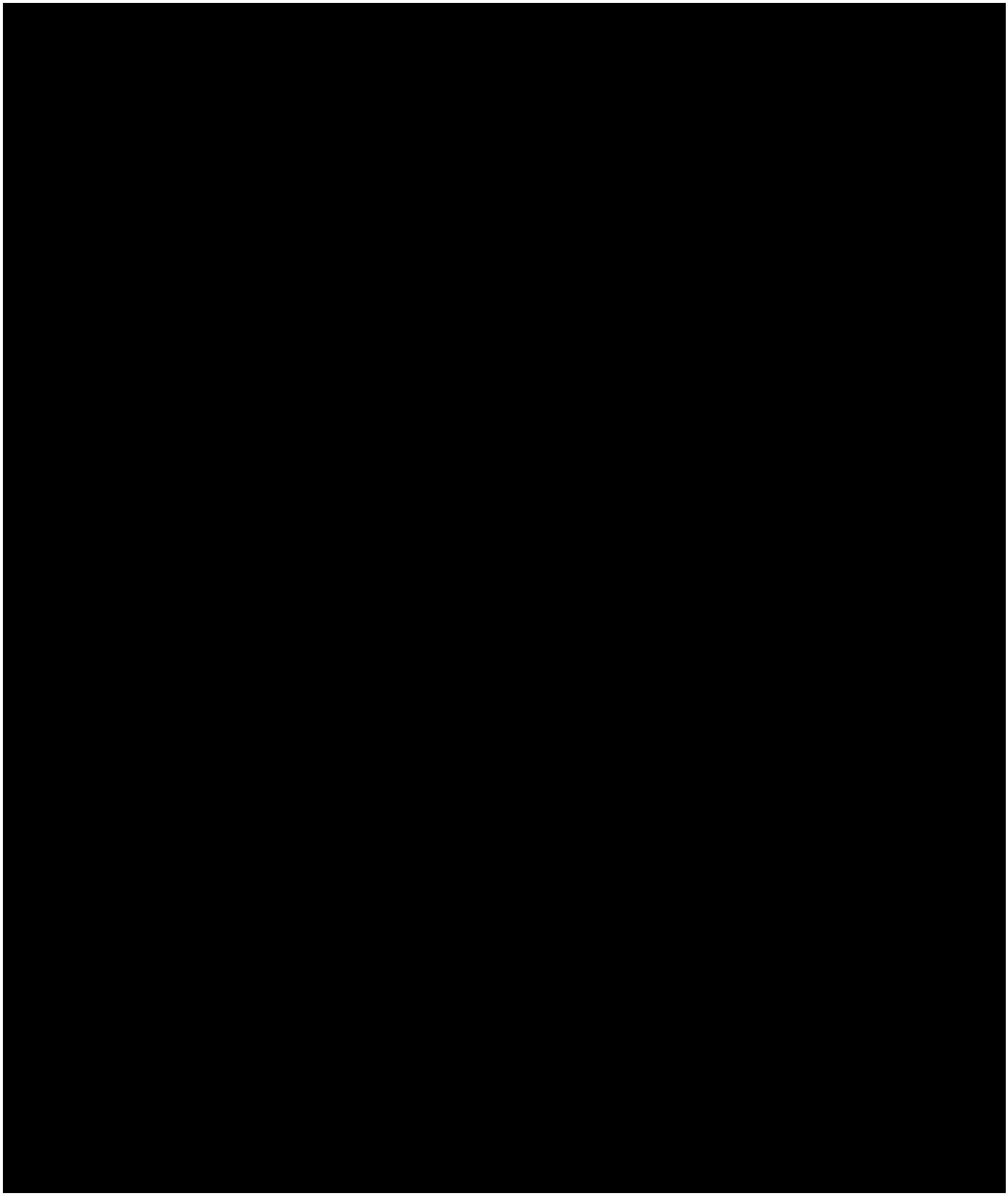

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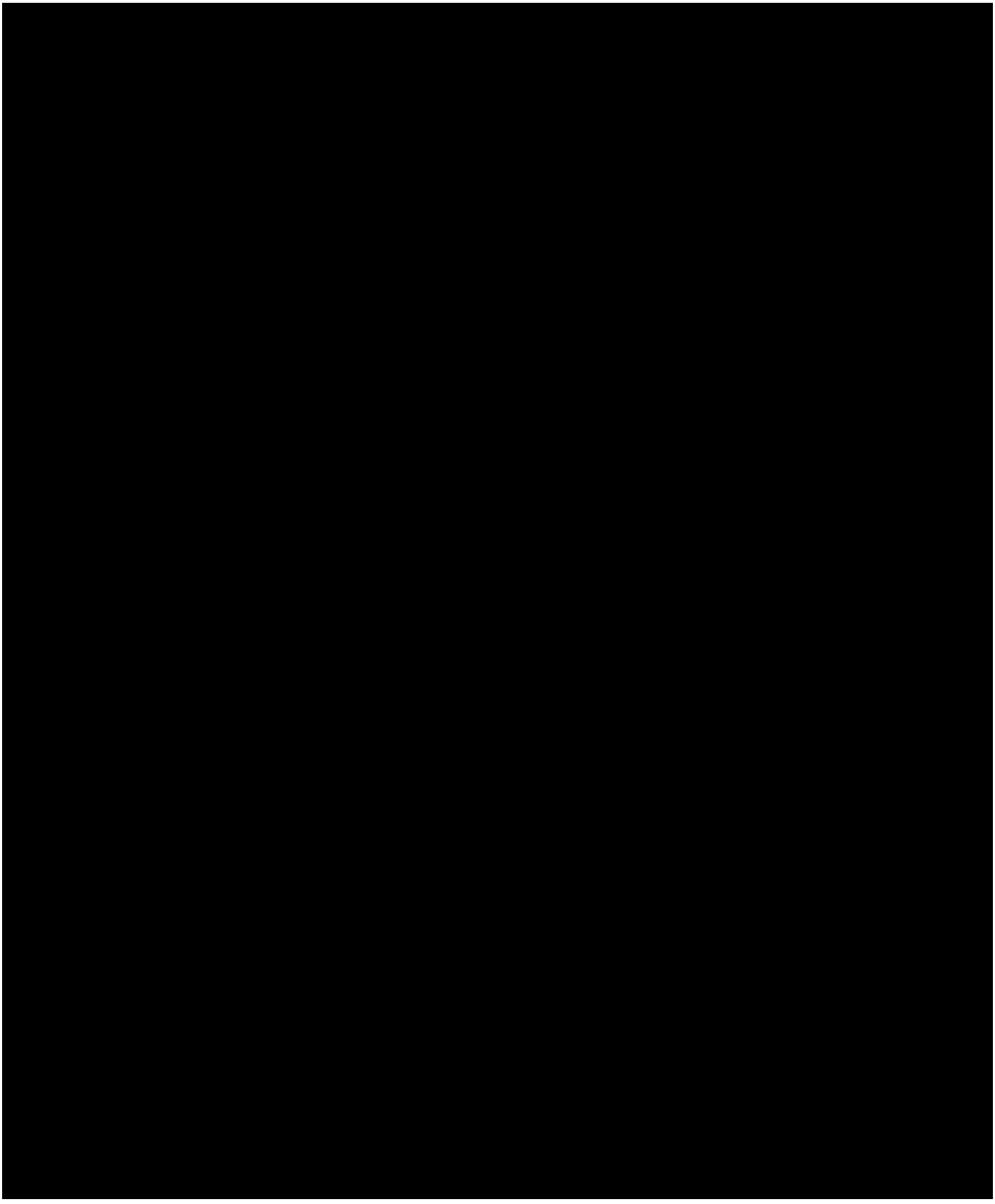

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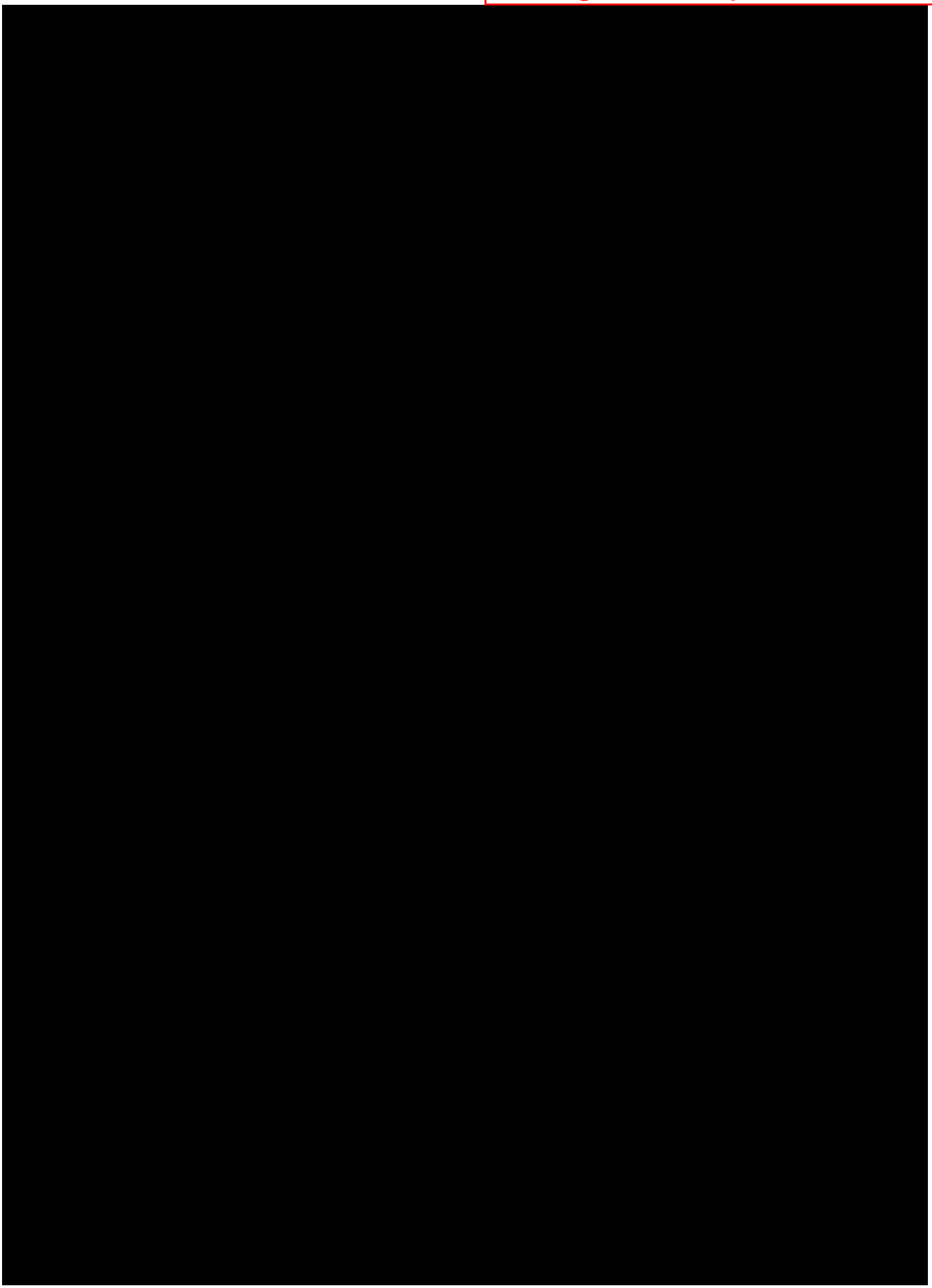

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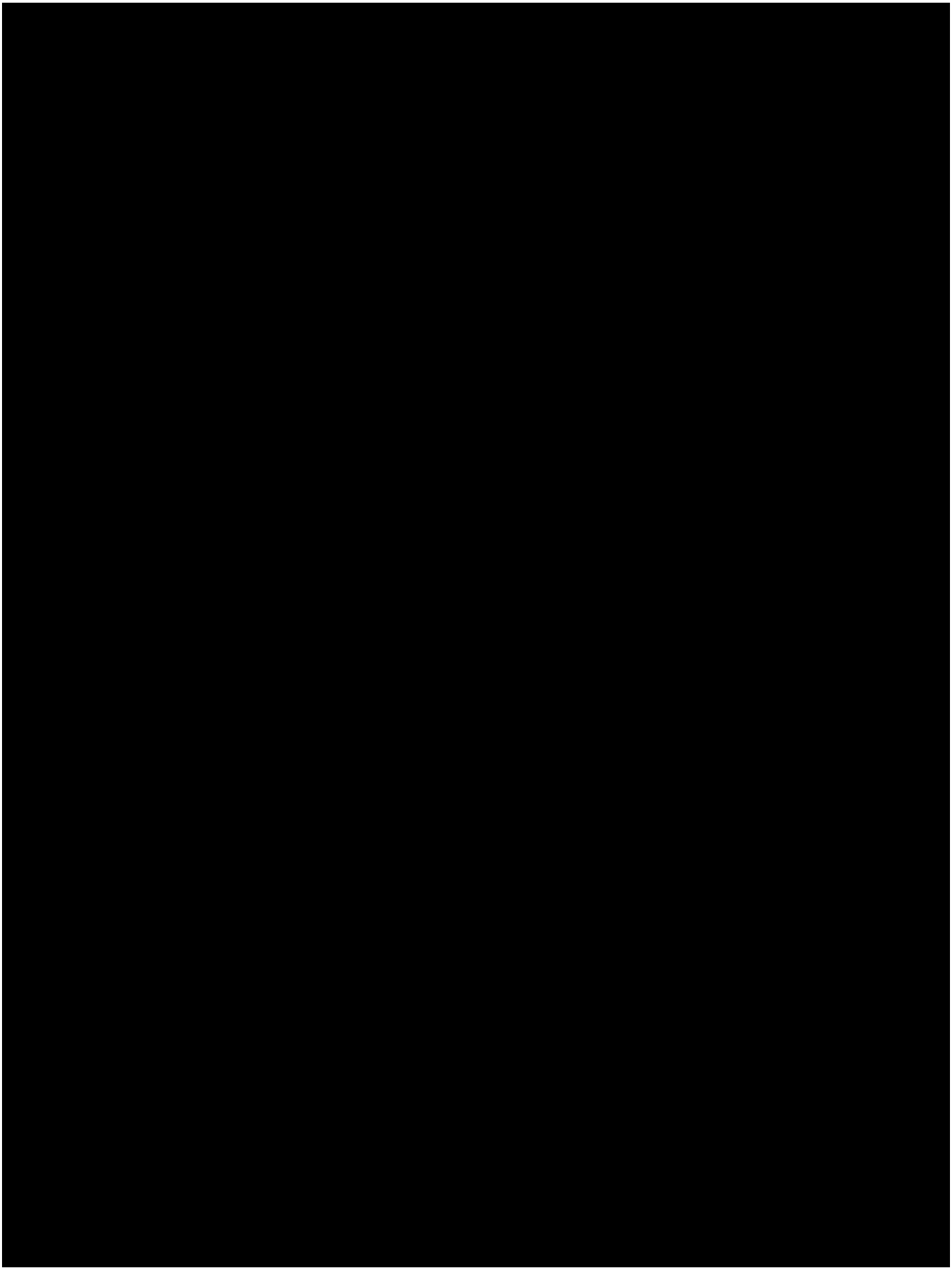

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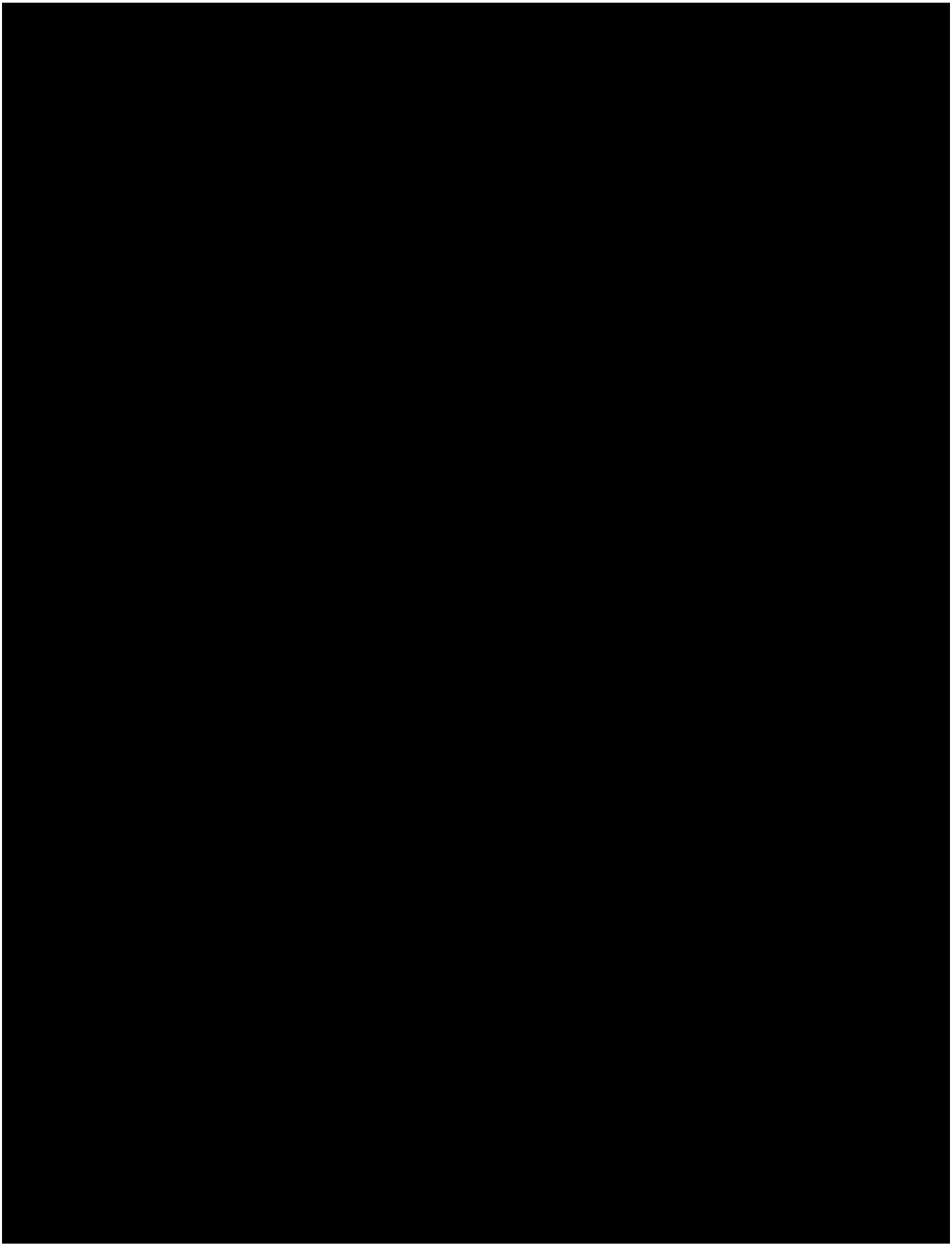

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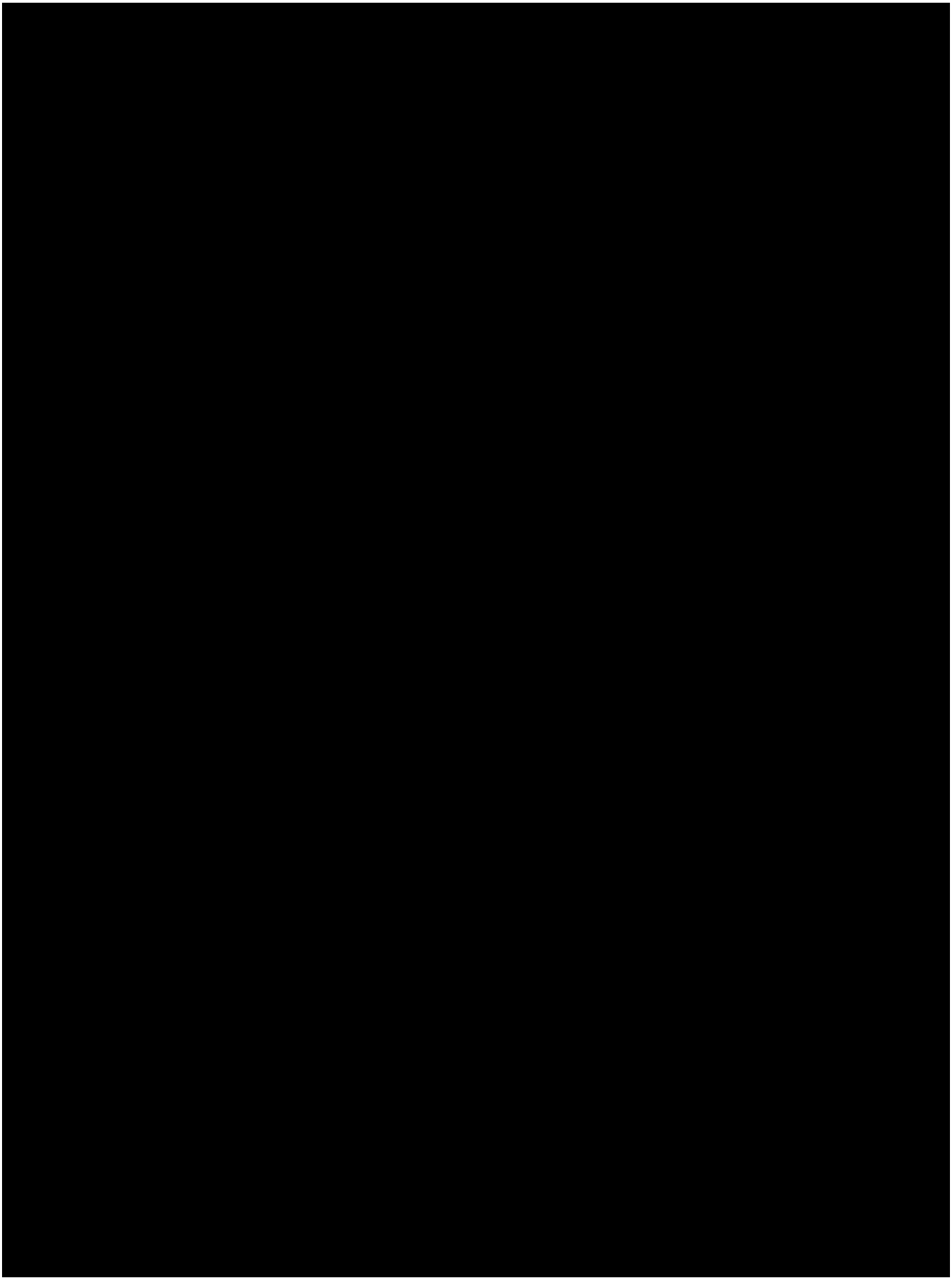

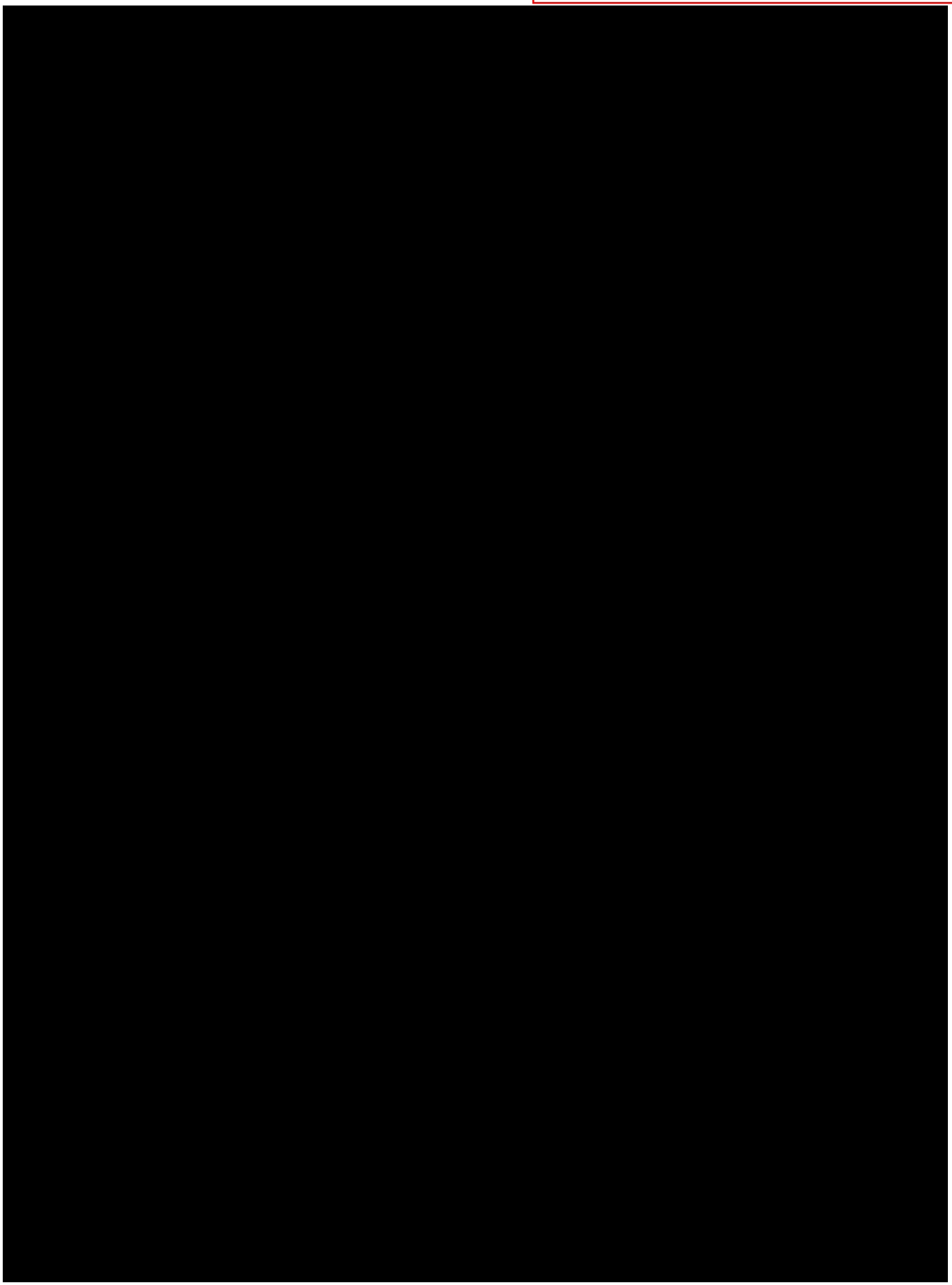

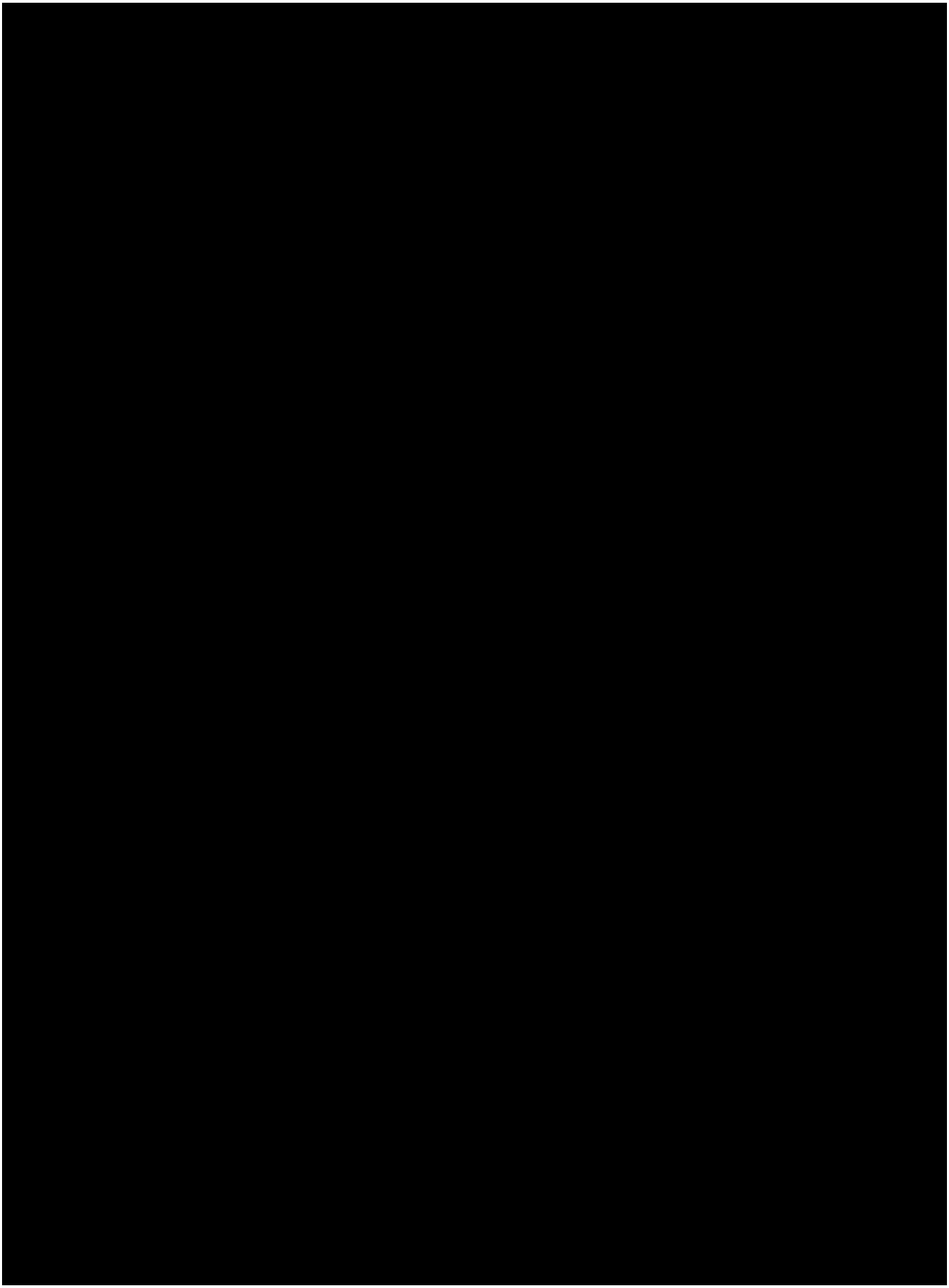

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8.16.8 SOC 2 Type 2 Report

The Successful Proposer Must Provide an Annual SOC 2 Type 2 report or an alternative approved in writing by the Texas Lottery. In compliance with Standards of Attestations Engagement No. 16, System and Organizations Controls Report 2, Type 2 (SSAE-16 SOC 2 Type 2) requirements, a complete internal control audit ("SOC 2 Audit") shall be conducted annually by an independent certified public accounting firm on any facility producing and storing scratch tickets for the Texas Lottery, including facilities outside of the United States.

Scientific Games will provide an annual SOC 2 Type 2 report or an alternative approved in writing by the Texas Lottery. In compliance with Standards of Attestations Engagement No. 16, System and Organizations Controls Report 2, Type 2 (SSAE-16 SOC 2 Type 2) requirements, a complete internal control audit ("SOC 2 Audit") will be conducted annually by an independent certified public accounting firm on any facility producing and storing scratch tickets for the Texas Lottery, including facilities outside of the United States.

8.16.9 Copy of All SOC 2 Reports

The Texas Lottery's Internal Auditor and Executive Director shall be given a copy of all reports including any management letters issued as a result of the SOC 2 Audit within ten (10) Days of issuance. The first such SOC 2 Audit report shall be provided prior to the production of any scratch tickets for the Texas Lottery under any contract resulting from the RFP.

We understand that the Texas Lottery's Internal Auditor and Executive Director will be given a copy of all reports including any management letters issued as a result of the SOC 2 Audit within 10 days of issuance. The first such SOC 2 Audit report will be provided prior to the production of any scratch tickets for the Texas Lottery under any contract resulting from the RFP.

8.16.10 Texas Lottery Reserves the Right to Conduct Its Own Audits

To the extent any SOC 2 Audit reports provided to the Texas Lottery do not satisfy the Texas Lottery's reporting or audit requirements, the Texas Lottery reserves the right to conduct its own audits.

We understand that to the extent any SOC 2 Audit reports provided to the Texas Lottery do not satisfy the Texas Lottery's reporting or audit requirements, the Texas Lottery reserves the right to conduct its own audits.

8.16.11 Reimburse Travel Expenses

The Successful Proposer must reimburse travel expenses for Texas Lottery staff to inspect printing facilities.

Scientific Games will reimburse travel expenses for Texas Lottery staff to inspect printing facilities.

8.17 Pre-Production Certification and Color Proof Approval

8.17.1 Inspection of Tickets

The Texas Lottery incorporates the highest standards of security and integrity and reserves the right to inspect all tickets produced under any Contract to ensure compliance with the RFP specifications.

Scientific Games understands that the Texas Lottery incorporates the highest standards of security and integrity. We will comply with the Texas Lottery's right to inspect up to 100% of the tickets produced under any contract to assure compliance.

8.17.2 Accuracy of Game Prize Structure

The Successful Proposers shall certify the accuracy of the game prize structure, and that all Texas Lottery requirements including any parameters and/or constraints have been met, via email to specified Texas Lottery staff, prior to game production.

Scientific Games agrees to certify the accuracy of the game prize structure, and that all Texas Lottery requirements including any parameters and/or constraints have been met, via email to specified Texas Lottery staff, prior to game production.

8.17.3 Actual Game Computer Program Reports

Upon written request by the Texas Lottery Operations Director, the Successful Proposer shall furnish all of the actual game computer and related program reports to the Texas Lottery prior to production.

Upon written request by the Texas Lottery Operations Director, Scientific Games will furnish all of the actual game computer and related program reports and audits to the Texas Lottery for review prior to production.

Reports from development and production systems are separated and isolated to the appropriate users. Backups of the reports are maintained throughout the manufacturing process and sale of the game should they be needed after production.

8.17.4 Image from Test Pools

Upon written request by the Texas Lottery Operations Director, the Successful Proposer also must provide, for each game, an image of the computer-generated printout from the test pools illustrating each of the four (4) GLEP patterns and the reconstruction reports of these packs. Also upon request, the Successful Proposer shall also provide all information pertinent to the test pools, including any summary report.

Upon written request by the Texas Lottery Operations Director, Scientific Games will provide, for each game, an image of the computer-generated printout from the test pools illustrating each of the four GLEP patterns and the reconstruction reports of these packs. Also upon request, Scientific Games will provide all information pertinent to the test pools, including any summary reports.

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8.17.5 Color Proof

The Successful Proposer shall provide to the Texas Lottery Scratch Product Coordinator a color proof of the ticket image for each game for approval.

Scientific Games will provide to the Texas Lottery Scratch Product Coordinator a color proof of the ticket image for each game for approval. Scientific Games' color proofs are created on actual ticket stock, whether paper, foil or holographic substrate. Color proofs are supplemented with ink drawdowns when specialty inks such as fluorescent colors are utilized.

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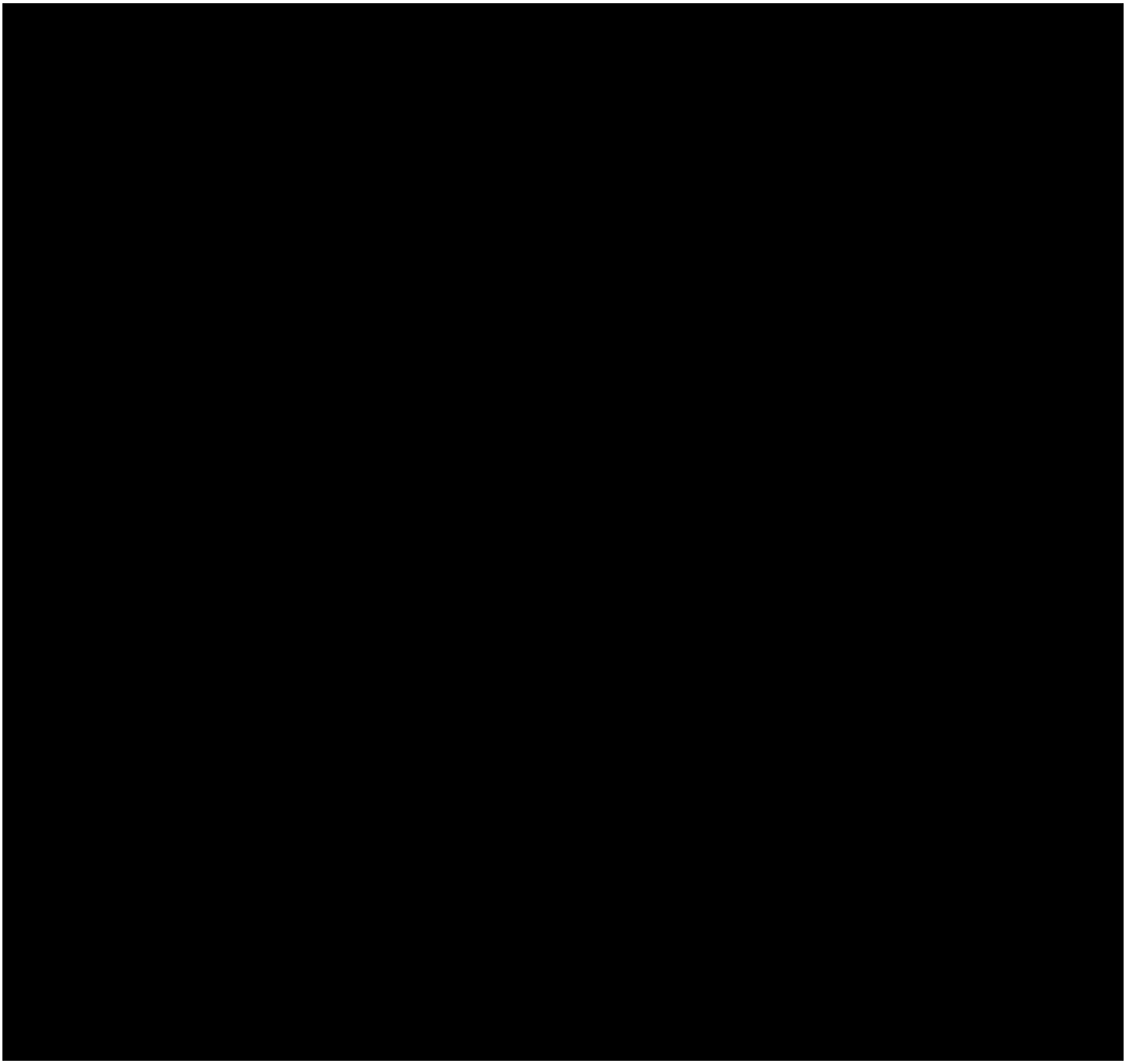

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8.17.6 Authorization of Game Production

The Successful Proposer shall not produce any game until the Texas Lottery receives the preproduction certification email, approves the ticket color proof, and authorizes game production.

Scientific Games will not produce any game until the Texas Lottery receives the pre-production certification email, approves the ticket color proof, and authorizes game production.

8.18 Production Audit

The Successful Proposer, at its expense, shall engage a qualified and independent certified public accountant to review the procedures and controls employed by the Successful Proposer for each game. The certified public accountant shall render a letter to the Texas Lottery stating the results of the audit performed on the Successful Proposer's production procedures and controls. The procedures for these audits are as follows:

1) randomly select two (2) pools prepared for printing;

2) review the audit program reports for the two (2) pools selected for agreed conformity of such results with the game specifications and prize structure in the final executed working papers, noting any and all exceptions;

3) review test data and the audit error report to determine whether the audit program detected errors corresponding to the programming parameters and game specifications, noting any and all exceptions;

4) compare the recorded date and time stamp of the audit program used in the performance of the above reports, including updates, to the date and time stamp of the audit program used in the production of the game tickets, noting any and all exceptions;

5) review print image data for each possible character image used and determine whether the correct character is set to print, noting any and all exceptions;

6) review End of Production Prize Structure and agreed high-tier seeded prizes with the prize structure in the final executed working papers, noting any and all exceptions.

The Successful Proposer shall provide the following documentation to the Texas Lottery Products Manager prior to the arrival of a printed game at the Texas Lottery warehouse facility:

i. Letter from the certified public accountant stating results of the audit performed.

ii. Executed working papers for the game being audited

Scientific Games, at its expense, will engage a firm of qualified and independent certified public accountants to review the procedures and controls used by Scientific Games prior to production of each game. The certified public accounting firm will render a letter to the Texas Lottery stating the results of the audit performed on Scientific Games' production procedures and controls.

The procedures for these audits are as follows:

1. Randomly select two pools prepared for printing;
2. Review the audit program reports for the two pools selected for agreed conformity of such results with the game specifications and prize structure in the final executed working papers, noting any and all exceptions;
3. Review test data and the audit error report to determine whether the audit program detected errors corresponding to the programming parameters and game specifications, noting any and all exceptions;
4. Compare the recorded date and time stamp of the audit program used in the performance of the above reports, including updates, to the date and time stamp of the audit program used in the production of the game tickets, noting any and all exceptions;
5. Review print image data for each possible character image used and determine whether the correct character is set to print, noting any and all exceptions;
6. Review end-of-production prize structure and agreed high-tier seeded prizes with the prize structure in the final executed working papers, noting any and all exceptions.

We will provide the following documentation to the Texas Lottery Products Manager prior to the arrival of a printed game at the Texas Lottery warehouse facility:

i. Letter from the certified public accountant stating results of the audit performed.
ii. Executed working papers for the game being audited.

8.19 Security Testing Sample Packs

Upon completion of a press run, the Successful Proposer must place live ticket packs in omit status per the Customer Specifications Document or executed working papers and ship via overnight delivery to the Texas Lottery's independent laboratory testing facility and/or directly to the Texas Lottery. Tickets will be tested in accordance with Section 8.26. The ticket packs must not be drilled, stamped or rubbed. Additionally, the Successful Proposer must provide a minimum number of representative packs to reflect samples of the beginning, middle and end of the press run for the game. The Successful Proposer shall be responsible for its own test costs associated with testing not required by the Texas Lottery.

Upon completion of a press run, Scientific Games will place live ticket packs in omit status per the Customer Specifications or executed working papers and ship via overnight delivery to the Texas Lottery's independent laboratory testing facility or directly to the Texas Lottery. The tickets will be tested in accordance with **Section 8.2.6**. The packs will not be drilled stamped or rubbed and will represent packs from the beginning, one from the middle and one from the end of the press run for each game. If selected as the successful proposer, Scientific Games will be responsible for all testing expenses.

8.20 End of Production Prize Structure

Prior to the arrival of a printed game at the Texas Lottery warehouse facility, the Successful Proposer must submit an End of Production Prize Structure report for the game. This report is a listing of the summary of the prize value in the game by prize level. The End of Production Prize Structure report must be e-mailed as specified by the Texas Lottery with the low and mid/high-tier electronic validation files, and all must be received by the Texas Lottery prior to actual delivery of tickets to the warehouse. The Texas Lottery will review the Successful Proposer's end of game prize structure for each game and if any errors are detected, the Successful Proposer must correct the errors as soon as identified. However, in no event shall the deadline for scratch ticket delivery specified in the executed working papers be extended. Should the End of Production variance cause the odds or other statements on the printed tickets to be incorrect, the Texas Lottery may determine the game to be non-conforming and, in accordance with Section 3.54.25, withhold any amounts due to the Successful Proposer under the Contract.

Prior to the arrival of a printed game at the Texas Lottery warehouse facility, Scientific Games will submit an end of production prize structure report for each game. The report lists the summary of the prize value in the game by prize level. The end of production prize structure report will be emailed as specified by the Texas Lottery with the low, mid-tier and high-tier electronic validation files, and all will be received by the Texas Lottery prior to actual delivery of tickets to the warehouse. If the Texas Lottery's review reveals any errors, Scientific Games will correct the errors as soon as they are identified. We acknowledge that the deadline for scratch ticket delivery specified in the executed working papers will not be extended.

Scientific Games will provide a report with each end-of-game production prize structure detailing any interruptions that occurred in the game during production. We acknowledge that the Texas Lottery may at its discretion require any additional testing as a result of any reported interruptions.

Should the end-of-production variance cause the odds or other statements on the printed tickets to be incorrect, we understand that the Texas Lottery may determine the game to be non-conforming

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and, in accordance with **Section 3.54.25**, withhold any amounts due to the successful proposer under the Contract.

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8.21 Packaging

Packaging specifications will be detailed in the Customer Specifications Document or executed working papers. No breaks in packs will be permitted with the exception of properly omitted packs. The number of tickets per pack in a game must be specified in the executed working papers. Partial, broken, miscut or incomplete packs are not acceptable. In addition, the tickets within each pack must be in the numerical sequence prescribed by the Texas Lottery (e.g., 001 to 250; 001 to 125).

Scientific Games acknowledges that packaging specifications will be detailed in the Customer Specifications document or executed working papers and that no breaks in packs will be permitted with the exception of properly omitted packs. We understand that the number of tickets per pack in a game will be specified in the executed working papers and that partial, broken, miscut or incomplete packs are not acceptable. In addition, we understand the tickets within each pack must be in the numerical sequence prescribed by the Texas Lottery (e.g., 001 to 250; 001 to 125).

Scientific Games' Vision Systems, described in **Section 8.1**, ensure detection of packs that do not meet Texas' specifications.

8.22 Shrink-Wrapping

All packs produced must be individually shrink-wrapped in pack sizes determined by the Texas Lottery on a game-by-game basis. Subject to normal printing trade tolerances and practices, the packs of tickets must be properly trimmed and slit. The Texas Lottery requires all ticket packs be wrapped in a manner such that the sealing seam of the pack does not obscure the bar code when packs are scanned. Individual shrink-wrapped packs must be able to withstand normal handling during distribution. Shrink-wrapped packs shall not contain more than a minimal amount of scratch ticket coating, foil or paper residue or other material that falls out upon opening. Shrink-wrapping must remain intact through the shelf life of the game and packs must be assembled in a uniform manner.

All packs produced will be individually shrink-wrapped in pack sizes determined by the Texas Lottery on a game-by-game basis. Subject to normal printing trade tolerances and practices, the packs of tickets will be properly trimmed and slit. All ticket packs will be wrapped in a manner that the sealing seam of the pack does not obscure the barcode when packs are scanned. Individual shrink-wrapped packs will be able to withstand normal handling during distribution. Shrink-wrapped packs will not contain more than a minimal amount of scratch ticket coating, foil or paper residue or other material that falls out upon opening. Shrink-wrapping will remain intact through the shelf life of the game. Packs will be assembled in a uniform manner. Quality assurance audits conducted throughout the finishing process ensure compliance to standards.

8.23 Shipping Cartons

8.23.1 Carton Sizes

Carton sizes will vary dependent upon ticket sizes as specified in the executed Customer Specifications document. Shipping carton sizes must be pre-approved by the Texas Lottery.

Scientific Games acknowledges that carton sizes will vary dependent upon ticket sizes as specified in the executed Customer Specifications document. As a current supplier, our carton sizes have been pre-approved by the Texas Lottery. Should the Lottery add or change ticket or pack sizes, new carton sizes will be presented to the Lottery for approval prior to game production.

8.23.2 Carton Specifications

Cartons must be consecutively numbered and labeled with a computer-produced label showing game name, game number, shipping carton number, range of pack numbers, omissions (if any) and a bar code showing the game number and beginning and ending pack numbers for the carton. Labels should be color coded by game or an additional color- coded sticker should be placed on the box. The sticker should not obscure the shipping label. There will be "Full Packing" in each shipping carton. If, during the balancing process, a carton contains less than the required number of packs per carton for that game, the omitted pack(s) should be replaced by a cardboard filler. "Full Packing" may vary dependent upon ticket sizes.

Cartons sent by Scientific Games will be consecutively numbered and labeled with a computer-produced label showing game name, game number, shipping carton number, range of pack numbers, omissions (if any) and a barcode showing the beginning and ending game number and pack numbers for the carton. Cartons will contain a color-coded sticker to differentiate games. The color-coded label will not obscure the shipping label. There will be "full packing" of sequentially numbered packs in each shipping carton. If, during the balancing process, a carton contains less than the required number of packs per carton for that game, the omitted pack(s) will be replaced by a cardboard filler when needed to ensure carton stability. We understand that "full packing" may vary dependent upon ticket sizes.

Figure 8-36: Carton Label Printed for the Texas Lottery

Scientific Games monitors the quality of the carton labels to ensure that the type is clearly printed.

A sample carton label is provided in **Figure 8-36**.

8.23.3 Packaging of Cartons

The Successful Proposer shall be required to pack each carton so that the lowest numbered pack of tickets is visible when the carton is opened from the top. The lowest pack number must be in the front left corner and the highest pack number must be in the right back. Packing tape should not obscure the shipping label. Shipping cartons must be numbered starting with 00001. Shipping cartons are to be 275-lb. test.

Scientific Games understands that we will be required to pack each carton so that the lowest numbered pack of tickets is visible when the carton is opened from the top. The lowest pack number will be in the front left corner and the highest pack number will be in the right back. Packing tape will not obscure the shipping label. Shipping cartons will be numbered starting with 00001 and continue consecutively without breaks. Shipping cartons will be 275-lb. test, or of sufficient strength and construction to properly protect contents during transit and warehouse handling.

8.24 Pallets

8.24.1 Pallet Specifications

Currently, for a 4" x 2.4" ticket, the pallet contains 56-60 cartons. Cartons must be packed with the lowest carton number on the top layer of the pallet, highest carton number on the bottom layer of the pallet. The pallet size must be 48" x 40" and provide four-way entry with bottom boards and center brace to allow a forklift to enter 40" sides. Pallets loaded with tickets must be able to be transported, moved and double stacked without damage to pallets or product. The four corners of the pallet must be stabilized by cardboard brackets, or similar means, running the height of the pallet.

Cartons must be tightly stretch-wrapped and secured to the pallet so not to topple in transit. Carton labels must face outward and must be color-coded by game. The label must be placed on narrow side of carton (packs of tickets inside carton will face label). Pallets must contain bar-coded labels indicating game name, game number, pallet number, range of carton numbers and pack numbers on the pallet. The bar codes must show the game number and the beginning and ending pack number for the pallet. Pallet labels must also be color-coded to match the same color as the carton label. Omits must be legibly written on the pallet label when applicable. Labels must be placed on both 40" sides. Other pallet sizes and configurations may vary dependent upon ticket sizes and must be specified in the executed working papers for each game. The use of pallets other than 48" x 40" must be pre-approved by the Texas Lottery.

As a current supplier to the Texas Lottery, Scientific Games understands the method of pallet arrangement required by the Texas Lottery. We have delivered thousands of pallets to Austin every year that meet Lottery's specifications.

Currently, for a 4" x 2.4" ticket, the pallet contains 64 cartons, as approved by the Texas Lottery in the customer profile. Scientific Games stacks the pallets so that cartons with the lowest carton number are on the top layer of the pallet, highest carton number on the bottom layer of the pallet. The pallet size is 48" x 40" with four-way entry, with bottom boards and center brace allowing a forklift to enter the 40" sides.

Pallets meet instant ticket manufacturing industry standards. Pallets loaded with tickets are able to be transported, moved and double stacked without damage to the pallets or the product. The four corners of the pallet are stabilized by cardboard brackets running the height of the pallet. The cartons are tightly stretch-wrapped to the pallets so that they will not topple during transit.

Figure 8-37: Pallet Label Printed for the Texas Lottery

Pallet labels are inspected to make certain that barcodes contain no visible defects. The barcodes contain the Lottery's specified data.

Carton labels face outward and are color-coded by game. The label is placed on the narrow side of the carton (packs of tickets inside carton will face label). Pallets contain barcoded labels indicating game name, game number, pallet number, range of carton numbers and pack numbers on the pallet. The barcodes show the game number and the

beginning and ending pack number for the pallet. Pallet labels are also color-coded by application of a sticker to match the same color as the cartons. Omits are legibly written on the pallet label when applicable. Labels are placed on both 40" sides. We understand other pallet sizes and configurations can vary dependent upon ticket sizes and will be specified in the executed working papers for each game. We understand that the use of pallets other than 48" by 40" must be pre-approved by the Texas Lottery.

8.24.2 Pallet Loading

Pallets of finished tickets must be loaded with the lowest numbered pallet in the "nose" of the trailer and the highest numbered pallet at the rear of the trailer. Texas Lottery Commission-required shipping documentation must be placed on the highest numbered pallet at the rear of each trailer. Shipping documentation must be placed in a sealed envelope and labeled "Texas Lottery Commission Shipment Report" or delivered to the Texas Lottery in an alternate method approved by the Texas Lottery. The format of each report must be pre-approved by the Texas Lottery.

Scientific Games will continue to load pallets of finished tickets with the lowest numbered pallet in the "nose" of the trailer and the highest numbered pallet at the rear of the trailer. Texas Lottery Commission-required shipping documentation will be placed on the highest numbered pallet at the rear of each trailer. The shipping documentation will be placed in a sealed envelope and labeled "Texas Lottery Commission Shipment Report". We understand that the format of each report must be pre-approved by the Texas Lottery.

8.25 Delivery of Tickets to Lottery Warehouse(s)

8.25.1 Shipment Departure Notification

After production when the game is ready to be shipped to the Texas Lottery Commission, the Successful Proposer must e-mail a "Shipment Departure Notification" to the Texas Lottery contacts identified in the executed working papers and/or Customer Specifications Document. The "Shipment Departure Notification" must include, at a minimum, the following: date, Successful Proposer name, shipment date and time, expected delivery date and time, game number and name, transportation carrier, trailer number, all seal numbers per trailer, total pallets per trailer, total number of trailers and total number of pallets. The Successful Proposer must provide a primary and secondary contact with name, title, e-mail address and phone number.

When a game is ready for shipment to the Texas Lottery, Scientific Games will email a "Shipment Departure Notification" to the Lottery contact identified in the executed working papers or Customer Specifications Document. The "Shipment Departure Notification" will include:

- The date and time
- Scientific Games' name and logo
- Shipment date and time
- Expected delivery date and time
- Game number and name
- Transportation carrier
- Trailer number
- Seal Numbers on the trailers
- Total pallets per trailer
- Total number of trailers
- Total number of pallets

Scientific Games will provide the Texas Lottery the name, title, email address and phone number of a primary and secondary contact.

8.25.2 Whole Game Shipment

All ticket shipments must represent the whole game per the executed working papers. Split shipments of game and validation media will not be accepted unless pre-approved by the Texas Lottery. Deliveries of packaged tickets are to be F.O.B. destination to the Texas Lottery Commission scratch ticket distribution warehouse, Austin, Texas, or such other location(s) in Texas as designated by the Texas Lottery Commission. The Successful Proposer must make continuous and uninterrupted delivery of scratch ticket games, without storage. All scratch ticket games must be transported on a sealed and dedicated vehicle, i.e., no other customer's products may be on board. The seal requirements must be approved by the Texas Lottery Commission. The seal must be broken only by an authorized representative of the Texas Lottery; failure to adhere to this requirement may be grounds for rejection of the entire shipment. Upon discovery of any breach of the truck seal, the Successful Proposer must immediately notify by telephone the Texas Lottery Security Manager and the Texas Lottery designated contacts in the Customer Specifications Document. Each game shipment must include retail void samples. Each trailer delivered must have Texas Lottery Commission shipping documentation on the last pallet loaded on the trailer. The shipping documentation shall consist of two (2) reports: 1) Texas Lottery Commission Shipment Summary Report and 2) Texas Lottery Commission Shipment Detail Report. The Texas Lottery Commission Shipment Summary Report shall include game number and name, date shipped, number of tickets per pack, number of packs per carton, number of tickets per carton, number of pallets per trailer, number of cartons per pallet. The Texas Lottery Commission Shipment Detail Report shall include game number and name, date shipped, pallet number, starting carton number per pallet, ending carton number per pallet, number of packs on pallet, starting pack number per pallet, ending pack number per pallet and total tickets per pallet. At the end of the Texas Lottery Commission Shipment Detail Report, the Successful Proposer must include the total number of packs and the total number of tickets in the shipment.

Scientific Games will ship the whole game per the executed working papers. No game or validation media will be split. Scientific Games will ship the game F.O.B. to the Texas Lottery Commission scratch ticket distribution warehouse in Austin, Texas or such other location(s) in Texas as designated by the Texas Lottery Commission. In addition, Scientific Games will make continuous and uninterrupted delivery of scratch ticket games, without storage. All scratch ticket games will be transported on a sealed and dedicated vehicle, i.e., no other customer's products will be on board. We will continue to use seals that have been approved by the Texas Lottery Commission. We understand the seal must be broken only by an authorized representative of the Texas Lottery Commission and a seal broken for any other reason may be sufficient cause for rejection of the entire shipment. Upon discovery of any breach of the truck seal, Scientific Games will immediately notify the Texas Lottery Security Manager and the Texas Lottery designated contacts in the Customer Specifications document by telephone. Each game shipment will include the retail void samples.

Each trailer will contain the Texas Lottery Commission shipping documentation on the last pallet loaded on the trailer. The shipping documentation will consist of two reports:

1. The Texas Lottery Commission Shipment Summary Report which includes:
    - Game number and name
    - Date shipped
    - Number of tickets per pack
    - Number of packs per carton
    - Number of tickets per carton
    - Number of pallets per trailer
    - Number of cartons per pallet

2. The Texas Lottery Commission Shipment Detail Report which includes:
   - Game number and name
   - Date shipped
   - Pallet number
   - Starting carton number per pallet
   - Ending carton number per pallet
   - Number of packs on pallet
   - Starting pack number per pallet
   - Ending pack number per pallet
   - Total tickets per pallet
   - Total number of packs in the shipment
   - Total number of tickets in the shipment

8.25.3 Delay Notification

The Successful Proposer must immediately notify, by e-mail and telephone, the Scratch Ticket Strategy Coordinator, the Scratch Ticket Production Coordinator and the Products Manager of the Texas Lottery of any changes to scheduled delivery dates of scratch ticket games. All changes in scheduled delivery dates must be in writing and pre-approved by the Texas Lottery.

Scientific Games will immediately notify by email and telephone the Scratch Product Coordinator and the Products Manager of the Texas Lottery of any changes to scheduled delivery dates of scratch ticket games. We understand that all changes in scheduled delivery dates must be in writing and pre-approved by the Texas Lottery.

8.26 Scratch Ticket Testing

The Texas Lottery contracts with an independent laboratory to test all scratch ticket games for compliance with quality, security and durability standards set by the Texas Lottery. In the event a scratch ticket game fails testing or is not accepted by the Texas Lottery, all testing costs for any new production run of the same game will be at the Successful Proposer's expense, and the Successful Proposer shall reimburse the Texas Lottery for all test expenses.

Scientific Games understands the Texas Lottery will arrange for an independent laboratory to test all scratch ticket games for compliance with quality, security and durability standards set by the Texas Lottery. In the event a scratch ticket game fails testing and is not accepted by the Texas Lottery, all testing costs for any new production run of the same game will be at Scientific Games' expense and we will reimburse the Texas Lottery for all test expenses. Scientific Games has read the test descriptions below and understands that tests including but not limited to the following may be performed on each game and form the basis of acceptance of the finished product.

8.27 Testing Protocols

Scratch tickets are subjected to an array of tests to ensure their security, integrity, and "playability." Tickets are tested for consistency from ticket to ticket and from pack to pack within each game. The Texas Lottery tests all games and reserves the right to require additional tests on any scratch ticket game. The Texas Lottery conducts a series of tests that fall into the categories detailed below.

The Texas Lottery will regularly review the tests and at any time may consider the addition or elimination of one (1) or more tests based on necessity, and/or benefits or effectiveness of substituted methods. Subsequent tests may be developed based upon newly acquired industry information or advancements in ticket technology.

Scratch tickets may be subject to additional tests after initial release as deemed necessary by the Texas Lottery.

Upon Contract Award the Texas Lottery will provide to the Successful Proposer a copy of the scratch ticket testing procedures.

Scientific Games acknowledges that scratch tickets are subjected to an array of tests to ensure their security, integrity, and "playability." We understand that tickets are tested for consistency from ticket to ticket and from pack to pack within each game, that the Texas Lottery tests all games and reserves the right to require additional tests on any scratch ticket game, and that the Texas Lottery conducts a series of tests that fall into the categories detailed below.

Scientific Games understands that the Texas Lottery will regularly review the tests and at any time may consider the addition or elimination of one or more tests based on necessity, and/or benefits or effectiveness of substituted methods. We acknowledge that subsequent tests may be developed based upon newly acquired industry information or advancements in ticket technology.

We also understand that scratch tickets may be subject to additional tests after initial release as deemed necessary by the Texas Lottery and that, upon Contract Award, the Texas Lottery will provide to Scientific Games a copy of the scratch ticket testing procedures.

8.27.1 Guidelines for Scratch Ticket Testing

Tickets are tested to determine if they meet the following criteria:

Durability Criteria. Tickets are expected to withstand temperature variations; accidental washing; and exposure to heating appliances commonly found in convenience stores and homes (e.g., microwaves, heat lamps, hot dog cookers, etc.) and still be readily saleable. Proposers shall provide detailed criteria to assess the ticket's ability to withstand likely environmental conditions. Items to consider include, but are not limited to, ink density, scratch ticket coating and scratch ticket paper stock.

Security Criteria (Security Risk). The Texas Lottery strives to limit compromises of the game data by those attempting to pre-determine if tickets are winning tickets. All reasonable measures are taken to ensure the highest quality and most secure ticket is offered for Texas Lottery players. Therefore, tickets must be evaluated to determine what security risk they have. Proposers shall provide detailed criteria to assess attempts at exposing game data which leaves little or no apparent evidence of tampering, but still leaves the ticket in a saleable condition. Criteria to consider should include the amount of time it takes to compromise the ticket data, whether the supplies used are readily available, and the simplicity or complexity of the technique.

Alterability Criteria. Tickets will be evaluated to determine if they are sufficiently secure to withstand attempts to change a non-winning ticket into a redeemable winning ticket and/or increase the prize amount on a winning ticket. Common alteration methods include cut and paste, ink alterations, reproduction and game data removal. The information gathered from the evaluations will be used to improve future game designs.

Scientific Games acknowledges that tickets are tested to determine if they meet the following criteria:

- **Durability** – Tickets are expected to withstand temperature variations; accidental washing; and exposure to heating appliances commonly found in convenience stores and homes (e.g., microwaves, heat lamps, hot dog cookers, etc.) and still be readily saleable. Instant tickets

TPIA §552.110/552.1101

produced for the Texas Lottery will withstand all environmental extremes encountered in a warehouse and/or retail location and remain functional and saleable. These extremes can include heat, cold, UV radiation, and atmospheric humidity. Instant tickets produced will also be durable enough to be validated after being subjected to a simulated washing cycle.

- **Security** – The Texas Lottery strives to limit compromises of the game data by those attempting to pre-determine if tickets are winning tickets. We take all reasonable measures to ensure the highest quality and most secure ticket is offered for Texas Lottery players. Therefore, we evaluate tickets to determine what security risk they have. In this section we detail our criteria to assess attempts at exposing game data which leaves little or no apparent evidence of tampering, but still leaves the ticket in a saleable condition. Criteria to consider should include the amount of time it takes to compromise the ticket data, whether the supplies used are readily available, and the simplicity or complexity of the technique.
- **Alterability** – Tickets will be evaluated to determine if they are sufficiently secure to withstand attempts to change a non-winning ticket into a redeemable winning ticket and/or increase the prize amount on a winning ticket. Common alteration methods include cut and paste, ink alterations, reproduction and game data removal. The information gathered from the evaluations will be used to improve future game designs.

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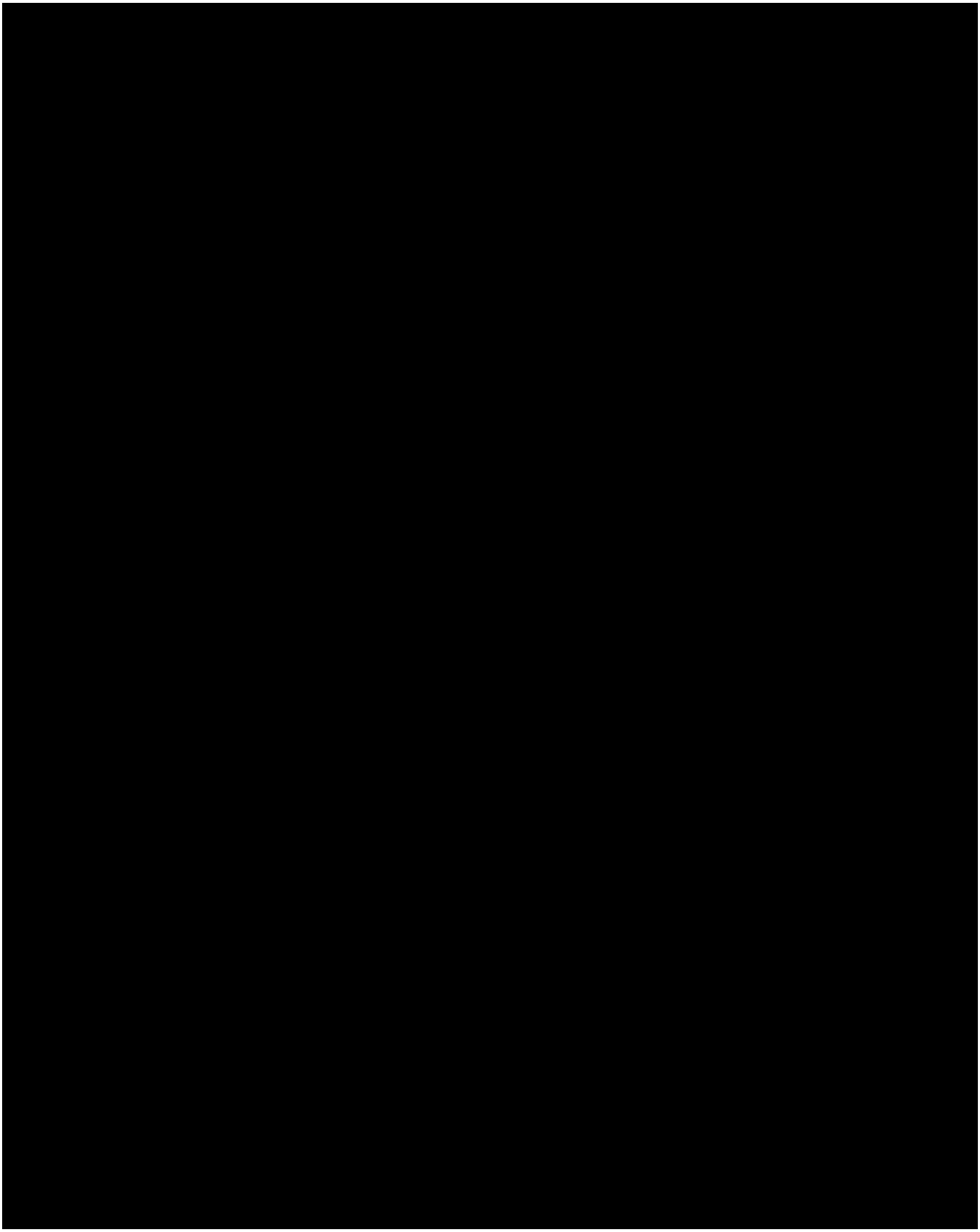
TPIA §552.110/552.1101



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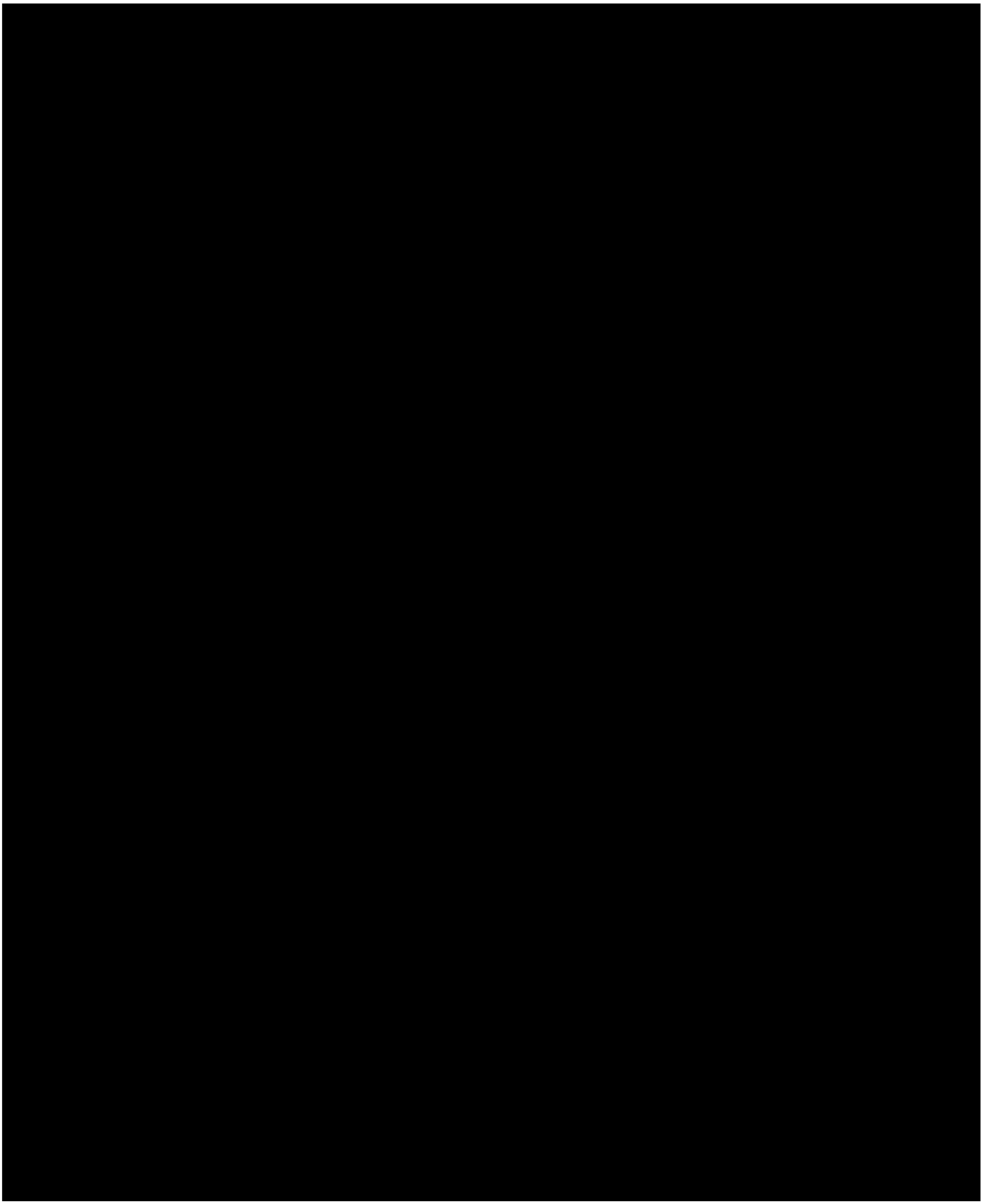

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8.27.2 Current Tests

A summary of the current tests is identified below:

Scratch Ticket Coating Removal Test: Purpose is to determine the amount of force needed to remove the scratch ticket coating.

Environmental Exposure Tests: Purpose is to determine the durability of the tickets and their susceptibility to compromise following exposures to intense light, heat, humidity, water, and/or steam.

Washing Test: Purpose is to determine the durability of tickets when exposed to conditions that would simulate "accidental" machine washing.

Bar Code Measurements and Evaluations: Purpose is to ensure the quality of all bar codes is sufficiently compatible with the electronic equipment that reads the bar code and is not susceptible to compromise. (TLC will provide the Successful Proposer with equipment currently used by Retailers.)

Micro-scratching: Purpose is to determine if a ticket's play design, overprint layers and protective coatings are capable of preventing determination of winning status by micro- scratching the ticket.

Chemical Exposure Tests: Purpose is to determine susceptibility to compromise with commonly available chemicals and chemical fumes. The testing should include delamination of the tickets and use of various light sources following exposure.

Electrostatic/Magnetic Test: Purpose is to determine the potential for compromise of game data after electrical charging or exposures to magnetic sources.

TPIA §552.110/552.1101

Mechanical Lift Tests: Purpose is to determine the scratch ticket coating's susceptibility to compromise by lifting and replacing it onto the ticket using tools, sprays or other items.

Ultraviolet Examination: Purpose is to evaluate the ultraviolet security features that may or may not be present on the ticket.

Light Source Examinations: Purpose is to assure that the scratch ticket coating provides sufficient protection to prevent decoding game data using the naked eye, an instrument using magnification, and/or various light sources. The testing should include delamination of the ticket.

Alterations: Purpose is to determine if a ticket's play design is capable of preventing or exposing alteration attempts such as cut and paste, hand alterations, color copy reproduction and computer counterfeiting.

Scientific Games has reviewed the summary of current tests and responded to each in **Figure 8-40**.

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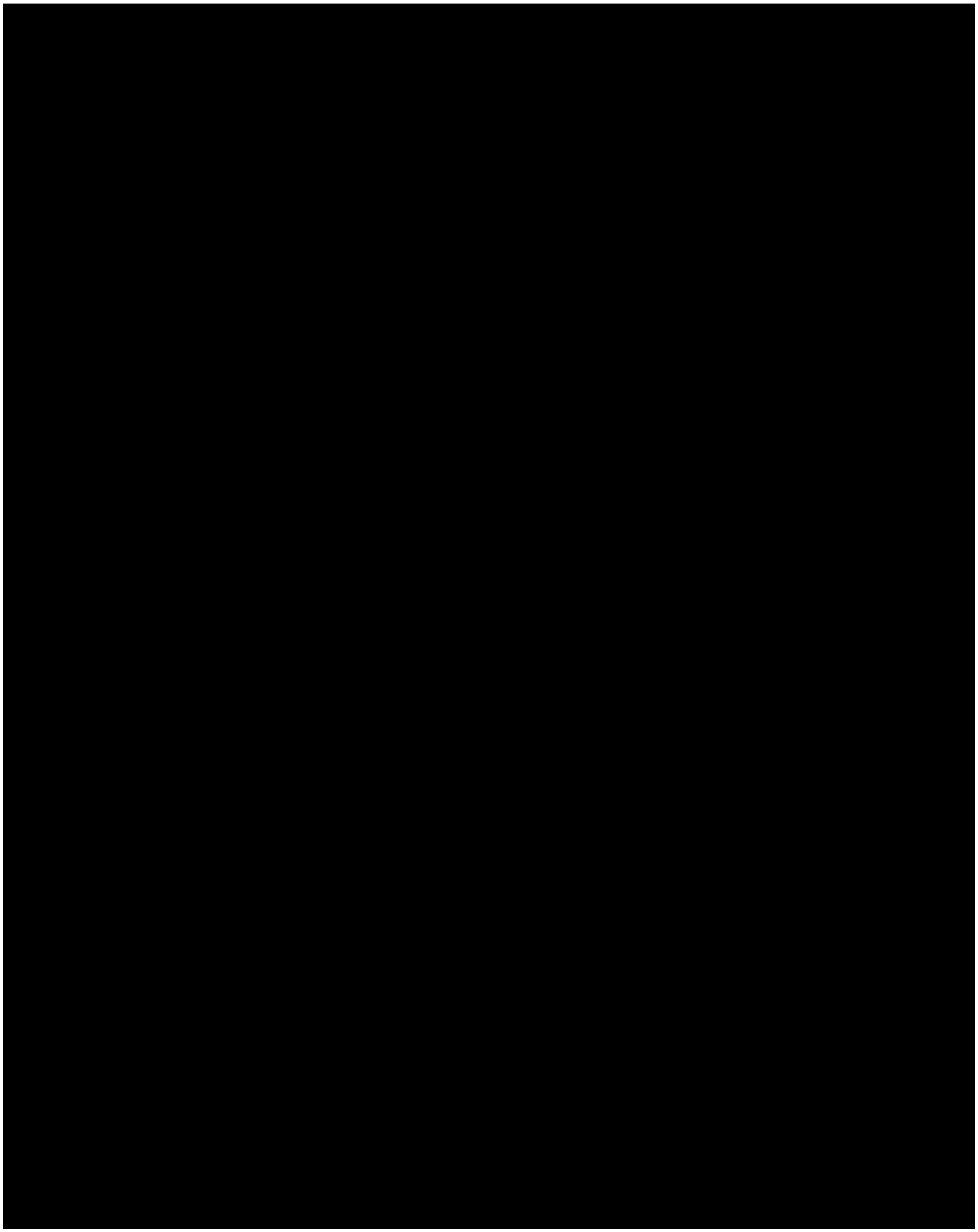
TPIA §552.110/552.1101



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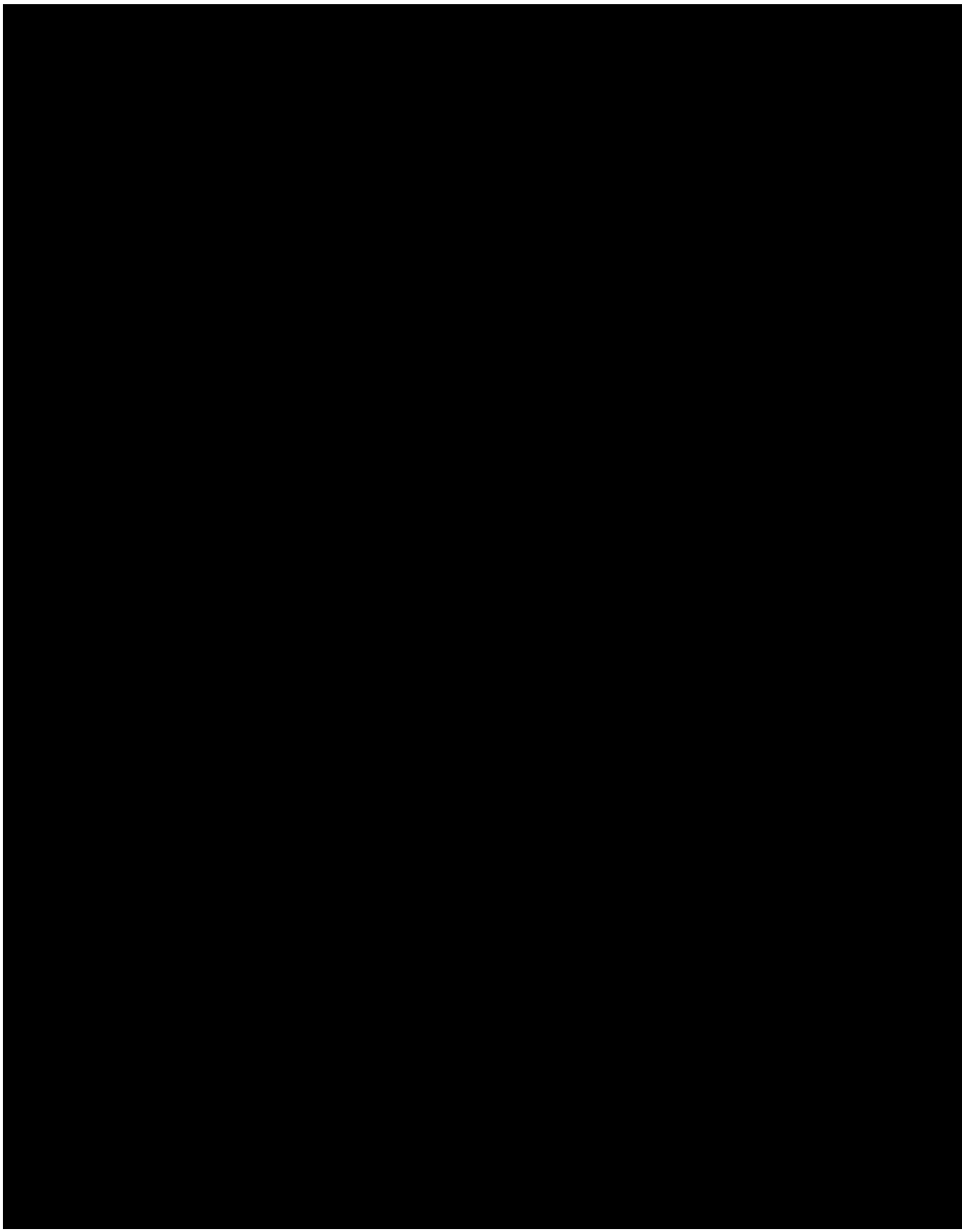

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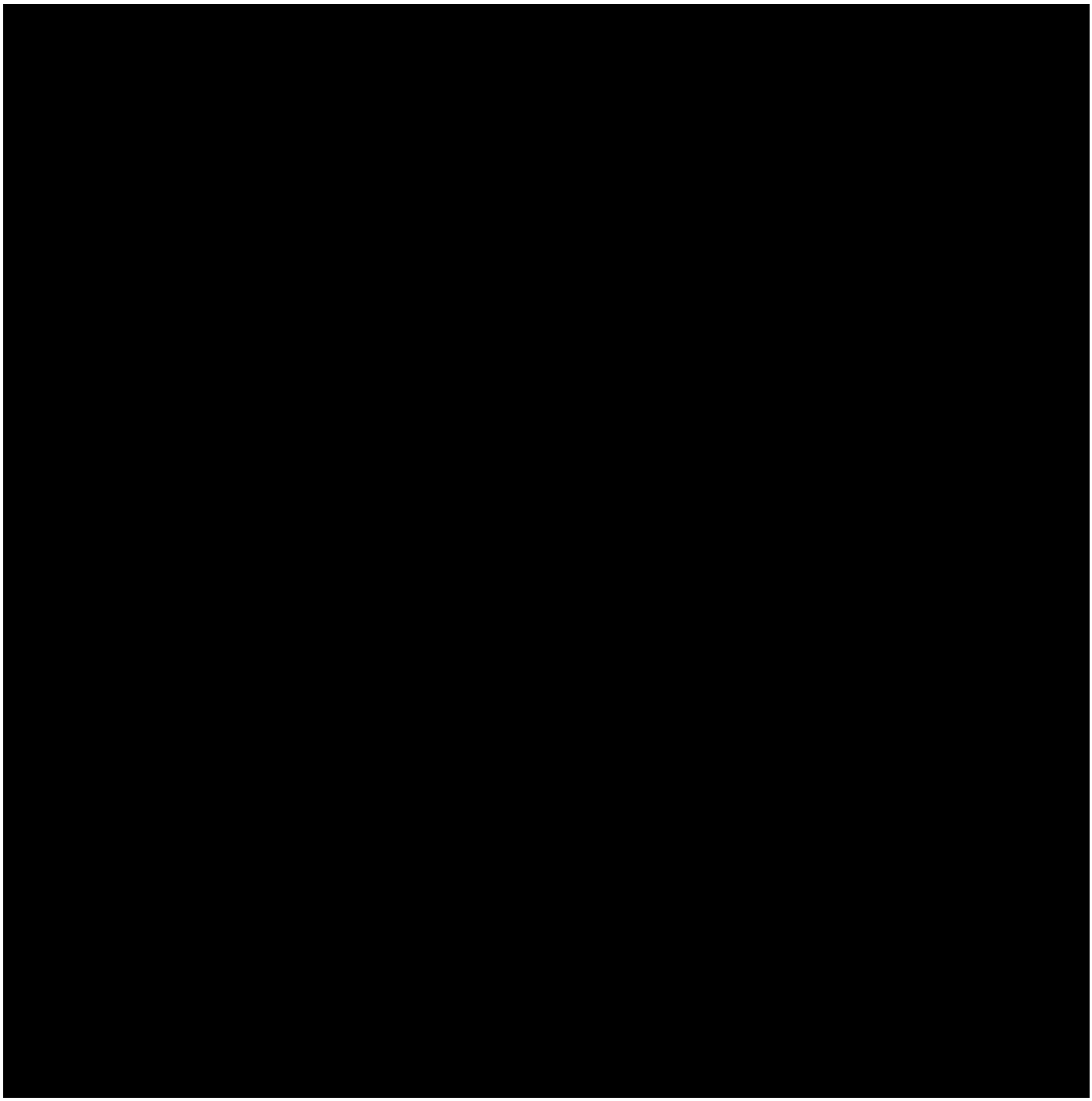

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8.28 Non-Conforming Tickets

8.28.1 Result of Test or Inspection

If the result of any test or inspection establishes that any ticket(s), pack(s) or the entire game fails to meet the requirements specified in this RFP, the ticket(s), pack(s) or the entire game may be deemed non-conforming by the Texas Lottery and, in accordance with Section 3.54.25, the Texas Lottery may withhold any amounts due to the Successful Proposer under the Contract.

We acknowledge that if the result of any test or inspection establishes that any tickets, packs or the entire game fails to meet the requirements specified in this RFP, the tickets, packs or the entire game may be deemed non-conforming by the Texas Lottery. We understand that if deemed non-conforming, in accordance with Section 3.54.25, the Texas Lottery may withhold any amounts due to the successful proposer under the Contract.

8.28.2 Non-Conforming Packs

If the Successful Proposer makes the recommendation to pull selected packs of nonconforming tickets and the Texas Lottery agrees, the Texas Lottery may assess sanctions for these packs, pursuant to section 3.54.25 of this RFP.

Should Scientific Games make the recommendation to pull selected packs of non-conforming tickets, we understand that the Texas Lottery may assess sanctions for these packs, pursuant to Section 3.54.25 of this RFP.

8.29 Computer System Compatibility

The Successful Proposer must maintain compatibility with the Texas Lottery's and the Texas Lottery Operations and Services vendor's computer systems. Detailed programming specifications, including but not limited to production and validation, will be developed in joint meetings between the Successful Proposer and the Texas Lottery. Programming specifications will be approved by the Texas Lottery before any systems work or programming begins.

Scientific Games will maintain compatibility with the Texas Lottery's and Lottery Operator's computer systems. We understand that detailed programming specifications, including but not limited to production and validation, will be developed in joint meetings between Scientific Games and the Texas Lottery and that programming specifications will be approved by the Texas Lottery before any systems work or programming begins.

8.30 High-Tier Winner Validation Media

Tickets must be manufactured in such a manner that there is no record of any kind, in the validation media, that connects the location of high tier winning tickets in the game with the exposed pack number on the ticket.

Scientific Games agrees that tickets will be manufactured in such a manner that there is no record of any kind, in the validation media, that connects the location of high-tier winning tickets in the game with the exposed pack number on the ticket.

Tickets and data files are produced securely and there is no record of any kind that relates the validation files to the location of any winning ticket.

8.31 Electronic Data Transfer Process

8.31.1 Transfer of Validation Files

The validation files must be transferred using an electronic data transfer process as defined by the Texas Lottery. The Successful Proposer will be provided with the procedures for this electronic data transfer process.

For every instant game we produce, Scientific Games provides the Lottery an encrypted validation file for the game. This encrypted file allows the Lottery to securely and accurately validate all winners in the game. The encrypted validation file contains each winning ticket's validation number and the tier value for the ticket. Scientific Games has two methods for delivering the winner's files and reports to the Lottery:

- Secure FTP
- Secure Email

Electronic data transfer of validation files involves simple, concise steps. All files and reports are created using normal procedures, and all regular audits and checks are performed. However, instead of burning the file to a CD, the files are pulled from the secure server and are transferred in seconds to the Texas Lottery. Our corporate, secure electronic transfer systems use public key encryption and digital certificates to verify receipt of the digital files. We continue to take every precaution to ensure that the validation files are delivered securely to our customers and only to our customers. The benefits of electronic transfer of winner's files:

- Scientific Game developed secure electronic file transfer around the needs of our lottery customers.
- We use state-of-the-art encryption software for the very latest in data security.
- We can send files via secure FTP.
- Ninety-five percent of our customers use electronic file transfer.
- Problems can be quickly resolved.
- Replaces third-party courier transfer with a faster and more secure electronic transfer system.

8.31.2 Original Validation on CDs

If the electronic data transfer process cannot be completed, the Texas Lottery may request the Successful Proposer provide original validation CD(s) in a sealed container meeting all the requirements in this RFP. The numbers of all single use seals applied must be recorded. The seal information must be sent via encrypted email to the Texas Lottery Operations Security Manager. The seal number must be verified by telephone and encrypted e-mail. All CD's must be delivered as soon as possible by approved courier. If a CD is requested, all validation media (mid/high and low-tier), inventory and balancing reports must be provided on CD or in a format prescribed by the Texas Lottery.

We understand that if the electronic data transfer process cannot be completed, the Texas Lottery may request an original validation CD(s) in a sealed container meeting all the requirements in this RFP.

We agree that the numbers of all single use seals applied will be recorded and that the seal information will be sent via encrypted email to the Texas Lottery Operations Security Manager. We

acknowledge that the seal number will be verified by telephone and encrypted e-mail, that all CD's will be delivered as soon as possible by approved courier, and that if a CD is requested, all validation media (mid/high and low-tier), inventory and balancing reports will be provided on CD or in a format prescribed by the Texas Lottery.

8.32 Back-Up Capabilities

The Successful Proposer must have internal and external backup capability that exists for all phases of ticket manufacturing which must ensure delivery of game tickets by the dates specified in the executed working papers.

With Scientific Games there is no need to worry about a single press failure shutting down all instant ticket production. Having multiple presses within our Alpharetta facility allows us to act as our own internal back-up facility. Scientific Games has both internal and external back-up capability that exists for all phases of ticket production and thus ensures delivery of the Texas Lottery's game tickets by the dates specified in the executed working papers. In addition to having multiple presses within our Alpharetta facility, Scientific Games offers a fully staffed and operationally complete back-up facility with regional diversity. Our printing facility in Montreal, Quebec, Canada will serve as a secondary site to provide back-up support and specialty finishing products. The Montreal facility has a fully functional instant ticket design, printing, and finishing capacity that could step in to supplement the Alpharetta facility in an emergency.

In addition to back-up production staff, our Montreal facility allows our Alpharetta facility to have back-up technical and support staff in an emergency situation. Coupled with internal duplication of process/personnel in the Alpharetta facility, off-site data back-ups, equipment, and material suppliers ready to assist, Scientific Games has prepared for any operational contingencies in order to protect our customers and ensure their product supply. Our Montreal facility specializes in a variety of innovative lottery products such as Pop N' Pak, Skyline and pouched games, available to the Texas Lottery should they choose to add these to the product portfolio as an addition to the base price.

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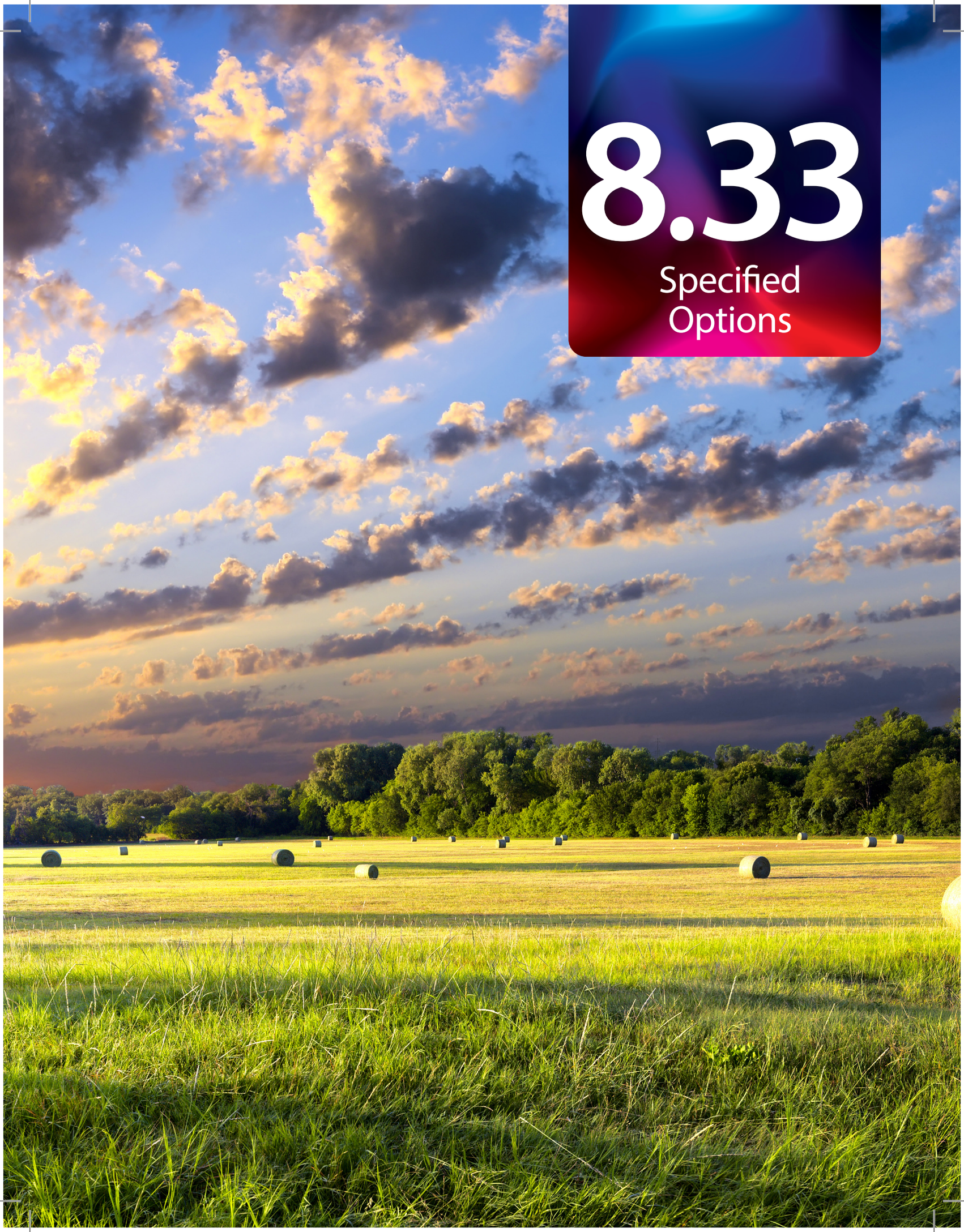
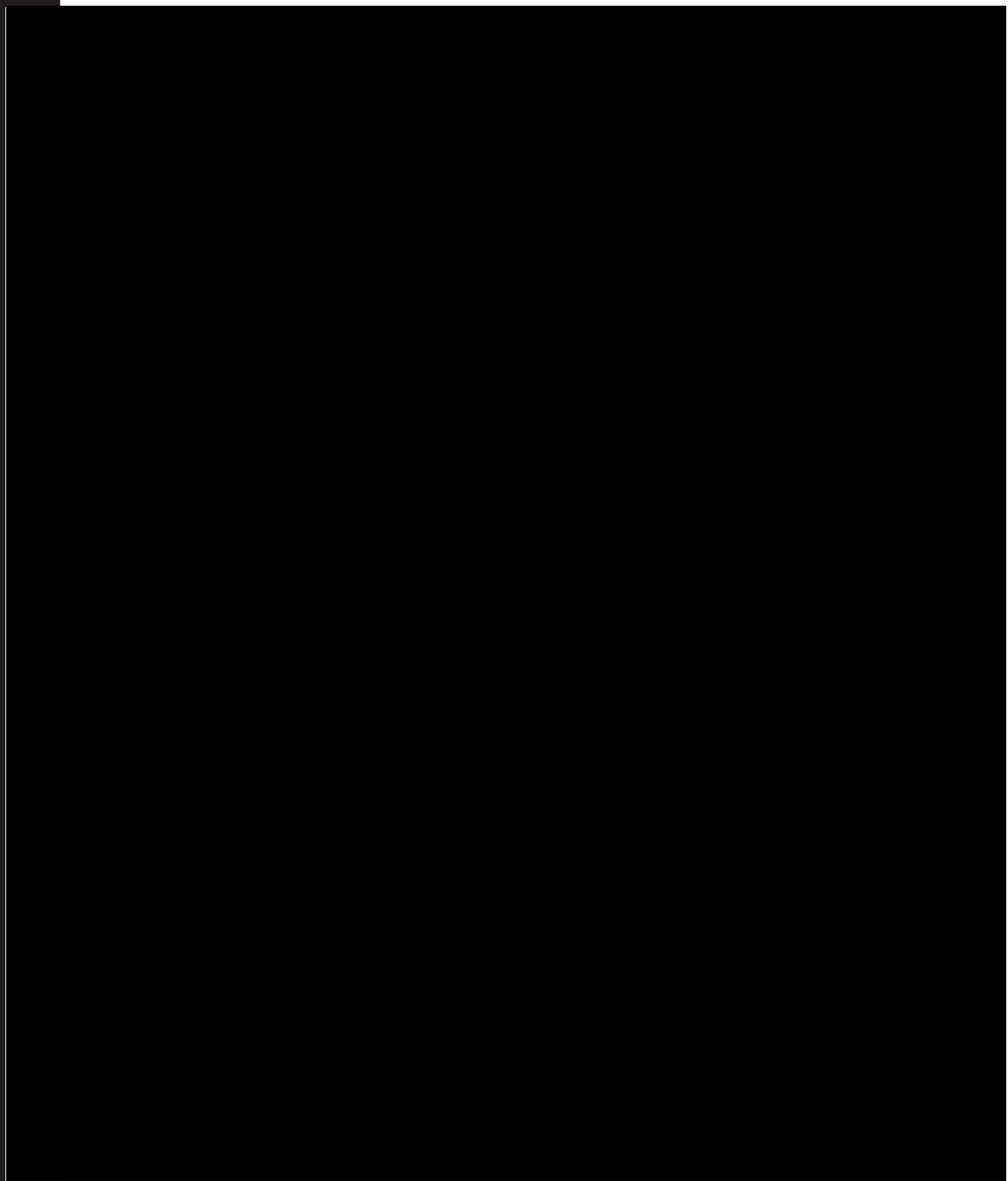
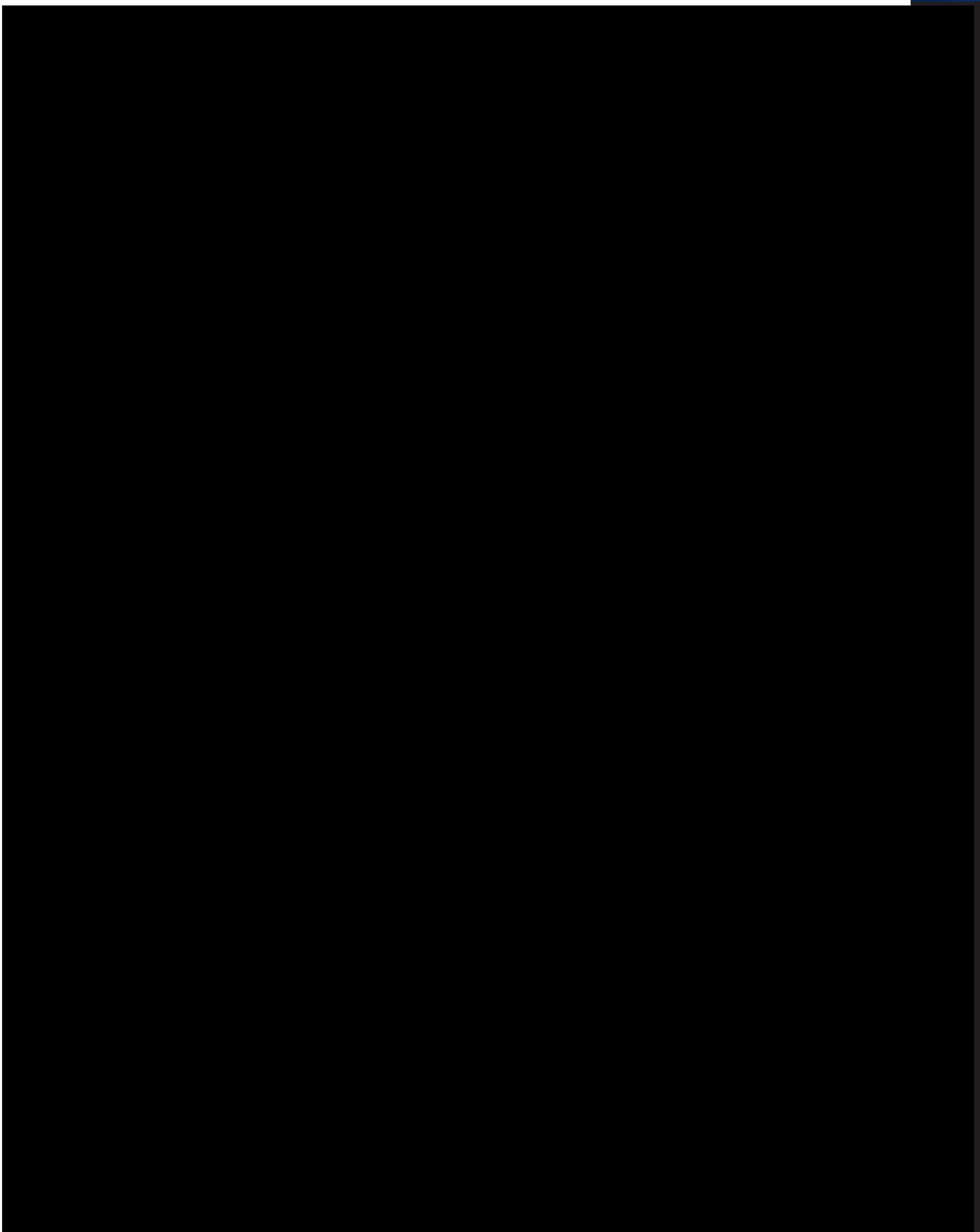

8.33
Specified
Options





SCIENTIFIC GAMES

8.33 Specified Options

A Specified Option must be proposed by the Proposer; however, the Texas Lottery does not commit to any quantity or timing for acquisition of a Specified Option. A Proposal may be rejected if a Specified Option is not included.

In the following section, Scientific Games proposes its specified options. We understand that the Texas Lottery does not commit to any quantity or timing for acquisition of a specified option and that a proposal may be rejected if a specified option is not included.

8.33.1 Ticket Manufacturing Options

As a specified option, the Successful Proposer must be able to provide the following ticket manufacturing options:

1) *Reduction for colors less than ten (10)*
2) *Fluorescent inks (other than required fluorescent benday)*
3) *Metallic inks*
4) *Dual color game data imaging - Proposer must specify colors available.*
5) *Multiple scenes or continuous scene game*
6) *Color pulsing/color changes within a press run*
7) *Full ultraviolet coating*
8) *Marking process other than full opaque scratch ticket coating*
9) *Cylinder or plate changes before and during production*
10) *Multiple games across the web*
11) *Hourly rate for programming test games for software changes*
12) *Holographic Paper Stock*
13) *Foil Paper Stock*
14) *Hole Drilling*
15) *Additional Pack Inserts*
16) *Special Stock Pack Inserts*

Scientific Games can provide the ticket manufacturing options as outlined in this section.

1. Reduction for Colors Less than 10

We provide a reduced rate for this option in our separate **Cost Proposal**.

2. Fluorescent Inks

Bold fluorescent inks grab players' attention and stand out at the crowded retail counter. Unsurprisingly, fluorescent inks continue to be the number one specialty ink used on lottery instant games for the past six years, representing over 40% of games printed worldwide featuring a specialty ink. The Lottery can use these inks on the display and overprint areas of the ticket, and they come in a variety of colors. Fluorescent ink is a separately priced **Specified Option**, in addition to the base price.

$10
THE LOTTERY
OVER 4,600,000
CASH PRIZES
$500
FRENZY
TOP PRIZE $500!
WIN UP TO 15 TIMES
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win prize shown for that number. Get a "5X", "10X", "20X" or "50X" symbol and win 5, 10, 20 or 50 TIMES the prize respectively. $500 automatically. Reveal a " FRENZY " symbo
WINNING NUMBERS
YOUR NUMBERS
LOADED WITH
$500 PRIZES

$2
LOTTERY TENNESSEE
Lady Luck
Doubler
Reveal a " Luck " symbol, win PRIZE shown for that symbol. Reveal a " " symbol, win DOUBLE that PRIZE. Reveal a " " symbol, win $20!
WIN UP TO $20,000!
000
Visit tnlottery.com to "Play It Again!" plus earn VIP Rewards points!

3. Metallic Inks

Metallic inks can elevate the perceived value of a game, adding a luxurious element and enhancing the overall aesthetic quality. We provide metallic ink options that the Lottery can use in the display and overprint areas of the game. Standard metallic inks have been available for many years. Scientific Games also offers premium metallic inks for additional impact and value.

Scientific Games introduced premium metallic inks to the market with immediate and lasting success. They have become very popular since they offer 50% more shine than standard metallic inks. Many lotteries choose premium metallic inks for higher price point games to add richness and elegance. Premium metallic ink as a replacement color is a separately priced **Specified Option**, in addition to the base price.

Enter 2nd Chance Draw at calottery.com/2ndChance or Mobile App
$20
calottery
$5 MILLION*
ROARING 2022
* Top Prize paid over 25 years. See back for details.
WINNING NUMBERS
YOUR NUMBERS
29 CHANCES TO WIN!
Match any of "YOUR NUMBERS" to any of the e
win that prize. Uncover a " 10X , 20X or
automatically multiply and win that cor
Uncover a " WIN " symbol, WIN ALL 25 PRIZ
$100 BONUS
$250 BONUS
$50 BON
Uncover a " 2022 " symbol in any "BONUS" spot,
$5
LOTTERY TENNESSEE
$200,000 Cool Cash
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown for that number.
Get a " " symbol, win that PRIZE. Get a " 10X " symbol, win 10 TIMES that PRIZE.
WINNING NUMBERS
YOUR NUMBERS
WIN UP TO $200,000!
000
Visit tnlottery.com to "Play It Again!" plus earn VIP Rewards points!

4. Dual Color Game Data Imaging

We first applied two-color imaging on the Instant Solitaire game for the Delaware State Lottery in 1992. Imaging the heart and diamond suit cards in red and the club and spade suit cards in black brought players one step closer to the real action of the popular card game. Since that first game, many games have used multiple imaging ink colors to enhance gameplay through features such as multipliers and instant wins or to emulate a more realistic play action for themes like card games. Available colors include green, red, blue, purple and gold. Two-color imaging is a separately priced **Specified Option**, in addition to the base price.

5. Multiple Scenes or Continuous Scene Game

Multiple Scenes

Over the years, we have produced numerous scene games for lottery customers to encourage repeat purchases and add interest for players. Standard scene games include multiple sequential tickets printed with varying artwork from ticket to ticket (limited only by the number of tickets on the print cylinder repeat), but with the same playstyle throughout. Scenes can change from ticket to ticket within a single pack. Multiple scenes are a separately priced **Specified Option**, in addition to the base price.

Synchronized Scene Games

Synchronized scene games consist of multiple sequential tickets printed with different artwork and different playstyles from ticket to ticket within a pack. This type of game requires more comprehensive programming capabilities to ensure correct synchronization between a ticket's art and its secure data. Synchronized scenes are a separately priced **Specified Option**, in addition to the base price.

Continuous Scene Games

Scientific Games' innovative continuous scene games feature artwork that flows seamlessly from one ticket to another. Developing these designs requires a high degree of artistic skill to work out the creative and technical elements that create a strong, uninterrupted design. The beginning of the design usually dictates the first ticket in a strip or pack. Continuous scenes are a separately priced **Specified Option**, in addition to the base price.

6. Color Pulsing/Color Changes Within a Press Run

Color pulsing requires ink color changes on press. This method allows us to use the same set of plates or cylinders for each pulse. We limit these ink changes to spot colors, and they can occur in the display and overprint areas. Scientific Games can produce games in which we change ink color elements at select points during ticket production. This option is perfect for extending the shelf life of extended play games. Color pulse is a separately priced **Specified Option**, in addition to the base price.

7. Full Ultraviolet Coating

The Lottery can use full gloss coating over the entire display area of a game for a sleek, high-end look. Scientific Games can print full gloss coating on display areas if specified by the Lottery. Full gloss coating is a separately priced **Specified Option**, in addition to the base price.

8. Marking Process Other Than Full Opaque Scratch Ticket Coating

Having originated extended play games in the 1990s, Scientific Games now expertly develops and prints hundreds of games each year using a marking system. The right marking system can make extended play games like crossword and bingo come alive, building intrigue and anticipation with each scratch. As we continue to develop our portfolio of extended play games, we need an extensive range of marking systems to accommodate and even enhance our various play actions. Here, we present our three marking systems:

- ClearMark®
- Graphic ClearMark®
- SureMark™

All marking systems are separately priced **Specified Options**, in addition to the base price.

Scientific Games' Marking Systems

Graphic ClearMark
Exclusive to Scientific Games, enables multi-color play area graphics to be printed in the play area

SureMark
Uses a hidden-layer printing process that can be used on traditional games or add excitement to new extended play games

ClearMark
Premium marking system, provides clean, easy-to-scratch marking system

ClearMark®

Lottery players have told us that the most important attribute of a marking system is the ability to clearly and easily see what spots they have already scratched. Scientific Games' ClearMark, our premium marking system, does this and more. In addition to providing a clean, easy-to-read marking system, the ClearMark play area can include an additional color on top of it to enhance the graphics or extend the game theme.

$10
THE LOTTERY
$2,000,000
50X
Cashword
YOUR LETTERS
WIN UP TO $2,000,000!
TKT# 000
PRIZE KEY FOR BOTH PUZZLES EACH PLAYED SEPARATELY
2 Words $10
3 Words $15
4 Words $20
5 Words $50
6 Words $100
7 Words $200
8 Words $500
9 Words $1,000
10 Words $10,000
11 Words $1,000,000
PRIZE MULTIPLIER: Multiply your prize TOTAL(S) by the MULTIPLIER!
WIN 1X, 2X, 5X, 10X, 20X or 50X your prize TOTAL(S)!
SEE BACK FOR PLAY INSTRUCTIONS.
SCRATCH 2 CASH

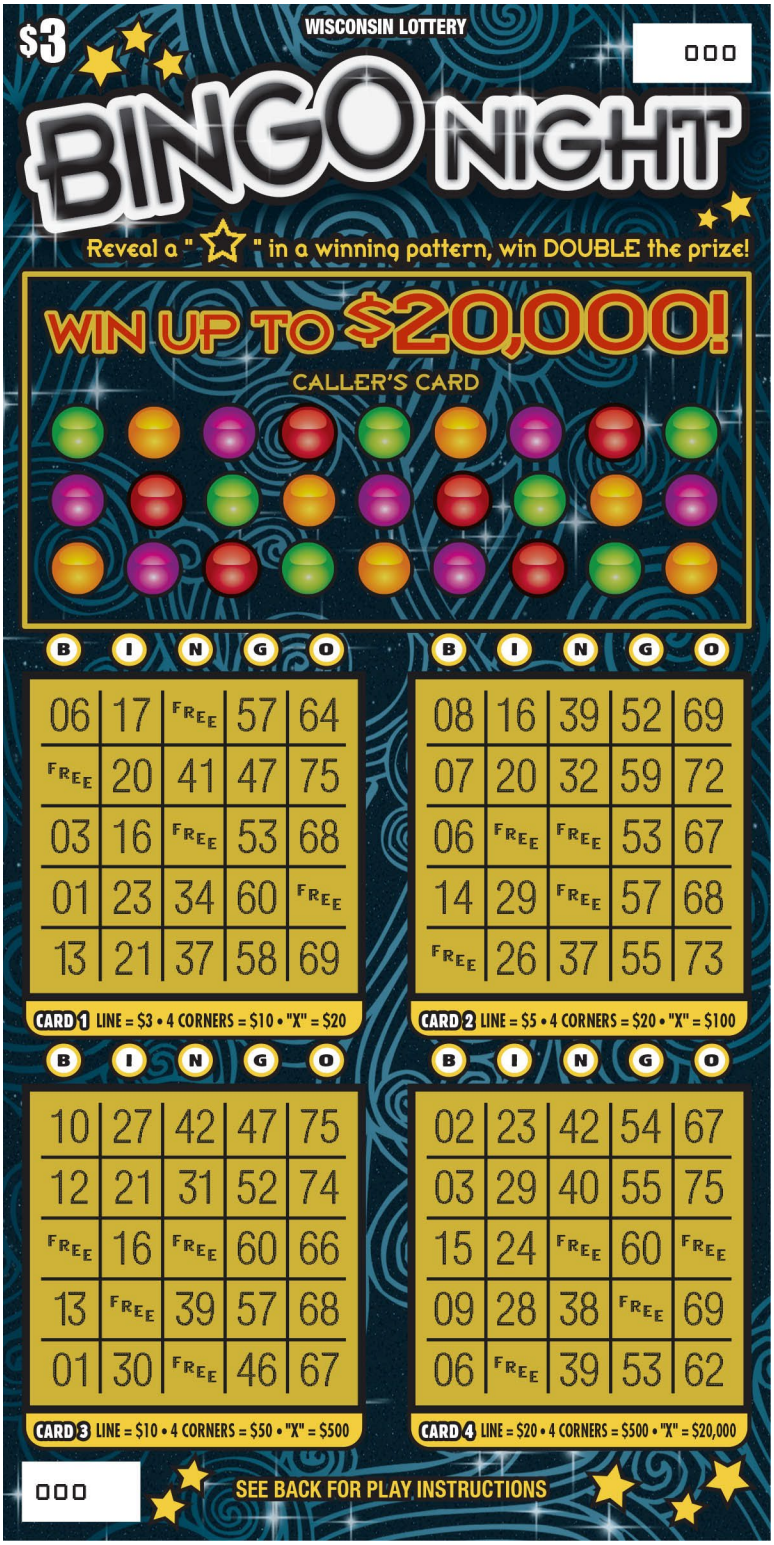
Graphic ClearMark®

Exclusive to Scientific Games, this enhancement to the ClearMark system integrates additional colors or graphics into play areas. This gives our customers the ability to expand the graphic appeal of the display art into the play area and enhance the game's play action. Before Graphic ClearMark, extended play games offered an extremely limited area for graphic creativity since the play area used most of the ticket face. Graphic ClearMark removes the one-color-per-play-area limitation and enables us to use imagery and print multicolored play areas to enhance the look and appeal of extended play games. We give special attention to keeping the image data clearly visible in these graphics.

$3
WASHINGTON'S LOTTERY
Flower Power CROSSWORD
DOUBLES PRIZE!
OVER $4.7 MILLION IN CASH PRIZES!
SEE TICKET BACK FOR PLAY INSTRUCTIONS.
PRIZE KEY
3 WORDS $3
4 WORDS $5
5 WORDS $15
6 WORDS $30
7 WORDS $75
8 WORDS $250
9 WORDS $1,000
10 WORDS $30,000
Scratch the BONUS LETTER spots to reveal 2 EXTRA LETTERS!
BONUS LETTER
BONUS LETTER
YOUR LETTERS
WIN UP TO $30,000!
000

SureMark™

Our SureMark system uses a hidden-layer printing process that adds fun and excitement to extended play games. First, we start with a layer of imaged symbols, cover them with opaque scratch-off layers and then print a second layer of imaged symbols on top. The background color of each layer is different in order to determine which symbols have been played. The two sets of symbols can be identical or intentionally different, depending on the game's play action. This process, also known as dual-pass imaging, works extremely well for bingo and crossword games, as well as Slingo®.


$3
WISCONSIN LOTTERY
000
BINGO NIGHT
Reveal a " ☆ " in a winning pattern, win DOUBLE the prize!
WIN UP TO $20,000!
CALLER'S CARD
B I N G O
06 17 FREE 57 64
FREE 20 41 47 75
03 16 FREE 53 68
01 23 34 60 FREE
13 21 37 58 69
CARD 1 LINE = $3 • 4 CORNERS = $10 • "X" = $20
B I N G O
08 16 39 52 69
07 20 32 59 72
06 FREE FREE 53 67
14 29 FREE 57 68
FREE 26 37 55 73
CARD 2 LINE = $5 • 4 CORNERS = $20 • "X" = $100
B I N G O
10 27 42 47 75
12 21 31 52 74
FREE 16 FREE 60 66
13 FREE 39 57 68
01 30 FREE 46 67
CARD 3 LINE = $10 • 4 CORNERS = $50 • "X" = $500
B I N G O
02 23 42 54 67
03 29 40 55 75
15 24 FREE 60 FREE
09 28 38 FREE 69
06 FREE 39 53 62
CARD 4 LINE = $20 • 4 CORNERS = $500 • "X" = $20,000
000
SEE BACK FOR PLAY INSTRUCTIONS

9. Cylinder or Plate Changes Before and During Production

Scientific Games takes great pride in producing a high quality product that matches both the working papers and any approved contract proof materials. We do however reserve the right to charge for additional cylinder or plate changes that occur before or during production that are performed at the request of the customer. These may include, but are not limited to, color or content changes. We have provided a per plate rate for this service in our separate **Cost Proposal**.

10. Multiple Games Across the Web

Scientific Games has printed multiple games across the web in the past. In fact, Scientific Games pioneered the practice of producing multiple games across the web and no other supplier has produced more games using this technique. While our state-of-the-science technology in both printing and programming allows us to produce up to six games across the web, we have found that our quality, efficiencies and delivery capabilities are at their best when produced as one game per press run. Scientific Games' dedication to producing quality, secure, on-time products is paramount in our company vision and our commitment to the Texas Lottery. There is no discount offered for this service.

11. Hourly Rate for Programming Test Games for Software Changes

As we have in the past, Scientific Games will provide the necessary programming for software changes on test games. We have provided an hourly rate for this service in our separate **Cost Proposal**.

12. Holographic Paper Stock

Games printed on holographic substrate command players' attention and increase the perception of high-value gaming. Our strong relationships with major suppliers allow us to offer an extensive range of holographic patterns to satisfy the Lottery's requirements for a varied portfolio of exciting games.

The Georgia Lottery's Lucky 7's game is the latest of their HD Games with the added feature of holographic stock. The game is a top performer in its category apart from the holiday game, Lucky 7's is the top $10 game of 2020 performing 24% better than the other $10 games.

These games are perfect for special occasions, such as the holiday season, and we can also customize holographic paper for specific events, such as an anniversary, to ensure greater visibility at retail. Holographic stock is a separately priced **Specified Option**, in addition to the base price.

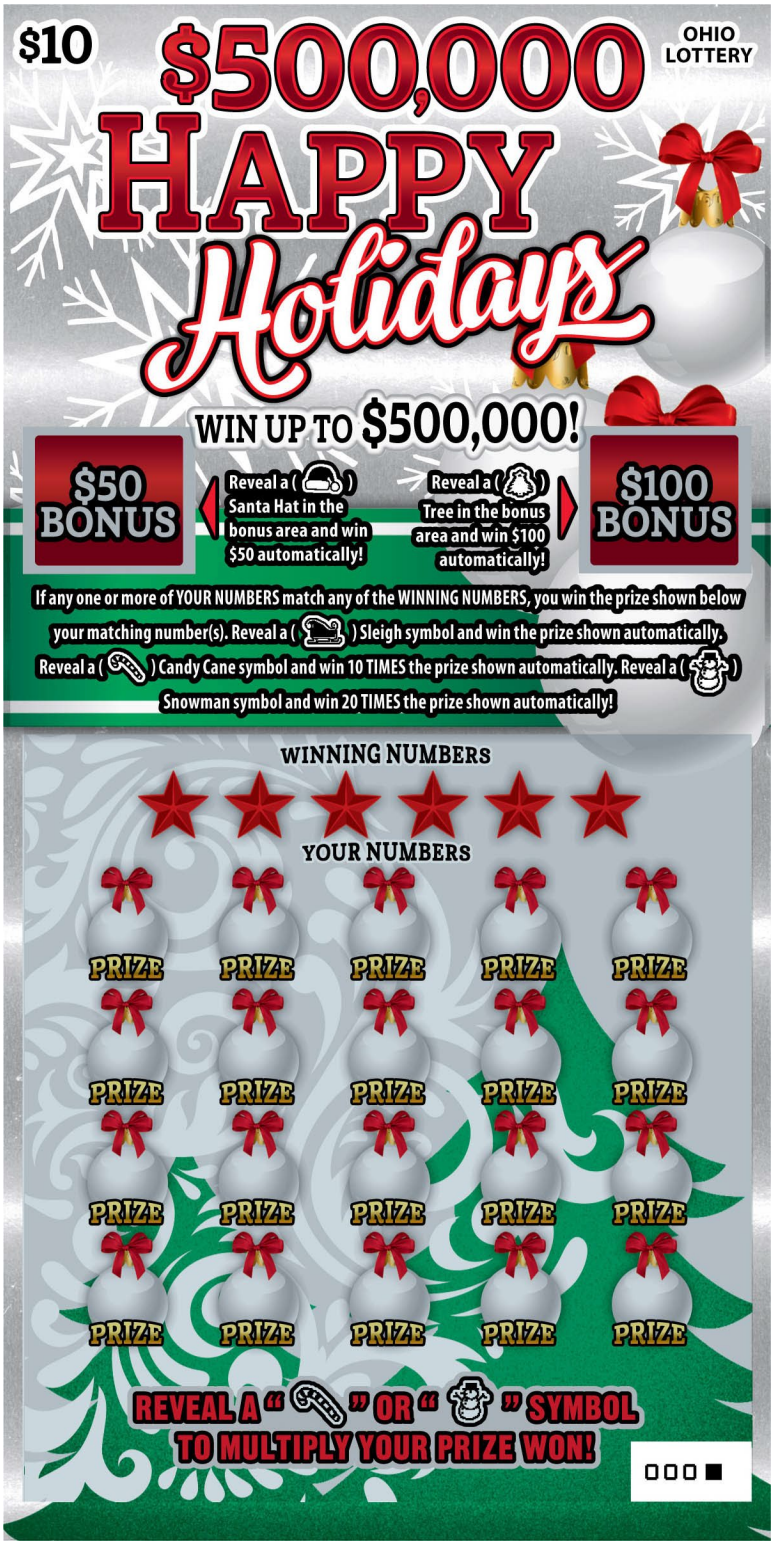
NORTH CAROLINA EDUCATION LOTTERY
$30
2nd Chance Game!
nclottery.com
200X
The Cash
TOP PRIZE $5,000,000!*
*These prizes will be paid in installments over 20 years.
BONUS
BONUS
BONUS
BONUS
Reveal a "$100" symbol, win $100 instantly!
Reveal a "$200" symbol, win $200 instantly!
Reveal a "$400" symbol, win $400 instantly!
Reveal a "$500" symbol, win $500 instantly!
WINNING NUMBERS
YOUR NUMBERS
OVER $400,000,000 IN CASH PRIZES!
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown for that number. Reveal a "2X", "5X", "10X", "20X", "50X", "100X" or "200X" symbol and multiply that PRIZE by 2, 5, 10, 20, 50, 100 or 200 respectively.
nclottery.com

13. Foil Paper Stock

Research shows that games using foil stock sell an average of 9% better than games on regular paper stock, making them a valuable and effective opportunity for the Lottery.

Since 2016, the North Carolina Education Lottery has launched a family of foil games each year, the latest had an average index of 126 across all price points. The $5 20X game was the highest performer with a 137 index. This family was followed by a family of foil games during the holiday season, also top performers with an average index of 131.

Our creative team is highly experienced in creating exciting foil games that increase perceived value and offer strong player appeal. Foil stock is a separately priced **Specified Option**, in addition to the base price.


$10
$500,000
OHIO LOTTERY
HAPPY Holidays
WIN UP TO $500,000!
$50 BONUS
Reveal a ( ) Santa Hat in the bonus area and win $50 automatically!
Reveal a ( ) Tree in the bonus area and win $100 automatically!
$100 BONUS
If any one or more of YOUR NUMBERS match any of the WINNING NUMBERS, you win the prize shown below your matching number(s). Reveal a ( ) Sleigh symbol and win the prize shown automatically. Reveal a ( ) Candy Cane symbol and win 10 TIMES the prize shown automatically. Reveal a ( ) Snowman symbol and win 20 TIMES the prize shown automatically!
WINNING NUMBERS
YOUR NUMBERS
PRIZE
REVEAL A " " OR " " SYMBOL TO MULTIPLY YOUR PRIZE WON!

14. Hole Drilling

Scientific Games understands that at times the Texas Lottery may require hole drilling of retailer sample packs for specific games. We can produce packs of this nature as requested and have provided costs for this service in our separate **Cost Proposal (Attachment H)**.

15. Additional Pack Inserts

We can produce additional pack inserts and have provided costs for this service in our separate **Cost Proposal (Attachment H)**.

16. Special Stock Pack Inserts

We can produce special stock pack inserts and have provided costs for this service in our separate **Cost Proposal (Attachment H).**

8.33.2 Internet Entry Promotional Second-Chance Drawings

The Texas Lottery may use internet entry promotional second-chance drawings. The Successful Proposer may be required to conduct drawings at Texas Lottery Headquarters or another location, as specified by the Texas Lottery in its sole discretion. The Successful Proposer shall provide and utilize an automated drawing solution/Random Number Generator (RNG) to select winning entries for these drawings. The Successful Proposer shall provide written certification from an independent third party, approved by the Texas Lottery, that the drawing solution/RNG has been tested and certified. The Successful Proposer thereafter shall have the drawing solution/RNG tested and recertified each time updates, if any, are made. Prior to the date of the first internet entry second-chance drawing, the Successful Proposer shall ensure that three (3) drawing solution/RNGs are delivered to the Texas Lottery. The Texas Lottery shall store such drawing solutions/RNGs in a secure room provided by the Texas Lottery and shall provide the Successful Proposer's drawing personnel with access to a drawing solution/RNG upon their arrival to conduct each drawing. The Texas Lottery shall return the drawing solution/RNG to the designated secure room for storage between drawings. The Successful Proposer shall provide, at no additional cost to the Texas Lottery, an independent certified public accountant selected by the Successful Proposer to observe and certify each internet entry second-chance drawing. On the day of each internet entry second-chance drawing and under the observation of the independent certified public accountant, the Texas Lottery shall provide the Successful Proposer with a secure internet connection to enable the Successful Proposer to transfer and verify the drawing entry records for the drawing. After the drawing entry records have been transferred via a secure internet connection and verified by the Successful Proposer, the Successful Proposer shall securely transfer the drawing entry records file to the drawing solution/RNG being used for the drawing. In the event that the foregoing method of transferring drawing entry records becomes impracticable (e.g., the electronic file containing the entry records becomes too large to fully download the day of a particular drawing), the parties agree to collaboratively consult on alternative methods for the transfer of drawing entry records. Currently, these services are provided by the Texas Lottery Operations and Services vendor.

The Successful Proposer a) shall develop, maintain and host web pages for internet second-chance entries; b) shall provide customized database management systems including player account management and entry management; c) shall provide real-time entry validation; d) shall provide files of drawing entry records for the Successful Proposer to conduct promotional second-chance drawings as approved by Texas Lottery security; and e) if requested by the Texas Lottery, shall provide geo-location services for in-state address verification of all entries submitted. The Successful Proposer must securely store all electronic internet entries for each drawing and securely transfer the appropriate drawing entry records for the appropriate drawings according to all agreed upon entry deadlines and drawing schedules. Currently, these services are provided by the Texas Lottery Operations and Services vendor.

The Successful Proposer may also be required to provide a web page(s) that outlines the features of each game that offers internet entry promotional second-chance drawings. The web page will include the drawing rules and regulations and show available prizes and other features for the specific game, including information on claiming prizes and links to related information.

Scientific Games has read, understands and will comply with this requirement.

Scientific Games has been providing second-chance promotions to lotteries around the world for over 20 years. As a **Specified Option**, priced separately, Scientific Games can provide the Texas Lottery with internet entry promotional second-chance drawings support, as authorized by applicable law, using our Secure Draw System (SDS). As part of this support, Scientific Games will supply the Texas Lottery with three random number generators (RNGs) that have been created according to Texas Lottery specifications and certified by and independent lab approved by the Texas Lottery for use for any and all internet second-chance drawings. Our second-chance promotion support services include website design, development, hosting and maintenance, player account management, ticket entry and validation, marketing and analytics, drawing services, customer support, operational support, and prize acquisition and fulfillment. Any additional or new innovations will be priced separately in addition to the specified pricing in **Cost Proposal (Attachment H).**

Drawing Services

With our drawings services, Scientific Games truly separates ourselves from other lottery vendors. We have offered drawing facilitation for two decades—first as mail-in entries, and for the past 19 years using internet-based entries. We can manage all aspects of drawings associated with any type of program or promotion.

Scientific Games will conduct internet entry second-chance drawings on behalf of the Texas Lottery, as authorized by applicable law, in connection with the Texas Lottery's instant ticket games and promotional second-chance drawings. Scientific Games will conduct the drawings using its secure draw system (SDS). Scientific Games conducts drawings using a certified random number generator (RNG). Documentation of the RNG's third-party certification can be provided to the Texas Lottery.

Drawings are conducted using Scientific Games' certified, proprietary software. For each drawing, an Entry file is created from the data base of eligible entries. Upon creation a unique digital signature of the file is created. This digital signature is verified in the SDS to ensure the integrity of the entry file. Files are extracted and loaded unopened into the SDS. Drawing parameters are configured according to rules and agreed upon procedures. The SDS is an application that securely and randomly selects winners for second-chance drawings. An entry file containing information to uniquely identify the entrants is required. The SDS selects winning entries fairly and randomly from all of the entrants by using a certified random number generator. The selected winning entries are matched to the entry file(s) to produce the draw results. SDS is capable of handling files with up to 268,435,456 entries.

All drawings will take place at Texas Lottery Commission headquarters or other location designated by the Texas Lottery. Scientific Games will supply the Texas Lottery with equipment to conduct secure internet entry second-chance drawings, as authorized by applicable law, including three laptop computers equipped with certified drawing software, including the certified random number generator (RNG). With the Lottery's approval, Scientific Games can also conduct drawings from its secure drawing services center located in Alpharetta. For drawings conducted in the Scientific Games Alpharetta drawing center, live video feeds are available for viewing by Lottery personnel through our Avigilon digital sharing software.

The second-chance drawing system will be supported by Scientific Games' drawing services department. The drawing services group operates under the purview of Scientific Games' game programming organization. Drawings are a function of Scientific Games' game programming department due to the need for strict compliance to rules and regulations.

TPIA §552.110/552.1101

Scientific Games will supply an independent certified public accountant (CPA) auditor to witness the drawing process, including but not limited to, the download and verification of the entry file, testing of equipment and the disqualification processes. The drawing auditor will certify that all drawing activities were performed, and the SDS official draw report was prepared, in accordance with procedure by signing the Drawing Certification Report.

Internet entry second-chance drawing dates and times will be subject to change at the sole discretion of the Texas Lottery. Mutually agreed upon changes to drawing dates and/or times will be updated on the game's web page. In the event that the game is closed before all scheduled drawings occur, then all remaining drawings will be conducted on the first drawing date following the end-of-game date.

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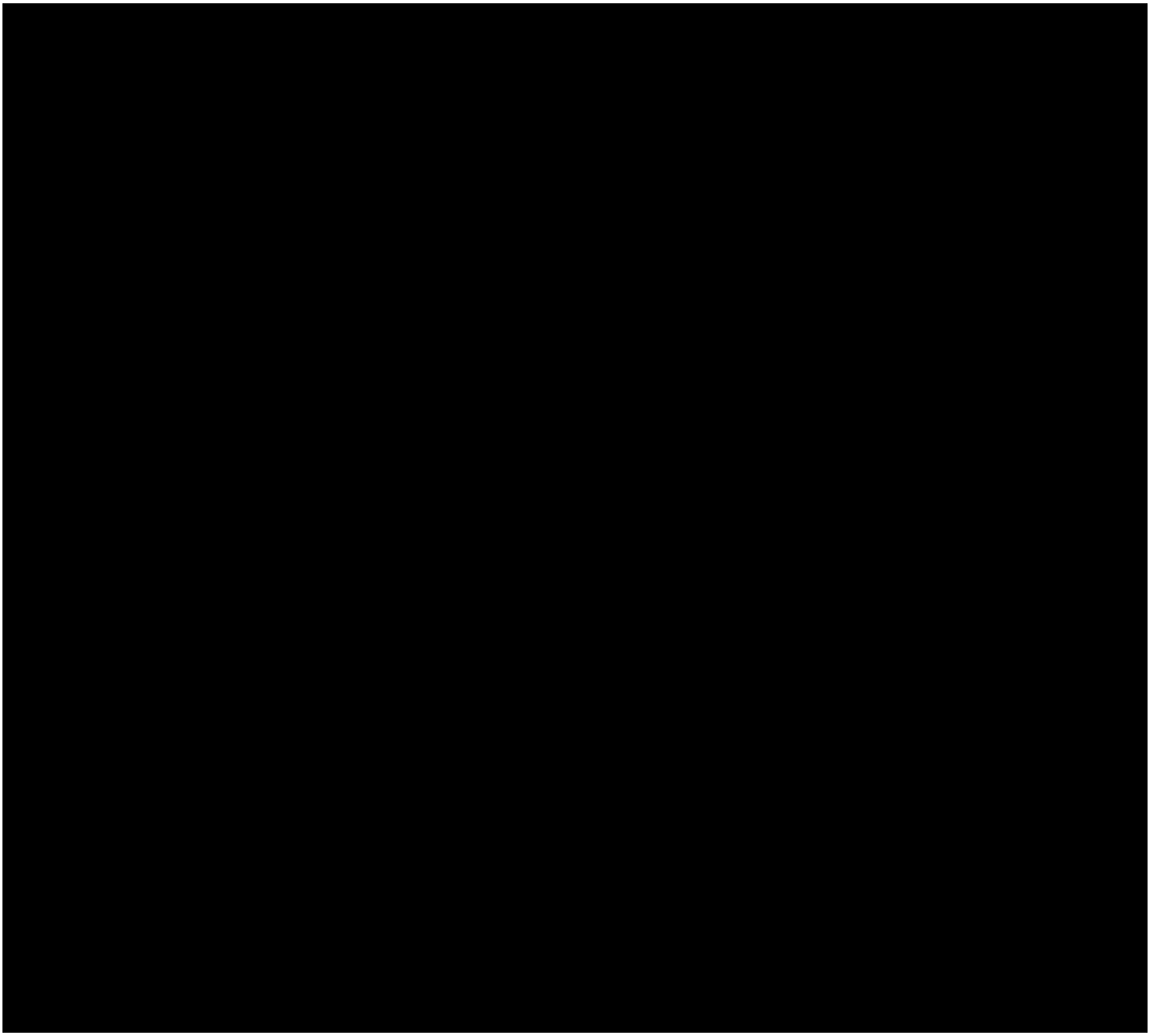
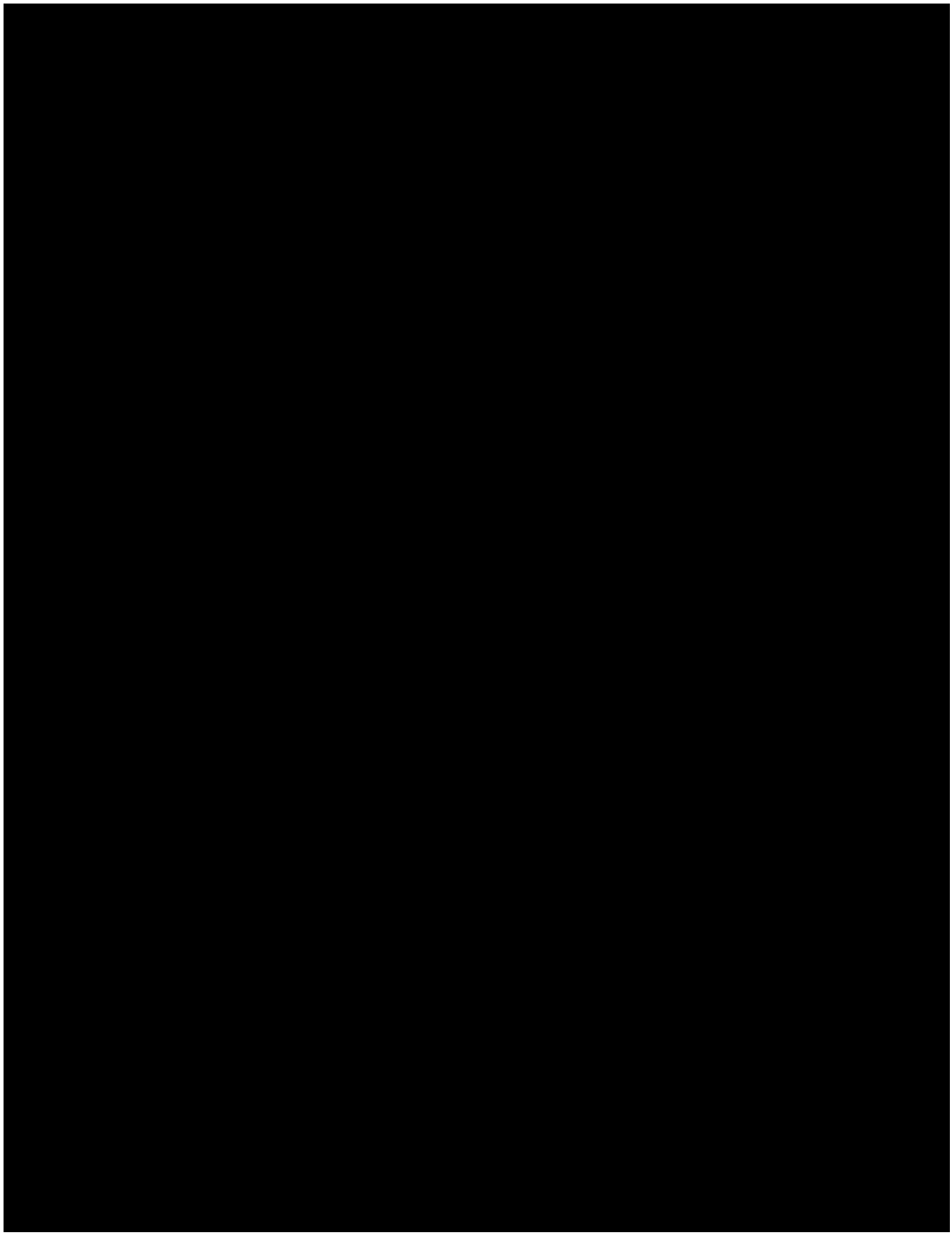
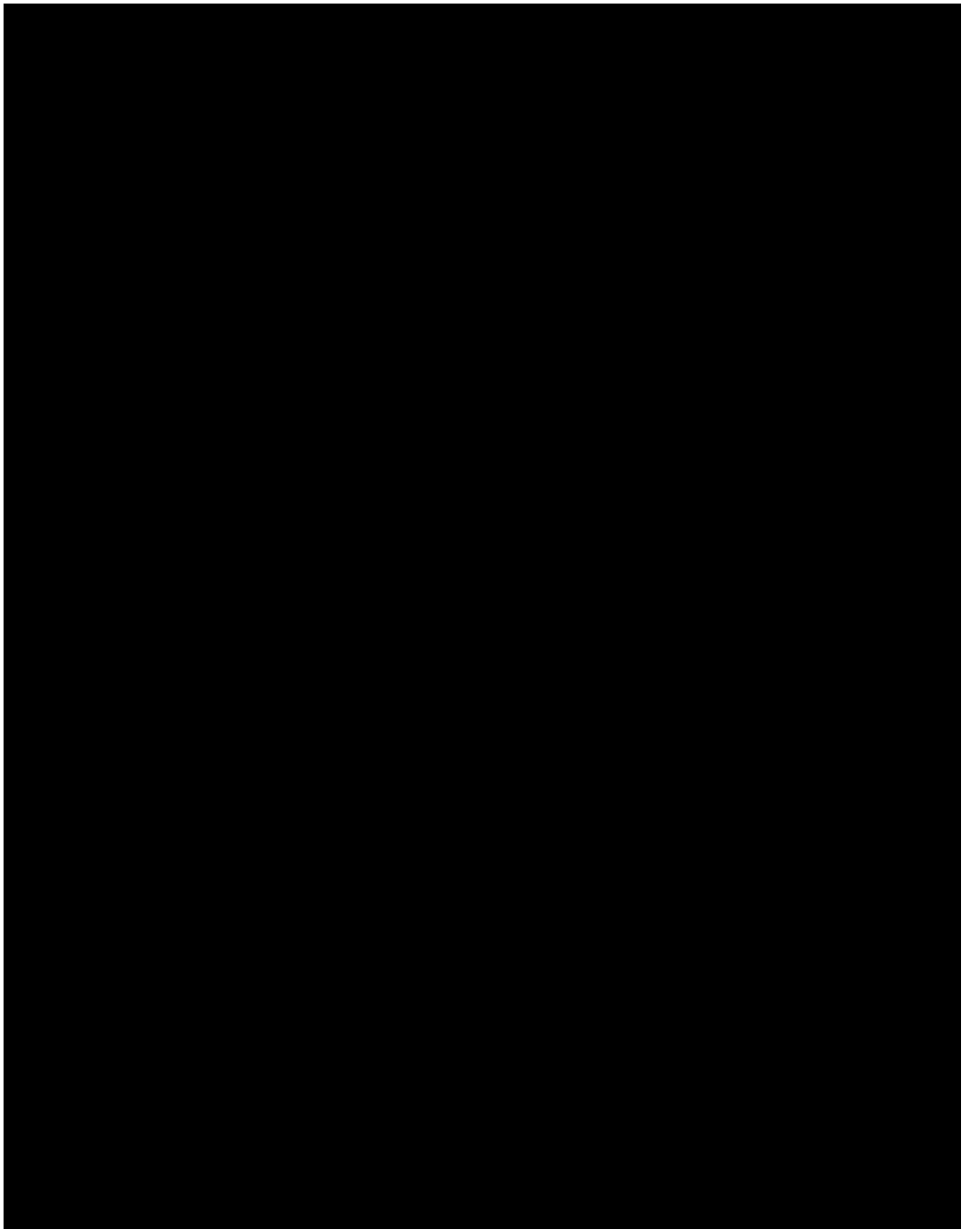


TPIA §552.110/552.1101



TPIA §552.110/552.1101



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Second-Chance Promotion Support Services

In addition to our trusted and secure drawing services, our second-chance promotion support also includes website design, development, hosting and maintenance, player account management, ticket entry and validation, marketing and analytics, drawing services, customer support, operational support, and prize acquisition and fulfillment.

Scientific Games will develop, maintain and host web pages supporting internet second-chance entry promotional drawings. As required by the Lottery, these web pages can outline the features of each game that offers internet entry promotional second-chance drawings, including drawing rules and regulations, available prizes and other game-specific features including information on claiming prizes and links to related information.

Scientific Games will develop, maintain and host web pages supporting internet second-chance entry promotional drawings. As required by the Lottery, these web pages can outline the features of each game that offers internet entry promotional second-chance drawings, including drawing rules and regulations, available prizes and other game-specific features including information on claiming prizes and links to related information.

In addition to these web pages, Scientific Games will provide a customized database management system, including player account management and entry management, as well as real-time entry validation and, as required by the Lottery, geo-location services to assure in-state address verification of all entries submitted. Scientific Games will securely store all electronic internet entries for each drawing and securely transfer the appropriate drawing entry records for the appropriate drawings according to all agreed upon entry deadlines and drawing schedules.

Scientific Games' second-chance web application system supports the majority of the second-chance promotions we provide to lotteries. The second-chance management system allows a player to establish an account through a second-chance website, developed and managed by Scientific Games, and key in ticket serial numbers from non-winning lottery tickets to earn entries into second-chance prize drawings. Scientific Games will also integrate the second-chance system with the Texas Lottery's current mobile application to allow players to scan the ticket's barcode to earn entries into second-chance prize drawings.

The websites, including server, application, data, and network access are provided by Scientific Games. The hardware and services are typically included in connection with second-chance promotions. Since 2001, Scientific Games' highly secure second-chance system has revolutionized the way U.S. lotteries manage second-chance drawing promotions, bringing fun, convenience, security and cost savings to millions of lottery consumers around the world. Scientific Games' service has been used by 50 lottery customers around the world in support of over 670 second-chance promotions.

Microsites

Scientific Games develops websites to support second-chance promotions by serving as the promotion's information hub and ticket entry portal. Because these websites are supporting a specific promotion with a defined duration, they are often referred to as microsites. Microsites are developed responsively and integrated into the Lottery's existing website.

Players are directed to the promotion's microsite through callouts on tickets, point of sale materials, digital ads, and other media. Microsites are the hub of the promotion, centralizing relevant functionality and information including:

- Ticket entry portal
- Rules
- Winners
- Prize Details
- FAQs

Elements of these microsites are easily identified in the navigation bar on each page, as depicted in **Figure 8-42**.

Figure 8-42: Microsites Support Short-Term Promotions By Serving As The Information Hub and Ticket Entry Portal

Developing a Quality User Experience

As the leading provider of lottery loyalty-rewards programs, as well as interactive solutions, including websites, mobile applications, second-chance promotions and interactive games, to the worldwide lottery industry, Scientific Games has the unparalleled ability to deliver Texas Lottery players a superior user experience with a new players club and loyalty-rewards program. Drawing on this experience, as well as best practices, Scientific Games will develop a quality user experience (UX) for players to easily sign up for the program, input or scan eligible tickets, readily identify point standing, and shop for available prizes.

Creating the right experience—one that is user friendly, convenient, consistent and easy to navigate—ultimately makes the difference between an engaging program and one that is abandoned quickly. That is why we have a key role within our Digital Content Studio for developing an effective user interface and user experience (UI/UX) for each of the products we develop.

Our UI/UX team focuses on creating an experience that suits players' needs, regardless of the channel they are viewing. From responsive web design to a mobile-first mindset, we define, design, test and develop with the user experience at the forefront. We also implement usability studies, where players interact with a solution and comment on the experience, while we record their interactions and determine improvement changes that need to be made.

Player Account Management

To participate in any second-chance promotion, players generally must register on the Lottery's website, or through the available mobile app. Once a player establishes an account, they use their log-in credentials to participate in any future second-chance promotion.

Integrated into Scientific Games' customizable second-chance entry management system is a highly secure player database, which each player interfaces with to create and maintain their personal account information. A player must establish his or her unique account in order to participate in the second-chance promotion.

The system accepts and securely stores the player's contact information that will be used in the event the player wins a drawing prize. A registering player must self-verify that he or she is old enough to participate in Lottery promotions by certifying that he or she is at least 18 (age requirement established by lottery), and by including his or her birth date on the form. An individual whose information indicates that he or she is not of appropriate age to participate is prevented from created an entry account.

The player must also supply unique log in credentials to ensure that entries are assigned correctly. Scientific Games uses the player's unique email address and a player-supplied password to grant access to a promotion.

Easy Entry™ System

In 2005, we introduced our patented Easy Entry™ solution enabling the automatic validation of non-winning tickets online, and the delivery of a corresponding second-chance outcome. This online solution opened new possibilities and quickly became the foundation for future second-chance programs.

The second-chance entry management system ensures the integrity of the second-chance drawing process. Keying in the ticket information by the player is just the start. **Figure 8-43** displays instant ticket information typically needed for entry.

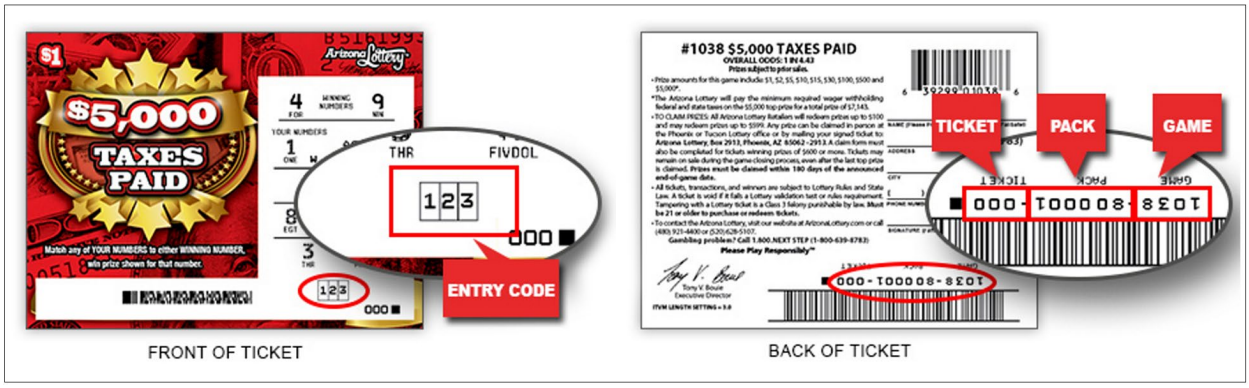

Figure 8-43: Instant Ticket Information Typically Needed for Entry Into a Second-Chance Promotion

When a player clicks to submit his or her ticket information, our Easy Entry process triggers a series of system actions to validate the entry in real-time, including:

- **Validating Against Encrypted File of Eligible Tickets** – The data submitted by the player is encrypted and the encrypted record is matched against a file containing similarly encrypted records of all eligible, non-winning tickets in the game. Failing to find a match, the entry is rejected.
- **Validating Against Previously Submitted Tickets** – The system enables an eligible ticket to be submitted one time only. Data is checked against data of previously submitted entries. Finding a match, the entry is rejected.

Entries for any promotion are accepted continuously, 24 hours a day and seven days a week. Each entry record contains an electronic time and date stamp to indicate precisely when it was submitted by an entrant. The system accepts entries up to the final entry deadline as determined by the Lottery and prevents a player from submitting an entry past the final deadline.

Geo-Location Services

Also, a geo-location service can be utilized to check the physical location of the player and the device to ensure that the player is within the confines of the state of Texas each time the player signs into the system. If the geo-locator cannot determine that the player is in Texas, then a pop-up certification is presented to the player asking them to self-verify that he or she is entering from within the state borders. Scientific Games has experience geo-locating players for a variety of purposes using several different methods.

TPIA §552.110/552.1101

[redacted]

[redacted]

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8.33.3 Other Promotional Drawings

The Texas Lottery may require the Successful Proposer to sponsor a game promotion, or a promotion for a family of games, including a second-chance promotion, that includes drawings other than internet entry drawings that the Successful Proposer will conduct to award prizes. In those promotional drawings, the Successful Proposer shall provide and utilize an automated drawing solution/Random Number Generator (RNG) to select the winning entries. The Successful Proposer shall provide written certification from an independent third party, approved by the Texas Lottery, that the drawing solution/RNG has been tested and certified. The Successful Proposer thereafter shall have the drawing solution/RNG tested and recertified each time updates, if any, are made. Details about the Successful Proposer's promotion, including the prizes to be awarded and the number of drawings and winners, will be set forth in the working papers for the applicable game or family of games. The Successful Proposer shall provide all services for such drawings, including to set up, monitor and support the draw system, at no additional cost to the Texas Lottery.

Scientific Games has read, understands and will comply with this requirement.

As a **Specified Option** priced separately, Scientific Games' drawing services group will support the Texas Lottery's promotional drawings using our secure draw system (SDS). As part of our drawing services, we provide set-up, monitoring and support. Our drawing services group will also provide written certification from a Texas Lottery-approved independent third party that the SDS has been tested and certified. We will proceed to have the SDS tested and recertified if any updates are made. Please refer to **Section 8.33.2** for more details on our drawing services support.

8.33.4 Branded, Proprietary or Licensed Games

The Texas Lottery may use branded (including personality rights), proprietary or licensed games as part of its game portfolio.

These games may include experiential and/or merchandise prizes or opportunities to participate in Successful Proposer-sponsored promotions or contests. In accordance with the executed working papers, the Texas Lottery may require prize fulfillment, promotional or contest services for any games manufactured by the Successful Proposer.

After Contract Award, for branded (including personality rights), proprietary and licensed games, and Successful Proposer-sponsored promotions or contests, the Successful Proposer shall be required to provide, in writing, to the Texas Lottery the fee amount for each new game within thirty (30) days of acquiring that brand, license or proprietary process. Exclusive pricing rates should be categorized in a cost table based on product strength/recognition and priced accordingly. Proposers shall provide separate tables for licensed games that utilize licensing fees, licensed games that utilize experiential and/or merchandise allocations and licensed games that use a hybrid model (licensing fee + experiential and/or merchandise allocation). Licensed property games, whether utilizing the licensing fee, experiential/merchandise allocation model or hybrid model, shall include print costs and any necessary fulfillment services (including shipping and handling). Proposers should provide any volume discounts.

Further, at the Texas Lottery's request, the Successful Proposer shall attempt to acquire rights to specific branded (including personality rights), proprietary or licensed properties to allow Texas Lottery to use the requested name, likeness and images on Texas Lottery games in Texas only and in connection with game promotions and advertising. The Successful Proposer shall attempt to obtain all rights customary for a licensed property game, including, as an example, any applicable territory restrictions. The Successful Proposer shall prepare written estimates for all licensed agreement costs and must obtain prior written approval from the Texas Lottery before finalizing any agreement. The Texas Lottery may be responsible for payment of all license fees and may reimburse the Successful Proposer for all reasonable agreement costs for specific branded, proprietary, or licensed properties obtained by the Successful Proposer at Texas Lottery's request to be used in Texas only. The Texas Lottery may require the Successful Proposer provide prize fulfillment services for games manufactured by the Successful Proposer in accordance with the executed working papers. Proposers should detail their capabilities in providing such services and submit samples with the Proposal.

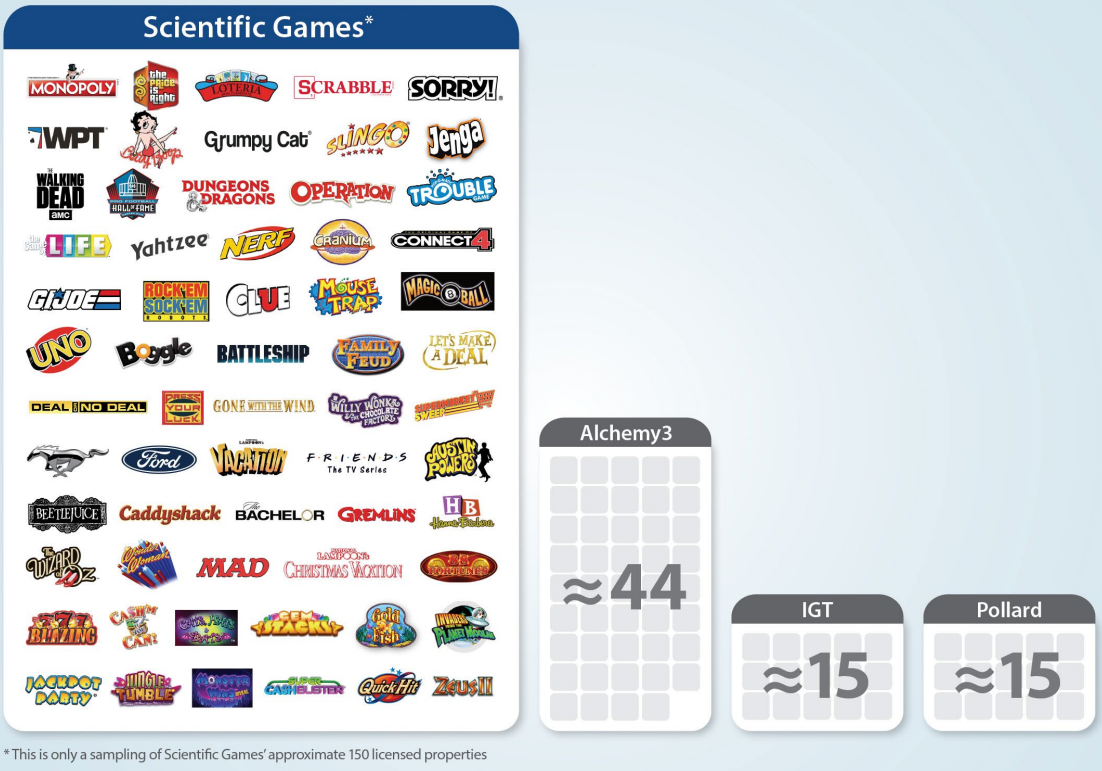
Scientific Games has read, understands and will comply with this requirement.

Brands are powerful influencers in the consumer purchase process. Popular brands have a momentum that have the ability to elevate entire categories. What was the cell phone before Apple? Ice cream before Ben & Jerry's? Coffee before Starbucks? The right brand can change the entire landscape.

Scientific Games believes in the power of brands and their ability to elevate lottery games. We pioneered the use of licensed properties on lottery products over 25 years ago and have seen how the right brand can create excitement at retail, expand playership, and drive sales.

Through its licensing group, Scientific Games is pleased to offer the Lottery its broad portfolio of licensed property games. Our unparalleled experience, sterling reputation, and deeply-forged relationships with licensors across a wide range of categories enable us to offer our customers some of the world's best-known brands. From nostalgic entertainment icons loved by generations to current pop culture phenomena, we develop partnerships with the brands players love.

Scientific Games Has The Largest Collection of Branded Properties in the Industry



* This is only a sampling of Scientific Games' approximate 150 licensed properties

Licensed brands enable lotteries to connect with players on an emotional level and provide engagement opportunities through promotional extensions, interactive games, and once-in-a-lifetime events. Brands have the ability to excite current players, re-engage lapsed and light players and attract

new players. Post-promotion consumer research conducted by both Scientific Games and our customers show that licensed games contribute to the entertainment value players expect when they purchase a lottery product.

Brands also have established a proven track record of delivering a loyal player base. When searching for strategies to build a vibrant players club, few tactics have been shown to deliver more loyal players than a properly positioned licensed property.

Our goal is to ensure that the brands we present to our lottery partners offer the greatest value and provide the best chance for growing sales, playership, or—ideally—both. Before we bring a brand to market, we evaluate several criteria, including:

- Rank in its category
- Positivity and alignment with the lottery's image
- Added value to the industry
- Recognizable and iconic imagery
- Sustainability for the duration of a lottery game

- Promotional and marketing extension opportunities
- Value beyond a themed scratch game, including lending itself to other entertainment avenues such as interactive, events and draw games
- Strong following
- Potential to drive purchase from new, light or lapsed players, while still appealing to core players
- Ability to span more than one player segment

Currently Available Licensed Properties

A listing of our current Licensed Properties follows. Please note that the list is dynamic and will change from time to time as brands expire or are added. Licensed Properties are separately priced as **Specified Options**, in addition to the base price.

High-Impact Brands Increase Player Appeal

Available for Application on Instant Products (U.S. Only)

Casino Gaming

SG Gaming

88 Fortunes
Blazing 777
Ca$h 'M If You Can
Cats, Hats & Bats
Gold Fish
Invaders From the Planet Moolah
Jackpot Party
Let it Ride
Money Mayhem
Monster Wins
Quick Hit
Road to Riches
Zeus

Iconic Brands

Pop Culture

Betty Boop
Fortune Cookie (aka Lucky Fortune)
Grandma Got Run Over By a Reindeer
Grumpy Cat

Vehicles

Ford Motor Company

Sports

Pro Football Hall of Fame

Games

Casual Gaming

Cashbuster
Gem Stacks
Jenga
Jungle Tumble
Slingo

Card Games

Loteria
World Poker Tour

Game Shows

Deal or No Deal
Family Feud
Let's Make A Deal
Press Your Luck
The Price Is Right
Supermarket Sweep

Hasbro

Battleship
Boggle
Clue
Connect 4
Cranium
Dungeons & Dragons
G.I. Joe
Monopoly
Mouse Trap
Nerf
Operation
Ouija
Payday
Scrabble
Simon
Sorry
Subbuteo
The Game of Life
Trivial Pursuit
Trouble
Yahtzee

Mattel

Magic 8 Ball
Rock 'Em Sock 'Em Robots
UNO

Entertainment

Warner Brothers

Austin Powers Motion Pictures
The Bachelor/The Bachelorette TV Series
Beetlejuice
Caddyshack
Elf
Friends TV Series
Gone with the Wind
Gremlins Motion Pictures
MAD Magazine
National Lampoon's Vacation Motion Pictures
The Wizard of Oz
Willy Wonka & The Chocolate Factory
Willy Wonka Golden Ticket
Wonder Woman Classic TV Series

Hanna-Barbera

Augie Doggie
Banana Splits
Captain Caveman
Dynomutt
Hong Kong Phooey
Johnny Quest Classic Series
Magilla Gorilla
Ruff and Reddy
Secret Squirrel
The Flintstones
The Jetsons
Top Cat
Wacky Races
Wally Gator
Yogi Bear

TV and Film

AMC The Walking Dead TV Series

February 2022

Linked Games

As a full-service company our licensed product services go beyond the brand itself. Our team of professionals are highly versed in developing marketing programs to support our brands to ensure maximum awareness and excitement. We can offer turn-key promotional support including but not limited to point of sale, media development, as well as event hosting and fulfillment. It is because of our extensive experience in this area that we have been able to stage major promotional events such as those associated with our linked games and the Emmy-nominated MONOPOLY Millionaire Game Show.

Through linked games, Scientific Games has led the industry in creating lasting memories and once-in-a-lifetime experiences for lottery players. Since creating the lottery industry's first linked instant game event with the DEAL OR NO DEAL™ brand in 2007, Scientific Games has presented eleven more linked blockbusters. Most recent linked game success stories have been seen with the WILLY WONKA™ and JAMES BOND 007™ brands.

WILLY WONKA GOLDEN TICKET™ #1

WILLY WONKA™ is inspired by one of the most beloved films of all time. In the lottery industry, the brand is especially known for the record-breaking linked instant lottery game that lit up U.S. lottery retail sales in 2017-18 with 23 different games launched in 18 states. A record 98 million tickets were produced, representing over $1 billion in potential retail sales for participating lotteries. More than 200 players travelled to Las Vegas to attend the BILLION DOLLAR CHALLENGE® Events, with finalists and grand prize finalists winning more than $4.8 million.

JAMES BOND Lottery Challenge

Instant games featuring the universally recognized JAMES BOND 007™ brand began hitting lottery retail stores in the U.S. in September 2019. With a total of over $352 million in retail sales, the JAMES BOND 007 instant scratch game performed an average of 26% higher and as much as 104% higher than other games in the same market. A total of 112 trip prize winners from the 12 participating lotteries travelled to Las Vegas to attend the *JAMES BOND Lottery Challenge Event* in 2021 where each trip prize winner vied for a chance to win cash prizes up to $1 million or more. The Event was held over 10 days with more than $1.4 million in total prizes awarded. In addition, the Pennsylvania Lottery launched a JAMES BOND 007 digital game to compliment the scratch-off ticket, and is also one of the highest performers in the Pennsylvania Lottery's record-breaking $1 billion iLottery program.

WILLY WONKA GOLDEN TICKET™ #2

The WILLY WONKA GOLDEN TICKET™ returned due to popular demand, with 9 U.S. states participating and over $304 million in retail sales. The all-new WILLY WONKA GOLDEN TICKET features the EVERLASTING MILLION second-chance promotion where players can win an everlasting prize of $1 million per year for life. Offering more fun and more ways to win, the new game offers a variety of iconic *WILLY WONKA* imagery and characters and a new assortment of scratch game designs, along with Scientific Games' strategic product enhancements like high-definition HD Games™ play symbols, MicroMotion™, Sparkle® and holographic stock.

THE PRICE IS RIGHT®

Up next is THE PRICE IS RIGHT®, the iconic TV gameshow is celebrating its 50th anniversary and what better way to commemorate this but with a new U.S. linked instant game featuring some of the most recognizable and iconic games popular with TV audiences including PLINK®. Lucky trip prize drawing winners will be off to Las Vegas to participate in the *COME ON DOWN! Challenge* in the fall of 2023, where each trip prize winner will have a chance to play for a cash prize up to $50 million.

Because Linked Games consist of participation by multiple lotteries, each of those lotteries can offer a major event with prizes that go beyond what the individual lottery might be able to offer on its own. In most cases, a Linked Game culminates in a major event where qualified players travel to a popular destination to participate in activities to win greater prizes and vie for a large grand prize.

Since creating the linked game license brand category, Scientific Games has printed over 872 million linked game tickets with a retail value of over $4.4 billion.

For these events, we manage second-chance drawing activities and coordinate all promotion details, event activities and any stage or set development. We are able to send winners to popular destinations such as Hollywood, Orlando, or Las Vegas and coordinate entertainment for the winners outside of the main second-chance event. Players who have attended these events develop an emotional attachment to the lottery, often citing that they were the highlight of their life.

Linked games are a separately priced **Specified Option**, in addition to the base price.

Acquiring Rights to Specific Brands

Scientific Games stands ready to assist the Texas Lottery to acquire rights to specific branded, proprietary or licensed properties to allow Texas Lottery to use the requested name, likeness and/or images on Texas Lottery games in Texas only and in connection with game promotions and advertising. We will, upon request of the Texas Lottery, attempt to do the following:

- Acquire rights to a proprietary or licensed property to allow the Texas Lottery to use the requested name, likeness or image on Texas Lottery games in Texas in connection with game promotions and advertising.
- Attempt to obtain all rights customary for a licensed lottery game.
- If Scientific Games and prospective Licensor reach terms, we will provide, in writing, to the Texas Lottery a proposal setting forth the terms which would allow the Texas Lottery to use such license, including the fee amount. The resulting agreement would be between Scientific Games, acting on behalf of the Licensor, and the Texas Lottery.
- Scientific Games agrees the Texas Lottery will have no obligation until such agreement between Scientific Games and the Texas Lottery is fully executed.

- The Texas Lottery will be responsible for payment of all fees set forth in the resulting agreement, including, if applicable, licensing, experiential prize, merchandise prize and any reasonable costs associated with securing the specific proprietary or licensed property obtained by Scientific Games on behalf of the Texas Lottery.

The design and production of a promotion using proprietary content is a complex business, requiring a depth of industry experience and understanding. In the past, we have partnered with a number of lotteries to acquire rights to specific properties in order to provide an ongoing stream of promotional content.

We have a staff of dedicated marketing professionals, long with extensive in-house resources, to help create and execute promotions that effectively leverage the assets and investments of each partner involved in a joint promotion. Our deep understanding of the unique needs and challenges faced by lotteries as they attempt to attract new players and add excitement makes Scientific Games the lottery industry's premier consultant in this area.

Figure 8-44 lists promotions where we have partnered with a Lottery to acquire rights to specific proprietary or licensed properties.

Figure 8-44: Examples of Specific Branded, Proprietary or Licensed Property Partnerships

Property	Partnership
Collegiate Games	Helped to secure University of Texas and Texas A&M collegiate licenses upon request by the Texas Lottery Commission.
Cranium	Secured upon request by the Ontario Lottery and Gaming (OLG) Corporation.
David Ortiz	Scientific Games secured the services of Major League Baseball Hall of Famer David Ortiz to support the New Hampshire Lottery's launch of a Red Sox licensed game. Ortiz kicked off the game by attending a press conference on the steps of the State Capitol.
Jenga	Secured upon request by the Ontario Lottery and Gaming (OLG) Corporation.
Lucchese	Secured upon request by the Texas Lottery Commission.
MLB Extensions	At the request of a number of lotteries, Scientific Games extended MLB usages through nonteam specific tickets, like "Take Me Out to the Ball Game," "Home Run Derby" and mascot tickets like "Racing Sausages" and "Racing Presidents."
Margaritaville	Secured upon request by the Florida Lottery.
Moon Pie	Made in Chattanooga, Scientific Games secured the brand on behalf of and partnered with the Tennessee Lottery on the promotion.
Moto GP	Secured upon request by ONCE (Spain) Lottery.
NFL Services	We provided lottery services, including fulfillment and interactive services, to support eight NFL games for lotteries, including Connecticut, Maine, South Carolina, Tennessee and New Hampshire.
Negro Leagues Baseball	At the request of the D.C. Lottery, Scientific Games secured the brand, which included an appearance by Negro Leagues Baseball legend, John "Buck" O'Neil, to promote the Lottery's $5 commemorative instant ticket game.

Figure 8-44: Examples of Specific Branded, Proprietary or Licensed Property Partnerships

Property	Partnership
Pac-Man	Secured upon request by ONCE (Spain) Lottery.
Popeye	Secured upon request by the Arkansas Scholarship Lottery for a statewide promotion.
Survivor	Secured upon request by the Hellenic (Greece) Lotteries.
Rubik's Cube	Secured upon request by the Hungary Lottery.

With depth of experience and understanding of state lotteries needs and sensitivities, our marketing staff has the necessary skills to develop the finest proprietary or licensed property promotional campaigns for the Texas Lottery. By working with Scientific Games, the Texas Lottery can tap into our experience, relationships, and proven processes, helping to ease the process of developing and executing these promotional activities.

Prize Fulfillment Services

There is no company better equipped to purchase merchandise on behalf of the lottery. Scientific Games has been purchasing and fulfilling merchandise prizes on behalf of Lotteries for more than 20 years. In 2021 alone, we procured and fulfilled more than 540,000 individual prizes through 202 different lottery programs. Our service goes beyond simply ordering the merchandise the lottery desires. We are a full-service operation that ensures that players receive their merchandise on time and intact. In addition to having full time purchasers dedicated to the procurement of lottery merchandise, we also have a staff of customer service agents that stand ready to help players with any issues they might have from size selection to items getting damaged in the mail. We detail our comprehensive fulfillment services in **Section 8.33.5**.

8.33.5 Non-Licensed Games with Experiential and/or Merchandise Prizes

Non-Licensed Games with Experiential and/or Merchandise Prizes, and Successful Proposer Sponsored Promotions or Contests.

At the Texas Lottery's request, for non-licensed games with experiential and/or merchandise prizes and Successful Proposer Sponsored Promotions or Contests, the Successful Proposer shall be required to provide, in writing, to the Texas Lottery the cost of each game within thirty (30) days of finalizing the proposed prize package. The cost table shall identify the total cost for the prizes and the Successful Proposer's charge for any necessary fulfillment services (including shipping and handling). The executed working papers shall include any specific payment schedules and structures for each game or for multiple games, and any prize fulfillment, promotional or contest services. The Texas Lottery may develop suites (families) of non-licensed games that are included in common experiential and/or merchandise prizes, promotions or contests.

Scientific Games has read, understands and will comply with this requirement.

Prize Acquisition and Fulfillment

As the lottery industry leader in loyalty-rewards and second-chance prize drawing programs, we have a thorough understanding of the types of merchandise and prizes that attract lottery players. We also have the staff, structure and systems to deliver those items. Fulfilling tens of thousands of items for players each year, we rapidly expand our resources to keep pace with the expansion of our programs.

As part of our comprehensive fulfillment services, we handle all aspects of federal and state tax reporting associated with loyalty-rewards and second-chance programs. For prizes that require taxes be withheld or remitted, we will deposit the federal and state withholding taxes and issue the W-2Gs to the winners. We can also provide the Lottery photocopies of the W-2G forms issued to winners.

The Lottery would have approval rights on all merchandise and other items offered as prizes in the program. We have a robust variety of prizes available in our rewards catalog, which could include merchandise in the following categories:

- **Digital Entertainment** – An iTunes®-like digital "store" that features more than six million songs, as well as audio books, magazine subscriptions, movie tickets and more
- **Electronics** – Televisions, tablets, audio equipment, speakers, headphones
- **Apparel** – Golf shirts, leather jackets, hats, sweatshirts, accessories
- **Jewelry** – Fashion and designer watches, necklaces, earrings, pendants, rings
- **Pet Products** – Leashes, collars, water bowls, novelty items, accessories
- **Sporting Goods and Outdoor Equipment** – Footballs, baseballs, fishing gear, exercise equipment, golf and tennis equipment, camping gear, patio sets, gas grills, gardening tools, tool sets
- **Housewares** – Coffee makers, vacuum cleaners, cutlery, blenders, food processors, cookware, comforters, cupcake makers, storage sets, glassware
- **Automotive** – Floor mats, roadside emergency kits, tools
- **Travel** – Suitcases, luggage sets, duffels
- **Magazines** – Subscriptions to popular titles like Fortune, Vogue, Sports Illustrated, ESPN and Time
- **Gift Cards** – Today's hottest brands available in gift cards – including restaurants, entertainment and top stores
- **Lottery Product** – Coupons for lottery products

In addition to fulfilling merchandise and prizes, we regularly fulfill cash prizes for lotteries as well. We have fulfilled on behalf of lotteries cash prizes as low as $25 and as high as $1,000,000. And while we have not specifically had a need to procure an annuity prize on behalf of a lottery, we have the ability to do so. In fact, we are offering a potential top prize of $1 million a year for life annuity in our current lined game offering, and have the means in place to do it.

Figure 8-45 shows an example of the Maryland Lottery's My Lottery Rewards store where players go to redeem points for prizes.

Our merchandise procurement team provides access to a wide array of rewards options. We have fulfilled more than ten million prizes over the years, and we know which items appeal to lottery players. Our suppliers also work with some of the largest rewards programs in the world in other product categories, so we have a direct pipeline to the newest and most popular consumer items.

Fulfillment methods depend on the reward itself. We outline our general fulfillment process in **Figure 8-46**.

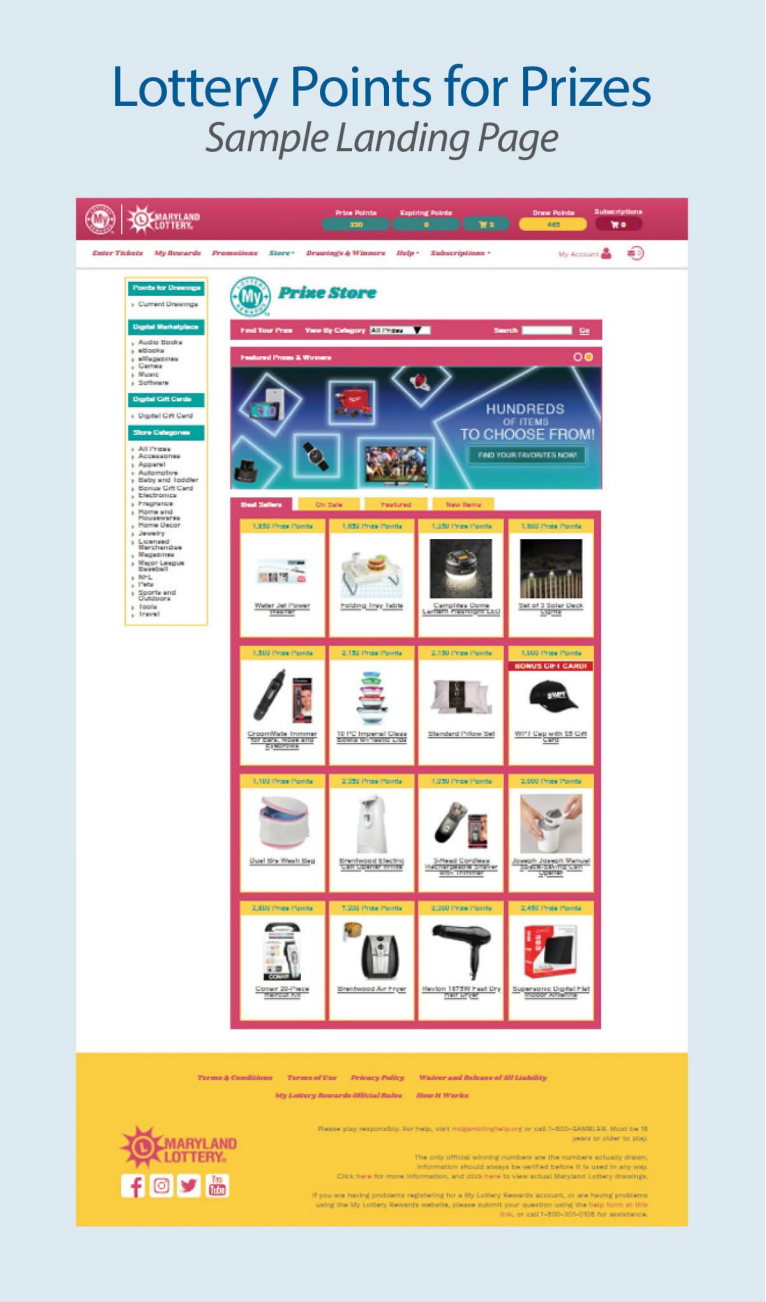


Figure 8-45: Maryland Lottery My Lottery Rewards Store

Figure 8-46: Scientific Games' Fulfillment Process

As an extension of our prize fulfillment services, our Warehouse Dash is an exciting experiential prize your players are sure to enjoy. The Warehouse Dash can be added onto any lottery game(s) or loyalty program as a traditional second-chance drawing promotion where lottery winners have the chance to win a trip to Chicago, Illinois and participate in the ultimate race for rewards. Each trip winner will dash through warehouse aisles of merchandise to grab everything they can fit into their cart. It is the most thrilling 90 seconds of their life.

8.33.6 Automated Scratch Sales Solution

1) *As a specified option the Successful Proposer must provide either an Automated Scratch Sales Solution or a credit value (as used in this section and in Attachment H Cost Proposal, the Credit).*

2) *The Automated Scratch Sales Solution shall be an automated system that integrates with a Retailer's point-of-sale system and the Lottery Gaming System to enable the sale of lottery scratch games using a smart dispensing unit that accounts for, secures and reports on Scratch Ticket sales.*

3) *The Automated Scratch Sales Solution shall meet industry, state and Texas Lottery security standards for transaction processing and reporting, and shall also meet physical security standards necessary to satisfy Retailers that wish to deploy it. The Successful Proposer shall provide Retailers and the Texas Lottery the details of such standards for each installation. Each Automated Scratch Sales Solution shall include a scratch-game smart dispensing unit to be placed at or near the retail checkout counter and a customer-facing display highlighting available Scratch Tickets for sale. The Automated Scratch Sales Solution shall provide sales and inventory analytics to the Retailer and the Lottery Gaming System. The Successful Proposer shall be responsible for the Automated Scratch Sales Solution, including but not limited to, hardware, software, smart dispensers and ongoing maintenance.*

TPIA §552.110/552.1101

4) *The Successful Proposer shall provide all required support and services to integrate, directly or indirectly, the Automated Scratch Sales Solution with the Lottery Gaming System (or any future gaming systems, including system upgrades) and with the Retailer's point-of-sale system. The Texas Lottery will be migrating to a new Lottery Gaming System which will be implemented in three phases with all applications anticipated to be fully implemented by June 30, 2024. The Successful Proposer shall not be responsible for any software and/or programming on the Lottery Gaming System or Retailer point-of-sale system that supports such integration.*

5) *The Successful Proposer shall provide all required support and services to implement and deploy the Automated Scratch Sales Solution. The Successful Proposer shall work with the Texas Lottery to identify and support potential Retailer locations for deployment, and shall work with the Texas Lottery and each approved Retailer to develop a schedule for Retailer rollout. The Successful Proposer shall provide, and the Texas Lottery will approve, any signage, marketing materials, or supplies required to facilitate Lottery sales using the Automated Scratch Sales Solution.*

6) *The Texas Lottery may exercise this Specified Option upon execution of the Contract, and in that event, in each year of the four state Fiscal Year period beginning September 1, 2022 and ending August 31, 2026 (as used in this section and in Attachment H Cost Proposal, the Four-Year Period), the Successful Proposer shall provide the Texas Lottery either (a) an Automated Scratch Sales Solution for three thousand (3,000) units deployed as determined by the Texas Lottery, or (b) the Credit.*

7) *The Credit shall be equal to the cost included in Table 1 of two Scratch Ticket games, with a ticket size of 10"x4", 17 million print run, 25 pack size, including holographic foil stock, two scenes, full UV, continuous 4 color process, and 2 fluorescent inks. The Texas Lottery may apply the Credit to future Scratch Ticket printing services or to other goods and services hereunder, as determined by the Texas Lottery, at any time over the term of the Contract.*

8) *If the Successful Proposer does not propose an Automated Scratch Sales Solution, then in each year of the Four-Year Period the Successful Proposer shall provide the Credit.*

9) *If, for any reason, a proposed Automated Scratch Sales Solution is not deployed, or is only partially deployed, in any month or part of a month during the Four-Year Period, the Successful Proposer shall provide a reimbursement for each unit (of the three thousand (3,000) units) not deployed equal to the unit price in the Cost Proposal. The Texas Lottery may apply reimbursements to future Scratch Ticket printing services or to other goods and services hereunder, as determined by the Texas Lottery, at any time over the term of the Contract. The Texas Lottery and Successful Proposer may mutually agree to apply a reimbursement from a previous Fiscal Year to a planned deployment for an upcoming Fiscal Year.*

10) *In the event the Automated Scratch Sales Solution is deployed for more than three thousand (3,000) units for any Fiscal Year or part of a Fiscal Year during the Four- Year Period, the Texas Lottery will pay the applicable rate specified in the Cost Proposal.*

11) *In addition, the Texas Lottery may continue the deployment of the Automated Sales Solution at Retailer locations past the end of the Four-Year Period, and in that event the cost shall be at the applicable rate specified in the Cost.*

12) *The Successful Proposer is responsible for maintaining all systems, operations and support for each deployed Automated Scratch Sales Solution, and may contract with the Lottery Operations and Services vendor in Texas or another third-party vendor for such services. The Automated Scratch Sales Solution must be operational 365 days (24/7/365) each year. Failure to maintain operation may result in sanctions being applied in accordance with Section 3.54.31.*

13) *At such time as the Texas Lottery transitions to another provider for the Automated Scratch Sales Solution, or a different Solution, the Successful Proposer shall, in good faith and with reasonable cooperation, aid in the transition to any new arrangement and provider, if requested by the Texas Lottery.*

Scientific Games has read, understands and will comply with this requirement.

As a specified option, Scientific Games will provide either an automated scratch sales solution or a credit value (as used in this section and in **Attachment H Cost Proposal**, the Credit).

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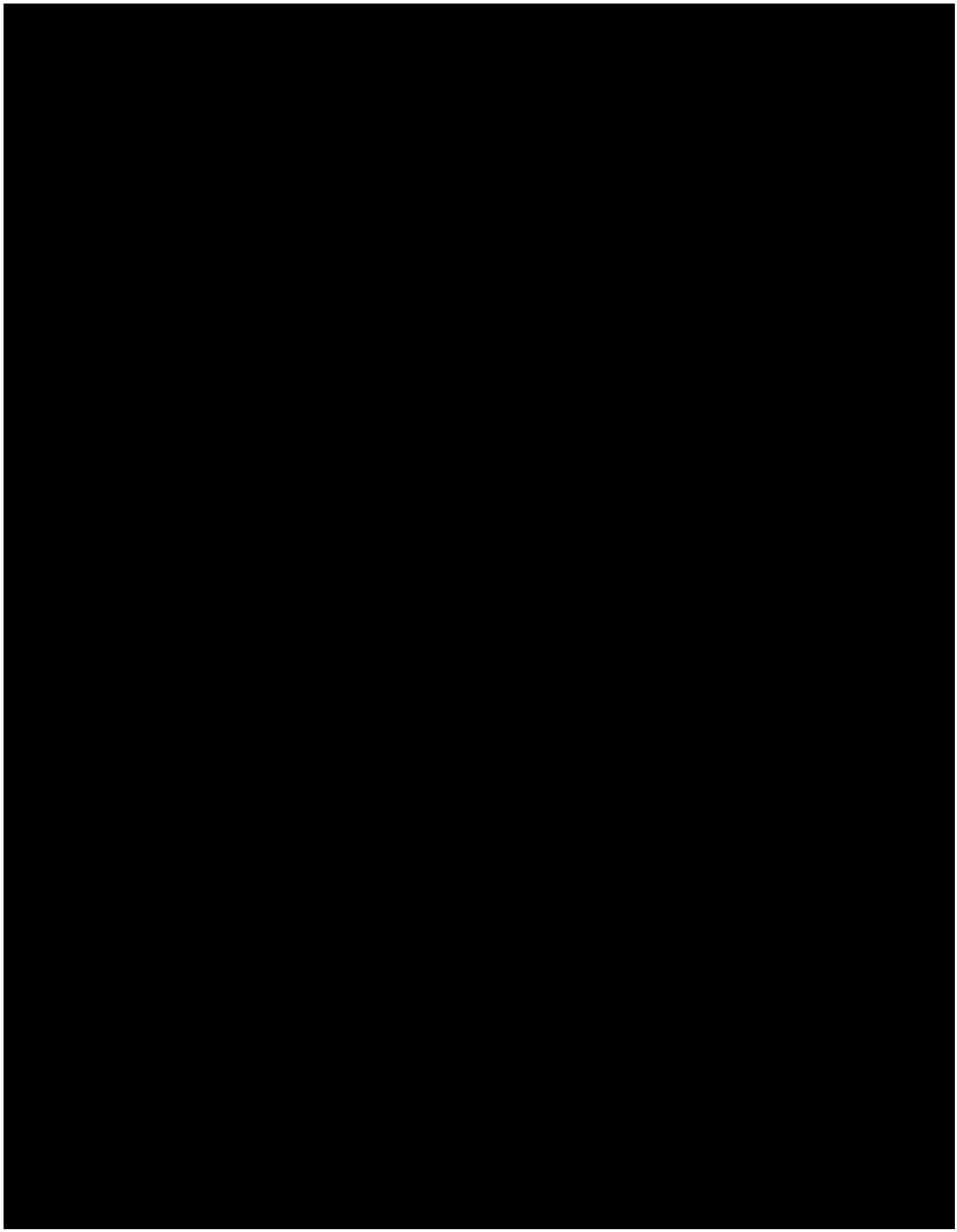
TPIA §552.110/552.1101



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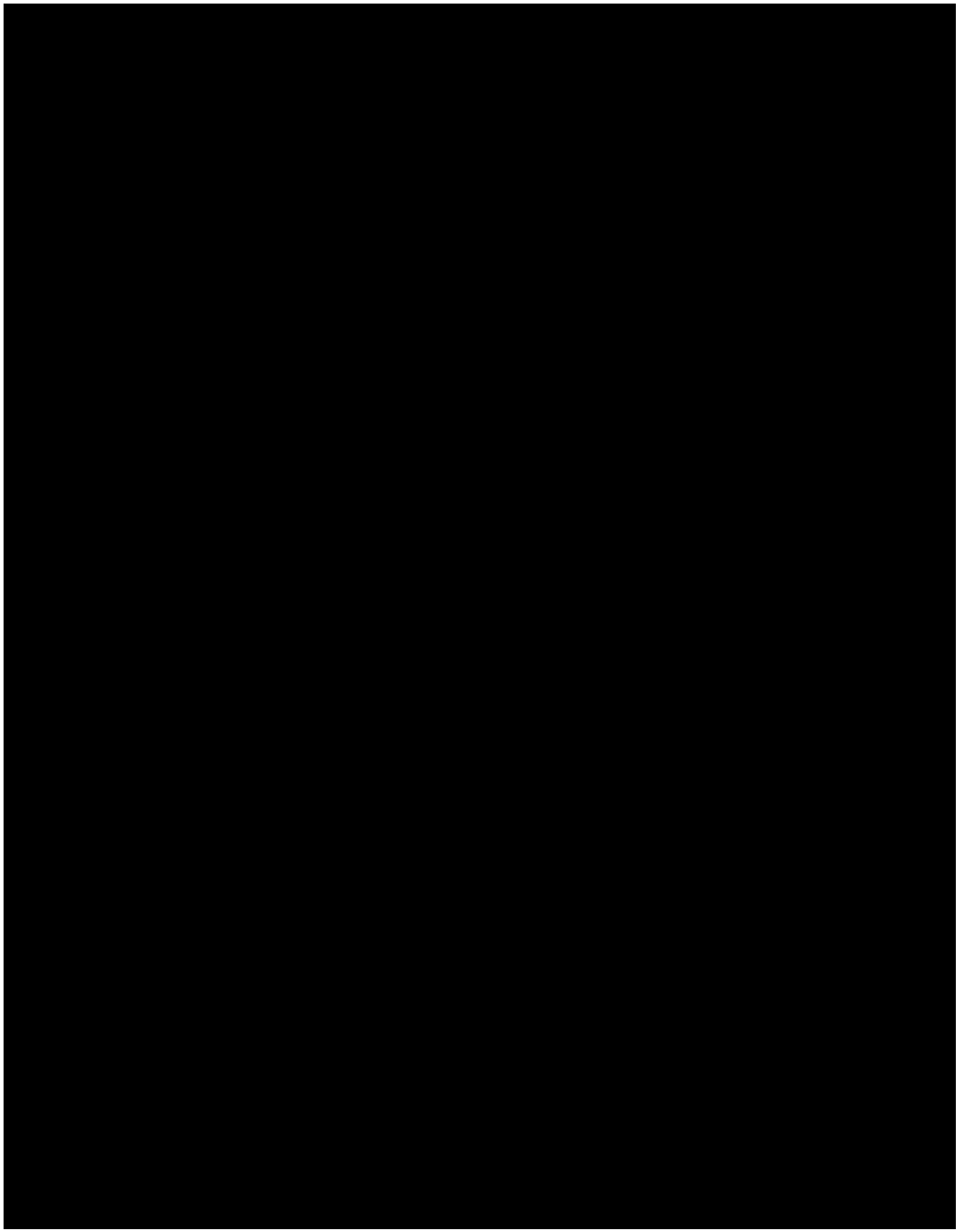

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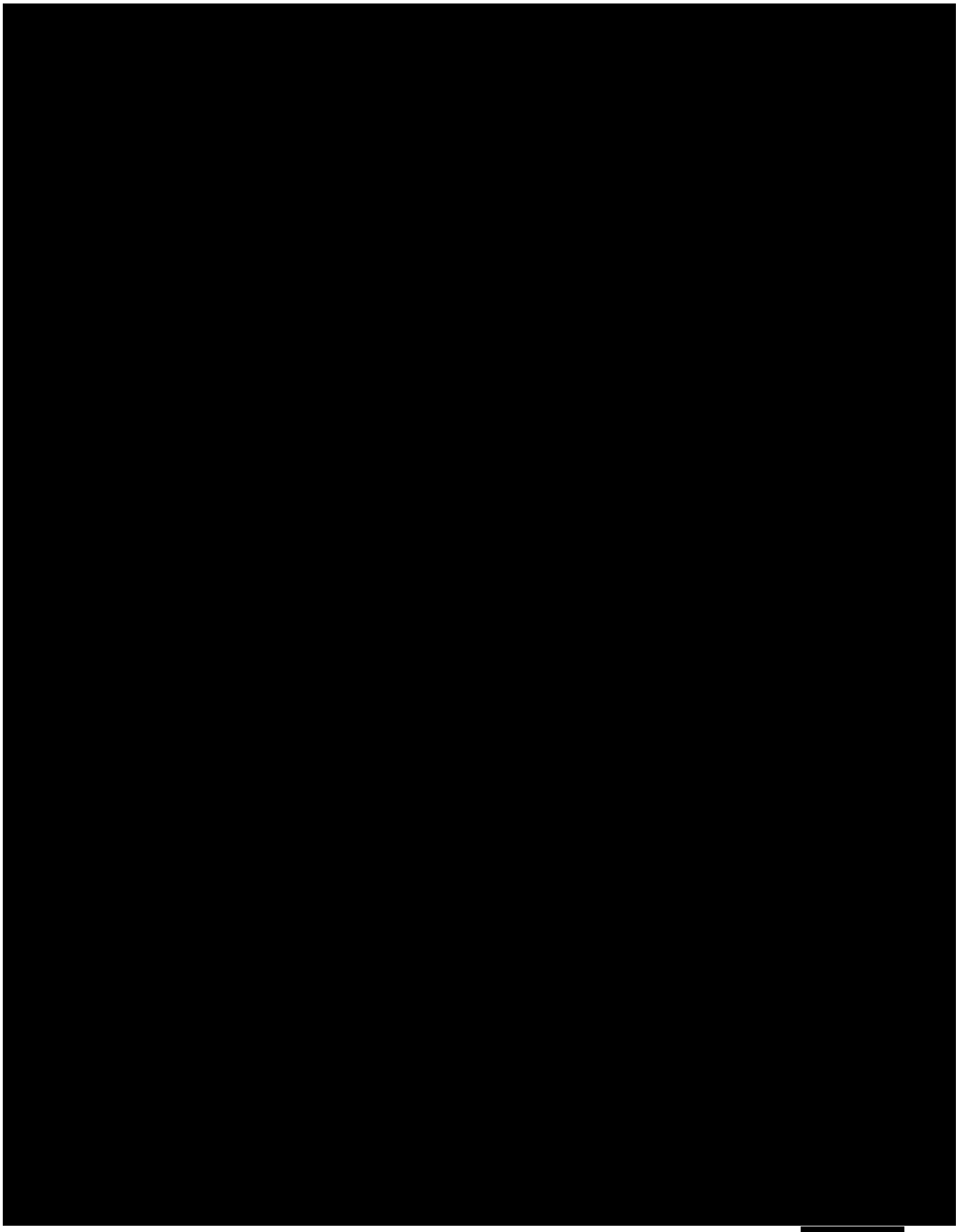

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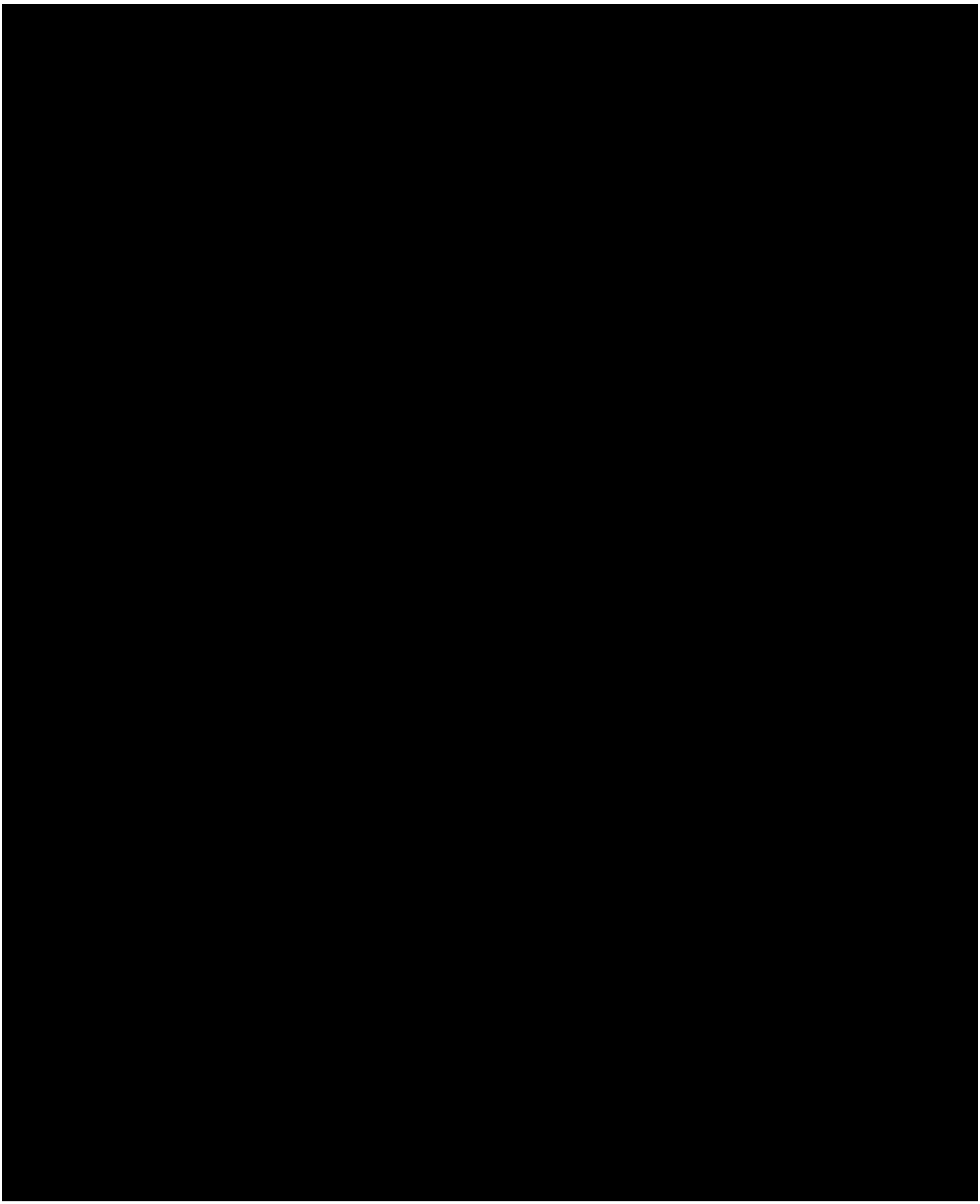

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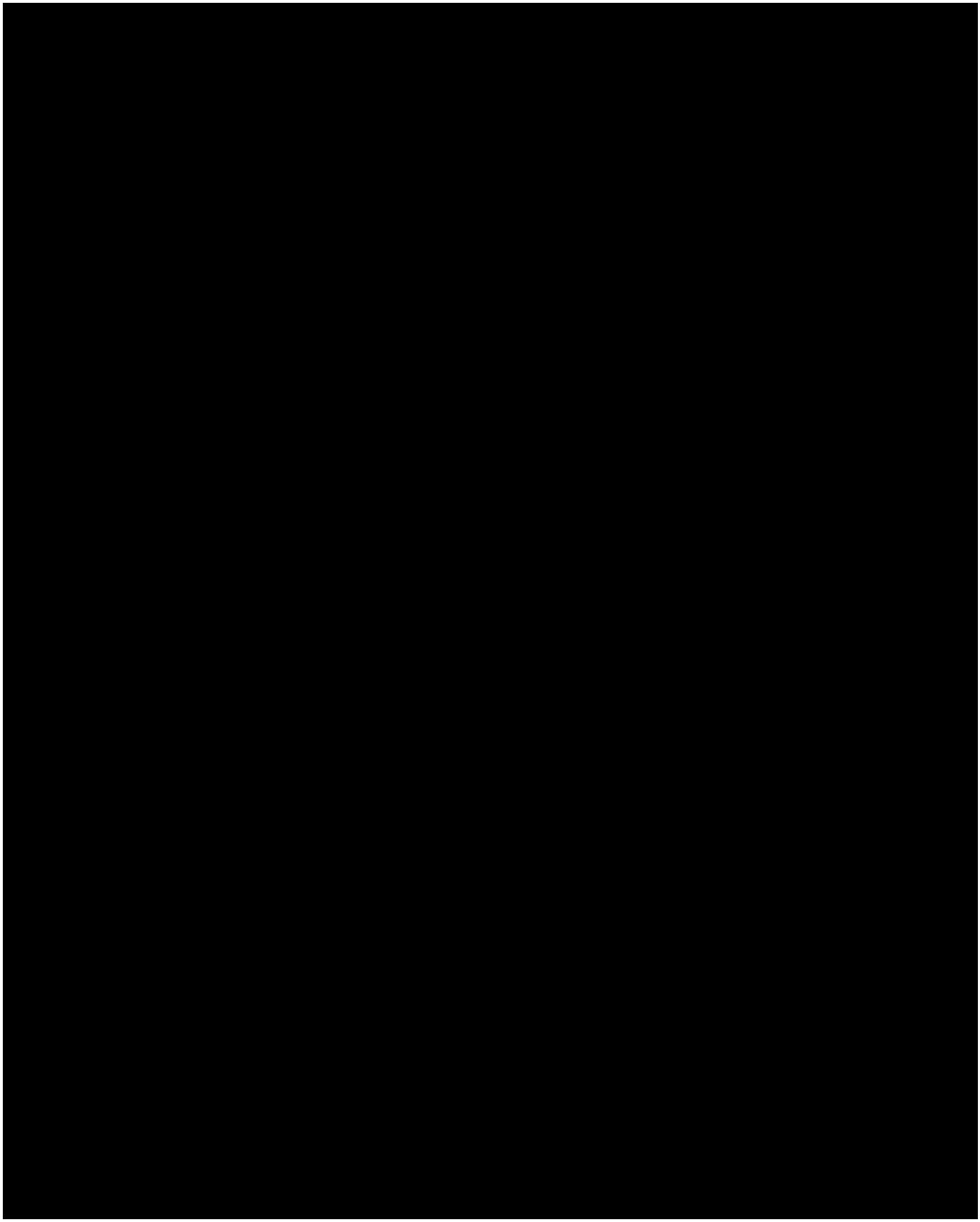

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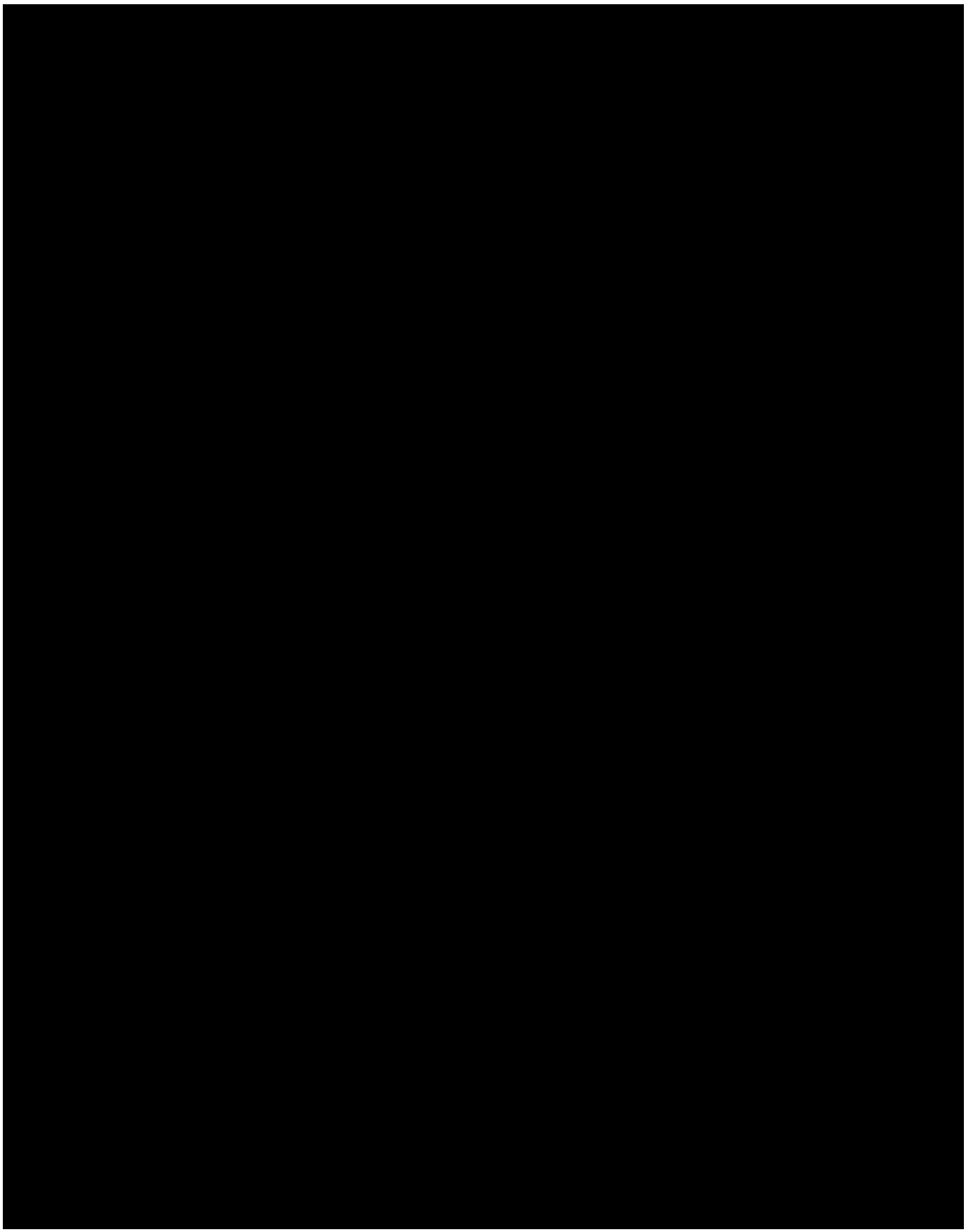

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CONFIDENTIAL INFORMATION ENDS HERE

8.34 Invited Options

An Invited Option is identified as being of specific interest to the Texas Lottery; however, the Texas Lottery makes no commitment to quantity or timing for acquisition. The Proposer is not obligated to include an Invited Option in the Proposal.

As an invited option, Proposers may offer the following scratch ticket manufacturing options:

1) *Die-cut tickets*
2) *Additional inserts in each pack of tickets*
3) *Pouch Tickets*
4) *Holograms*
5) *Continuous image four-color process – unbroken graphic image covers entire ticket including rub-off area.*
6) *Four-color process printing on ticket back*
7) *One (1) additional color printed on ticket back*
8) *Stub tickets with horizontal or vertical perforations with or without imaging*
9) *Scored tickets*
10) *Scented ink*
11) *Break-open tickets with perforated window*
12) *Additional ticket samples*
13) *Four-color game data imaging*
14) *Pull-tab style tickets*
15) *Large panel break-open tickets*
16) *Hourly programming for unique game*
17) *Merchandise fulfillment for non-licensed property games.*
18) *Oversized Tickets*

1. Die-Cut Tickets

Scientific Games can produce tickets in a variety of shapes using special dies. Die-cut games can extend a game theme or enhance its appearance at retail by featuring an interesting and unusual shape. Die-cut tickets are a separately priced **Invited Option**, in addition to the base price.

2. Additional Inserts in Each Pack of Tickets

Scientific Games is capable of inserting a number of different items into packs of tickets. Generally, pack inserts are produced by Scientific Games. However, the Lottery can have inserts printed and shipped to Scientific Games for insertion. Inserts can be as simple as an instant ticket vending machine (ITVM) card for a pack activation card, or more complex inserts that are matched to the pack number. Should the Lottery decide to use additional pack inserts in the future we will be glad to develop the most efficient and effective program for your needs.

Additional pack inserts or activation cards are a separately priced **Invited Option**, in addition to the base price.

3. Pouch Tickets

We have offered PlayPak pouches for a number of years, and they have proven a popular approach to giving players added value. While lotteries often offer them during holiday seasons to encourage gift-giving, you can launch these products any time. Pouches also offer players a product with a value-added proposition that offers more chances to win in proportion to cost than buying the tickets individually. The Lottery can also add coupons, messaging and cross-promotions to pouches to further increase value. Retailers can dispense PlayPak games from current dispensers, eliminating the need to purchase new ones. Our pouch products can also feature a unique barcode and universal product code (UPC) that correlate to the tickets inside. Whether the pouch is made of Mylar or cellophane, the barcode is visible through the packaging. PlayPak games are a separately priced **Invited Option**, in addition to the base price. We include a sample PlayPak game in our **Instant Products Catalog**. See **Section 6.4.1** for a description of our newest pouched product, KaleidoPak™.

4. Holograms

Although Scientific Games does not currently produce holograms, we continually develop new products and services that may interest the Lottery. It should be noted that Jeff Shoumaker is kept abreast of our research and development efforts and all new products that we bring to market. As your Account Manager, Jeff will present new products as they become available.

5. Continuous Image Four-Color Process

MegaColor integrates the display area with the overprint area. This process gives the game a completely seamless look to dramatically increase the visual appeal of the ticket or expand the design options for a game. MegaColor is a separately priced **Invited Option**, in addition to the base price.

6. Four-Color Process Printing on Ticket Back

Scientific Games can print ticket backs using a four-color process, either on its own or combined with additional spot colors. The four-color process ticket back is a separately priced **Invited Option**, in addition to the base price.

-1648-PPPPPP-TTT-

Average chance of winning a prize is 1 in 3.95

Redeem $10, $15, $20, $30, $50, $100, $200, $500 and $550 prizes at any Lottery Retailer. Redeem $2,000 and $5,000 prizes at High-Tier Claim Centers or Lottery HQ. Redeem $10,000 prizes only at Lottery HQ: 777 Brook Street, Rocky Hill, CT 06067, Monday - Friday 8:30am - 4:30pm.

Lottery tickets are bearer instruments. Winning tickets must be validated within 180 days from announced end of this edition of the game. Ask Retailer for details, call (860) 713 - 2700 or visit us at ctlottery.org.

6 74732 01648 8

Use your GameSense

IF YOU OR SOMEONE YOU CARE ABOUT HAS A GAMBLING PROBLEM, CALL 1-888-789-7777

To establish ownership, please write name and sign ticket. ***IF MAILING*** a claim, include NAME/ADDRESS/TELEPHONE/SIGNATURE and Social Security Number for age verification purposes. **Purchasers must be 18 years of age or older.**

Not responsible for lost or stolen ticket. CT Lottery Official Procedures & Regulations apply. Some prizes, including the top prizes, may have been sold at the time of ticket purchase. Odds vary during game. Persons altering ticket subject to prosecution. Wagering on credit is prohibited.

CONNECTICUT LOTTERY CORPORATION

PRINT NAME_____

PRINT ADDRESS_____

_____

SIGNATURE _____

TELEPHONE NUMBER*_____

TAX ID/SOCIAL SECURITY NUMBER*_____

*For Claims greater than $599 and MAIL-IN Claims Only

GAME NO. 1648

FailSafe®

CONNECTICUT LOTTERY 2022 (ctlottery.org)
KEEP CONNECTICUT CLEAN, DON'T LITTER.

SGI

RECYCLABLE PAPER 8.0" x 4.0"

-1648-PPPPPP-TTT-

SCIENTIFIC GAMES

7. One Additional Color Printed on Ticket Back

Scientific Games can print an additional color on the back of the ticket. One additional color on the ticket back is a separately priced **Invited Option**, in addition to the base price.

8. Stub Tickets with Horizontal or Vertical Perforations With or Without Imaging

More than 25 years ago, Scientific Games developed and produced the first Scratcher lottery ticket with a stub feature. We can perforate the stub portion of a ticket at the top, bottom or either side. We can also print perforations horizontally or vertically, and we can include scratch-off coatings if desired. Our extensive experience with complex imaging also enables us to add significant value to the stub feature by printing the stubs with extra plays with their own validation barcodes, unique internet passcodes or coupons. Stubs can enhance promotional campaigns and support VIP Club initiatives or second-chance drawings. Ticket stub games are a separately priced **Invited Option**, in addition to the base price.

$5
2ND CHANCE
MUCKLESHOOT
CASINO
SLOTS
TWO LOTTERY 2nd CHANCE DRAWINGS!
FINAL ENTRY DATE 7/29/18
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown for that number. Get a "2X" symbol, win 2 TIMES the PRIZE shown. Get a "5X" symbol, win 5 TIMES the PRIZE shown. Get a "10X" symbol, win 10 TIMES the PRIZE shown!
Enter 2nd Chance drawings ONLY at seconddchance.walottery.com
WINNING NUMBERS
YOUR NUMBERS
WIN UP TO $50,000!
000
WIN UP TO 15 TIMES!
Redeem ONLY at MUCKLESHOOT CASINO which is a licensed Lottery retailer.
See back of ticket for redemption instructions.
Scratch entire FREE PLAY area. Reveal "WINNER" and win FREE PLAY at MUCKLESHOOT CASINO.
FREE PLAY
FREE PLAY REDEMPTION IS LIMITED TO 10 STUBS PER PLAYERS CLUB MEMBER PER DAY.
MUCKLESHOOT CASINO

9. Scored Tickets

Including a score or crease in a ticket can make folding them easier, which is important for larger tickets or gift card holders. Scored tickets also work well for games that require legends or directions that may not fit on the front side of a game, such as the ranking of poker hands. We call this feature FlipTop™. We can print the information on the ticket back with a score so players can fold the ticket and reference the information during gameplay. Players will appreciate this added convenience along with the extra room for more play spots—and more chances to win. We can provide a single score, double score, half score or quarter score. Scored tickets are a separately priced **Invited Option**, in addition to the base price.

10. Scented Ink

Complementing a game design with a scent increases the sensory appeal of the play experience. The success of the popular New Hampshire Lottery Commission bacon-scented ticket took advantage of a pop culture trend, adding to the appeal of the game, and provided a creative hook that garnered positive media awareness. More traditional theme and scent combinations—such as chocolate for Valentine's Day games, floral for Mother's Day games, and evergreen, peppermint or spice for holiday games—also memorably enhance the play experience. With access to hundreds of scents, we are highly experienced in designing games that use scents to complement themes for novel and entertaining instant games. Scented inks are a separately priced **Invited Option**, in addition to the base price.

11. Break-Open Tickets with Perforated Window

Pop n' Pak games have four-color perforated panels that print on both sides, popping open to reveal the play action beneath. With their distinctive foldout design, Pop n' Paks yield an impressive, high-quality feel with increased play value. Making them available in single, double and double plus formats, we can customize Pop n' Paks to fit specific themes and price points. We first introduced the single Pop n' Pak games to Europe in 2010 and our lottery partners have continued to experience tremendous success with them. Since 2010, Hungary, Bulgaria, Netherlands, Czech Republic, Slovakia, Slovenia, Finland, Denmark, Luxembourg, Switzerland, Loto-Québec and Western Australia have all found success with Pop n' Pak-style games.

The Hungarian Lottery Szerencsejáték Zrt. launched the break-open-style game Buksza in 2011. In the first three months of sales, Buksza doubled scratch ticket revenues in Hungary. After being in the market for two years, sales averaged $300,000 per week, or €1.2 million. Buksza is now a key base game for the lottery, representing more than 40% of total Scratcher ticket revenue, and it has lifted the Scratcher ticket contribution in this mostly draw-game-based market.

When player tested, Pop n' Pak products were a hit across all Scratcher segments:

- "Wow, I like it. It has so many games to play!"
- "I love how this feels in your hand. It has weight."
- "Is this really how it would be? It seems like it would make a good gift. It feels expensive."

Considering the tactile experience and difference in market the Pop n' Pak provokes, it inaugurates itself at a $5 or higher price point. If launched at a $5 price point, the single format Pop n' Pak should generate interest from all Scratcher segments. This leaves plenty of room for future growth with other Pop n' Pak formats and advances in the production and dispensing process.

The Texas Lottery was the first U.S. jurisdiction to launch a Pop n' Pak product. Their $20 Super Break the Bank double Pop n' Pak launched on October 3, 2016, and we pouched it for distribution reasons. First-week sales were 50% higher than the average of seven other $20 games launched since July 2015 and remained the highest of the seven other games over the first eight weeks. Ohio and Georgia followed suit with Break the Bank concepts of their own.

Pop n' Pak games are a separately priced **Invited Option**, in addition to the base price.

SZERENCSEJÁTÉK ZRT.
10 játékkal 10 esély a nyerésre!
Buksza
Főnyeremény:
50 000 000 Ft
ÖTSZÁZ FORINT
500
1,675 milliárd Ft össznyeremény!
EZER FORINT
1000
ÖTEZER FORINT
5000
TÍZEZER FORINT
10000
HÚSZEZER FORINT
20000
Itt kell kinyitni!
0918-0001-0000000-0000

Single Pop n' Pak

Double Pop n' Pak

Double Plus Pop n' Pak

Mega Pop n' Pak

12. Additional Ticket Samples

If requested by the Lottery, Scientific Games can provide additional ticket samples. Cost per thousand for additional ticket samples is a separately priced **Invited Option**, in addition to the base price.

13. Four-Color Game Data Imaging

Three- or four-color imaging combines black with two or three colored imaging inks. Lotteries often use this technique to enhance a particular play action. We can image play symbols in black, blue, yellow, gold, red, green and purple. Three- or four-color imaging is a separately priced **Invited Option**, in addition to the base price.

14. Pull-Tab Style Tickets

Scientific Games does not offer a pull-tab style ticket option. Please reference our break-open products for alternative solutions.

15. Large Panel Break-Open Tickets

Break-open games are a fun, innovative way to reveal the play area on a Scratcher Game. Instead of scratching the ticket to reveal play symbols, players lift—or break open—perforated, die-cut windows. Because advent calendars also use this technique, lotteries most often sell break-open tickets with holiday season themes. Other popular themes include casino games and treasure hunts, both of which involve collecting various symbols to win. Break-open games are a separately priced **Invited Option**, in addition to the base price. We include a sample break-open game in our **Instant Products Catalog**.

Calendrier de DECEMBRE
GAGNEZ JUSQU'À 25.000€
CASINO
TOP PRIZE OF $00,000
SCIENTIFIC GAMES
PULL and SCRATCH each games
GAME 1
GAME 2
GAME 3
GAME 4
GAME 5
GAME 6
GAME 7
GAME 8
BONUS
PRIZE
LEGEND
YOUR NUMBERS
WINNING NUMBERS
444444-444

16. Hourly Programming for Unique Game

Scientific Games will provide the necessary programming for unique games. We have provided the hourly rate for this service in our separate **Cost Proposal**.

17. Merchandise Fulfillment for Non-Licensed Property Games

As described in **Section 8.33.5**, Scientific Games can provide merchandise fulfillment for non-licensed property games, in addition to the base price.

18. Oversized Tickets

Scientific Games places a high premium on consumer research. Players consistently request that we make things bigger—bigger play area, bigger play spots, bigger play symbols, bigger play instructions and bigger prizes. To capitalize on this opportunity, Scientific Games developed Gigantix, our oversized tickets that add more space for games—and more chances to win. These tickets can range in size from 8" x 8" to 12" x 8". We can also print the ticket back with our four-color process, giving the Lottery a perfect platform to deliver any relevant messaging in a highly impactful way. Promotional messages, players club information, stories about where the money goes—the oversized back of a Gigantix ticket gives lotteries plenty of room to deliver all these messages and more.

Now, Gigantix games are available for extended play and Scratch My Back options. Players can experience even more play value at a price point they will love. We provide a sample Gigantix ticket in the following clear sleeve. Gigantix is a separately priced **Invited Option**, in addition to the base price.

$10

OHIO LOTTERY

SLOTS OF FUN

WIN UP TO $500,000!

SCRATCH THE BACK FOR MORE CHANCES TO WIN!

777 BLAZING®

Reveal 3 identical symbols in the same SPIN, win the PRIZE shown for that SPIN. Reveal 2 identical symbols plus a ($$$) Triple Dollar Sign symbol in the same SPIN and win TRIPLE the PRIZE shown for that SPIN. Reveal a (HOT) symbol in the BONUS SPIN and win $50 automatically!

BONUS SPIN

QuickHit®

Reveal 3 identical symbols in the same SPIN, win the PRIZE shown for that SPIN. Reveal a ( ) Stack of Coins symbol in any of the SPINS, win $100 automatically!

JACKPOT PARTY®

Reveal 3 identical symbols in the same SPIN, win the PRIZE shown for that SPIN. Reveal 2 identical symbols and a ( ) Double Cherry symbol in the same SPIN and win DOUBLE the PRIZE shown for that SPIN. Reveal 2 identical symbols and a ( ) Present symbol in the same SPIN and win 5 TIMES the PRIZE shown for that SPIN!

6 70656 10709 7

709-VØID55-020-1

Front & Back Played Separately.

709-VØID55-020-1

88 FORTUNES

Reveal 3 identical symbols in the same SPIN, win the PRIZE shown for that SPIN. Reveal 2 identical

SPIN 06		PRIZE
SPIN 08		PRIZE
SPIN 16		PRIZE
SPIN 17		PRIZE

$10

MINNESOTA LOTTERY

VOID19-VOID

the Game of LIFE™

SEE TICKET BACK FOR PLAY INSTRUCTIONS.

START

START CAREER

RENT AN APARTMENT

GO HIKING

PAY DAY

BABY GIRL!

GET MARRIED

FAMILY VACATION!

PAY DAY

PLAY LOTTERY

THROW A PARTY

BUY HOUSE

PAY DAY

PAYDAY prizes cannot be used towards a match 3 win.

HELP HOMELESS

GET A RAISE!

REMODEL HOME

TAXES DUE

PAY DAY

TROPICAL VACATION

UPGRADE COMPUTER

JOIN HEALTH CLUB

PAY DAY

NEW CAR

INVEST

PAY DAY

DONATE TO UNIVERSITY

MAKE NEW FRIEND

PAY DAY

BUY SUMMER HOME

PAY DAY

YOUR SPINS

1 2 3 4 5 6 7 8 9 10

2ND CHANCE

SCRATCH TO REVEAL CODE

8.35 Offered Options

Recognizing that the lottery industry is dynamic and that technology will *change, the Texas Lottery* will*, on a continuing basis, evaluate the most cost effective, reliable, market oriented and secure operations. The Texas Lottery does not intend to limit the creativity of the Successful Proposer from bringing forward new products or product enhancements not described in the RFP. Proposers are encouraged to* describe *offered options for other types of ticket manufacturing technology and specialized games.*

The Scientific Games team wishes to acknowledge the forward-thinking posture of the Texas Lottery in recognizing the dynamic nature of the instant games landscape. The reality of continuously emerging opportunities for new games and product options for future deployment creates potential need for rapid marketing plan adjustments. The approach the Texas Lottery has outlined in **Section 6.3.6**—to not limit itself creatively and invite the evaluation of future vendor options for new games enhancements on an as needed basis, is a wise and flexible one. We believe it demonstrates the Texas Lottery's openness to appropriately adjusting contract terms to ultimately ensure the Lottery's ability to adapt new vendor initiatives that augment the Lottery's portfolio of products in a way that is commensurate with evolving market demands.

Scientific Games recognizes that the lottery industry is dynamic and that technology will change. We also recognize that as your partner, we must continually invest in innovation. Players are always looking for something new and the competition for entertainment dollars grows every day. As such, Scientific Games has dedicated a team of professionals whose entire job is to create new and exciting options for our customers. We understand that the Texas Lottery will, on a continuing basis, evaluate the most cost effective, reliable, market oriented and secure operations. We acknowledge that The Texas Lottery does not intend to limit the creativity of proposers to bring forward new products or product enhancements not described in the RFP.

These include, but are not limited to, categorically different service obligations, and new technology enhancements. Scientific Games is prepared to offer new technology, options or systems that become available in the future as an offered option. For any additional items/services required by the Lottery, not already included in the contract pricing, the Lottery and Scientific Games will negotiate for additional compensation.

In this section, Scientific Games presents the following offered options:

- **Instant Ticket Offered Options** – Features, technology and specialized games not specifically required in the specified or invited options sections.
- **Instant Product Category Management** – Scientific Games Enhanced Partnership (SGEP) represents a new level of full category management and support that can drive the Texas Lottery's instant product success to new levels. Quite simply, this customizable program will deliver a level of partnership and support greatly surpassing anything the Texas Lottery has experienced to date with the instant product.
- **Infuse Business Intelligence (BI) Solution** – As part of our SGEP offered option, we would also offer the Texas Lottery the option of our Infuse BI solution as a separately priced offered option, which connects all Texas Lottery stakeholders to data-driven insights aligned within their business needs and objectives.

- **Route Management** – The Texas Lottery can maximize growth opportunities and drive Lottery category management efficiencies for key chain retailers and retailer association groups. Working with these associations offers a multitude of opportunities to promote the benefits of becoming a licensed Texas Lottery retailer, as well as opportunities to affect large numbers of existing retailers by providing targeted communications and effective point-of-sale pieces, lottery product education and merchandising tools to help members drive their lottery sales. We will work with the Lottery to leverage these relationships.
- **Destruction of Tickets for Closed Games** – Scientific Games offers two options for destruction services to the Texas Lottery for closed games. We have provided a description of our process for the transport and destruction of returned instant tickets of closed games at either our Alpharetta facility or an appropriately certified in state option.
- **SalesMaker™** – SalesMaker is a retail enhancement program centered around training and merchandising designed by Scientific Games to help retailers understand the power and value of lottery in drawing their business.
- **PlayCentral® Self-Service Vending** – Our PlayCentral® portfolio of self-service terminals utilizes state-of-the-art technologies to provide attractive, easy to use, efficient, scalable, and reliable delivery of games for all players. The PlayCentral® HD will support all current and future Lottery instant and draw games, while the PlayCentral® EX is a smaller footprint draw-only self-service kiosk.
- **gemSuite** – Scientific Games, with its lottery management solution specialist, is revolutionizing the lottery back office with its gemSuite™ platform of agile software applications. The gemSuite includes gemIntelligence®, Retail Relationship Management/Sales Force Automation; gemRetailer™, a Retailer Reporting and Information Portal; and gemEnterprise™ Back Office comprised modules for lottery back office operations (Paperless Retailer Licensing, Claims and Payments, Retailer Management and Billing, Security and Investigation Management, Complaints Management and Accounting.
- **InComm Gift Cards** – Scientific Games can offer the Texas Lottery closed-loop gift cards for sale through the extensive InComm distribution channel. This will provide distribution into existing Texas Lottery retailers, but more importantly, it will open up new distribution into bigbox, drug and general merchandise retail stores that are not currently Lottery retailers.
- **Interactive Promotional Games** – Scientific Games can support the Texas Lottery with interactive games delivered to players in a for fun or second-chance capacity. Scientific Games pioneered the use of interactive second-chance promotions, promotional games and unrestricted for fun games that offer innovative ways for lotteries to engage with players and connect the retail experience to digital. As a result, we have become the leading provider of lottery digital extended play experiences offered in conjunction with traditional retail games.
- **NextGen Loyalty** – A player loyalty program that may include: a players club with a registration site, second-chance promotional games, play-for-fun games, Play It Again™ drawings for cash prizes, and the Points for Prizes® rewards program.
- **Next Generation Mobile Application** – The next generation mobile application is a native app solution that will provide a much more responsive and intuitive user experience compared to other types of mobile applications typically offered by lotteries. In addition to a superior user experience, our next generation solution is able to leverage native device capabilities, such as biometric login (touch ID, facial recognition, etc.), to improve the user experience.

- **Digital Coupons** – Scientific Games can support the Texas Lottery with bar coded electronic coupons that interact with the Lottery's validation equipment and are delivered to player's digitally through desktop, mobile and/or email.
- **Customer Relationship Management (CRM)** – Our Growth Marketing team of retention marketing experts offers the Texas Lottery expertise and operations management with turnkey, full-service CRM solutions. This includes implementing and managing an industry-leading CRM software solution, Optimove. Through the Texas Lottery website, second-chance program, and mobile application integration, as well as the use of the extensive information in the data warehouse, the lottery will be able to create custom behavioral-based, automated, scheduled, and ad hoc communications with your loyal players via player preferred channels.
- **iLottery** – These are the online, interactive versions of the same instant games that Scientific Games traditionally delivers in paper form. Utilizing the same processes and controls applied in the printing of physical tickets, interactive EIT's pick up the process right before the games go to print and adapt them to the internet channel.
- **Sports Betting** – A complete sports betting solution including the most flexible and customizable platform in the market designed to deliver a seamless, omni-channel sports betting experience.

Future Technology

Recognizing that the lottery industry is dynamic, and that technology will change, the Texas Lottery and Scientific Games, on a continuing basis, will evaluate the most cost-effective, reliable, market-oriented and secure products. As part of this process, we understand that the Lottery may require us to incorporate new technology or products that become available in the future and that changes and enhancements that exceed RFP and contractually specified requirements (and which are not otherwise accommodated for in this RFP or by the pricing method in the RFP) will have the terms and price negotiated and approved by both parties, or be subject to a separate agreement, under this offered option for future technology solutions. These include, but are not limited to, categorically different service obligations, new technology enhancements, and products not currently allowed by all applicable laws. Scientific Games is prepared to offer new technology, options or products that become available in the future as an offered option. As we continually monitor the market, we will develop, prepare and submit technology enhancement change proposals periodically over the course of the contract term. We will meet with the Lottery to discuss any potential technology enhancements as they arise. We acknowledge that the Lottery will have the option to procure these items/services via a mechanism set forth in the resulting contract.

For any additional items/services required by the Texas Lottery, not already included in the contract pricing, the Lottery and Scientific Games will negotiate for additional compensation.

TPIA §552.110/552.1101

Instant Ticket Offered Options

Within the following sections, we describe the offered ticket options. We will demonstrate new features for the Texas Lottery as new game enhancements and options are developed.

CONFIDENTIAL INFORMATION BEGINS HERE

CONFIDENTIAL INFORMATION ENDS HERE

Proprietary Play Styles

Scientific Games commits significant resources to the development of new play actions so that our clients can offer choices that appeal across player segments. Each proprietary playstyle is a separately priced **Offered Option**, in addition to the base price.

The following list gives our currently available proprietary play actions:

- Go-To® Play Action
- BinGO!™
- Big Bingo
- Match & Win™
- Roulette
- Secret Cypher
- Lucky Dice, Lucky Numbers, Lucky Card Cash, Golden Spin Play Action
- Double Win
- Lucky Colors
- Money Drop
- Three Card Poker
- Block-O
- Extreme Numbers
- Word Search™
- Dominoes
- Texas Hold 'Em®
- Elimination
- Linked Play
- WordMaze™

Go-To® Play Action

A number of lotteries have used this successful play action to add entertainment and variety to extended play products. Players begin by scratching a START box on a grid. This reveals the next coordinate for the player to scratch. As players move from box to box as directed by the coordinates, they continue to collect symbols. If they collect enough like symbols identified in the legend, they win the corresponding prize.

BinGO!™

Using our proprietary Go-To play action, our player-friendly, action-packed BinGO! puts a welcome twist on the traditional bingo game. With BinGO!, there is no need for a caller's card since each scratch on the bingo card directs players to the next play spot. This gives lotteries more space to create engaging themes and callouts while adding more play value. Lotteries can also offer lower price point bingo tickets to create a family of BinGO! games, great for attracting more players.

Big Bingo

This patented playstyle creates a new kind of excitement for bingo players—using all bingo numbers, from B-1 to O-75, to more closely emulate a real bingo game. It also allows for variable imaging of prizes to add a unique twist from the standard bingo game.

Match & Win™

Match & Win provides fun, easy-to-understand extended play. The game's simple playstyle and multiple winning opportunities position it nicely between simpler traditional instant games and more involved extended play games. As one player put it, "Match & Win is the best of both worlds." The playstyle offers chances to win at the bottom of every column and the end of every row. Seeing all the different chances to win makes the game seem winnable and fun to play. Players can win low- and mid-tier prizes by completing any of the columns, and they can win higher-tier prizes by completing any of the longer rows. Match & Win uses ClearMark to easily identify the winning play spots.

Roulette

Players constantly tell us they want instant games that emulate the real play action of board and casino games. Our new Roulette game, featuring our Match & Win proprietary play action, does just that. With the red and black numbers laid out in similar placement to a real roulette table and a chance to win with numbers and colors, this game transports players right into the action. Roulette also offers a hybrid play action with crossover appeal to core players who look for the realism of the action found at a casino, as well as players who look for extended involvement in an instant lottery game.

Secret Cypher

Based on our extensive research with lottery consumers, we know that players who treasure extended play games enjoy them mostly for their more engaging interaction. Developed by the Scientific Games Dream Team, Secret Cypher offers players the perfect gem. Anticipation builds as players scratch off the Secret Symbols to reveal icons that then help them uncover the letters to decode the Secret Words and finally the words in the crossword grid. Using Scientific Games' proprietary SureMark marking system, lotteries can now offer more intrigue and excitement to their extended play game lineup.

Lucky Dice, Lucky Numbers, Lucky Card Cash, Golden Spin Play Action

This exciting play action offers consumers added entertainment value. The roll needed, card needed or number needed varies not only from game to game on each ticket but from ticket to ticket, ensuring that anyone who purchases more than one ticket at a time plays for unique roll and number requirements. The Michigan Lottery used this game with a Lucky Numbers theme; it sold out in just seven weeks.

Double Win

Looking for a win-win opportunity? Double Win takes the familiar tic-tac-toe play action to a new level by adding twice the prizes. When players reveal matching symbols in a vertical, horizontal or diagonal line in the center grid, they can scratch the prize wedges on each end of the line to get two prizes.

The traditional tic-tac-toe play action of Double Win offers familiar fun for players, while the dual-prize opportunity provides an exciting twist. Focus group testing revealed that players loved the new playstyle, ticket design and distinctive wheel graphic.

Lucky Colors

Lucky Colors takes the basic match-three playstyle and adds an additional play action to give more ways to win. Players can win by matching the same three symbols within a row or by matching two, three or four symbols of the same color. This game can provide greater value for a lower price point game.

Simple and straightforward, yet offering multiple chances to win, Lucky Colors is clever and has broad appeal. In focus groups, players liked its dual play action and found the ticket's bright colors alluring.

Money Drop

Money Drop takes players on a fun top-to-bottom journey in search of cash rewards. Players start by scratching the top portion of the ticket to reveal their DROP NUMBERS. Next, they scratch off the corresponding numbers in the play area. If they make a continuous top-to-bottom chain, they win the prize designated at the bottom of the chain. Money Drop delivers a value-enhanced, extended play experience. Focus group participants liked that it was easy to understand and play.

Three Card Poker

We have taken this popular, high-energy casino-style game and transformed it into an instant game format. This game matches players against the dealer to determine who has the best three card poker hand for 16 chances to win. In each hand, players start by scratching off the PLAYER'S CARDS to reveal their three card poker hand. Next, they scratch the DEALER'S CARDS. If the PLAYER'S CARDS outrank the DEALER'S CARDS, players win the prize amount for that hand. If the PLAYER'S CARDS contain a pair or better, players then scratch the Bonus spot for an additional chance to win. We use dual-color imaging to highlight the red heart and diamond suits. We can also pair this game with our FlipTop feature, locating the ranking of the hands on the ticket back for easy reference.

Block-O

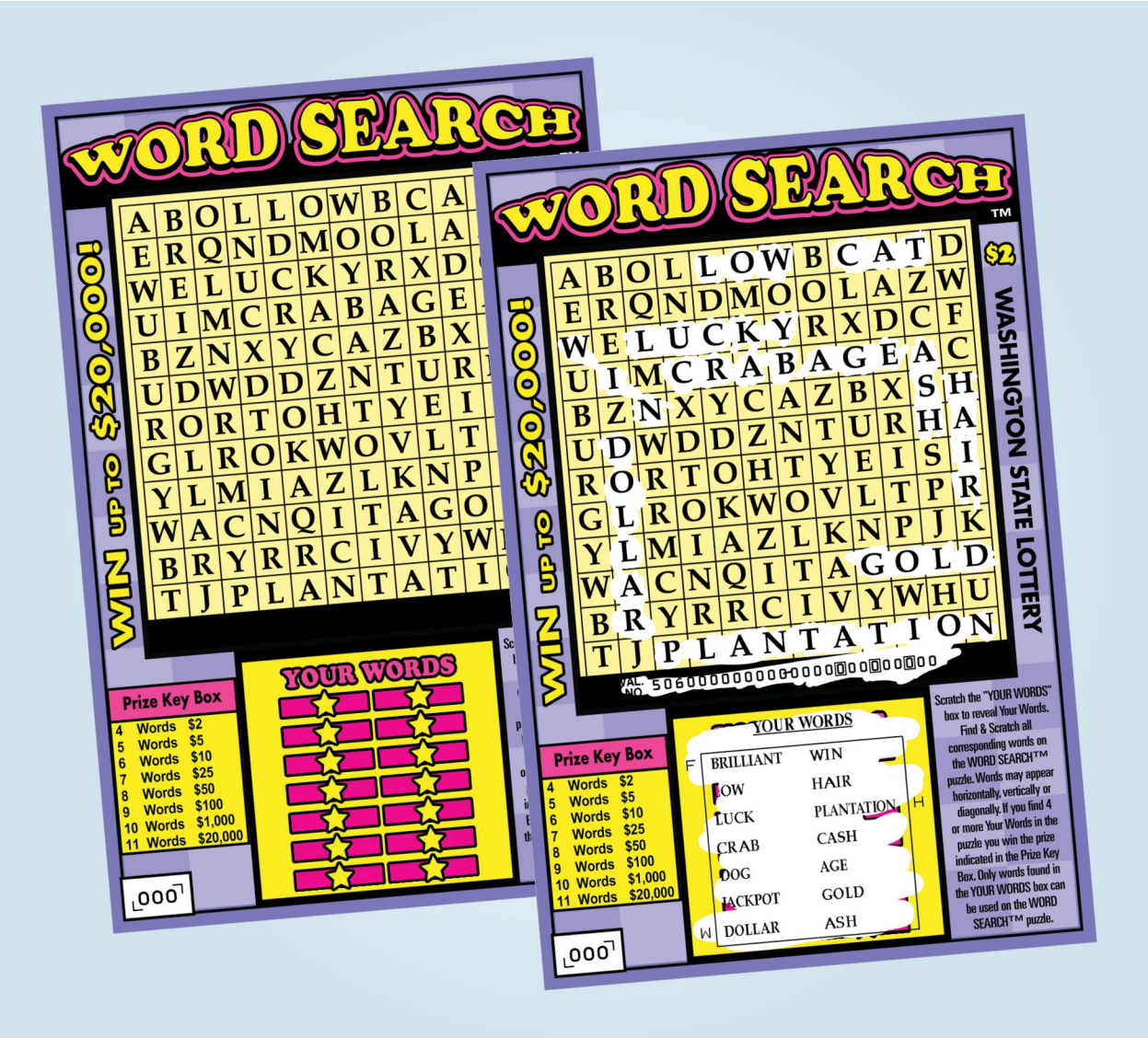
Players search for cash prizes in this brightly colored block grid numbers game. Block-O uses Scientific Games' patented ClearMark marking system to easily indicate the scratched play spots as players try to block out the surrounding spaces around the eight prize boxes. This new play action can add variety to your traditional extended play options.

Extreme Numbers

Extreme Numbers lets players add up the fun for multiple chances to win big. This bright and colorful game includes two play areas. Players get nine chances to add their numbers together to beat each corresponding EXTREME NUMBER in GAME 1, while GAME 2 gives players another eight chances to find a match with the same EXTREME NUMBERS from above.

Word Search™

Word Search is one of our patented playstyles that converts this popular standard game into an instant scratch-off ticket. Word Search requires the use of one of our marking systems, in addition to the base price.



Dominoes

Dominoes is one of our patented playstyles that converts this popular standard game into an instant scratch-off ticket. Dominoes requires the use of one of our marking systems, in addition to the base price.

Texas Hold 'Em®

Texas Hold 'Em is one of our patented playstyles that brings the widely popular poker game to the instant ticket world. Each ticket can have multiple games, or "tables," each with Your 2 Cards, Their 2 Cards and Community Cards. If "your" final hand beats "their" final hand, then you win the prize shown.

Elimination

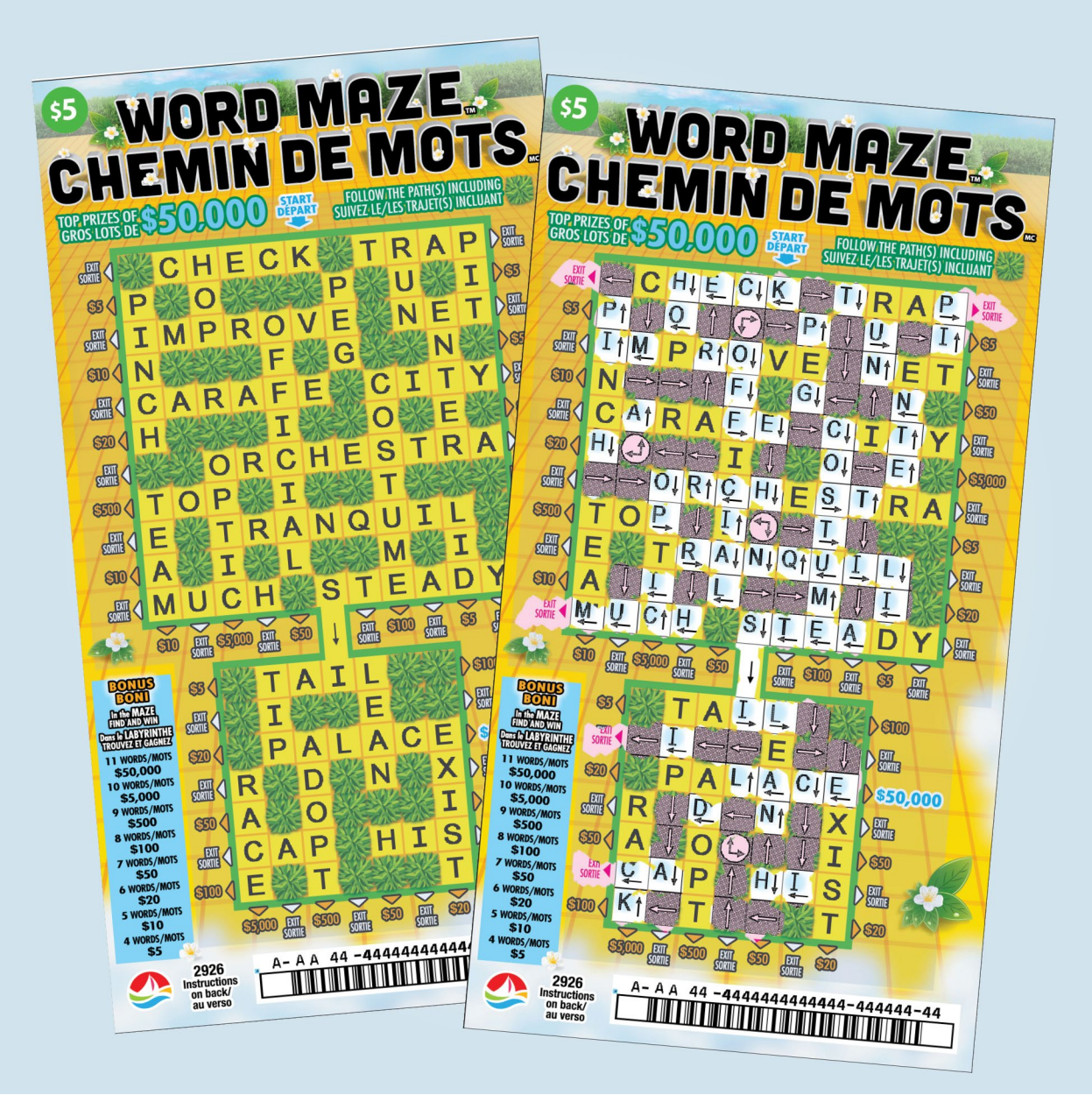
Elimination is one of our patented playstyles—exciting down to the last scratch. As players reveal each entry in the play area, they also scratch off the associated item in the prize table. This continues until they are down to one remaining symbol and two potential prizes. Superstitious players can scratch the play area symbols in any order they want. We have used this playstyle in conjunction with the Deal or No Deal™ licensed property brand and as a standalone money theme, as shown here. Elimination requires four additional colors for the covered lines, in addition to the base price.

Linked Play

Linked Play, Scientific Games' patent-pending play action, navigates players via coordinates through a grid-style play area as they reveal and collect symbols to win prizes. Linked Play allows us to print full-color play symbols beneath the primary play area of the game, which immediately sets it apart from games with traditionally imaged play symbols. We actually display-print—instead of imaging—the play symbols beneath the primary play area to make them more detailed and vibrant.

WordMaze™

WordMaze is a new play action that turns your regular crossword game into a maze. With two ways to win and two different ticket sizes, WordMaze takes extended play to a new level. After discovering a starting letter with a starting arrow, players next scratch the box where the first arrow directly points. If an arrow points toward a color or black box, players must uncover it to reveal another arrow. Players follow in this way to the end of the game.



Specialty Substrates

When designing for top-tier games, specialty substrates such as holographic and foil stocks make these games shine at retail. Our experienced creative team understands how to maximize these substrates to increase value to the player—and ultimately generate more sales.

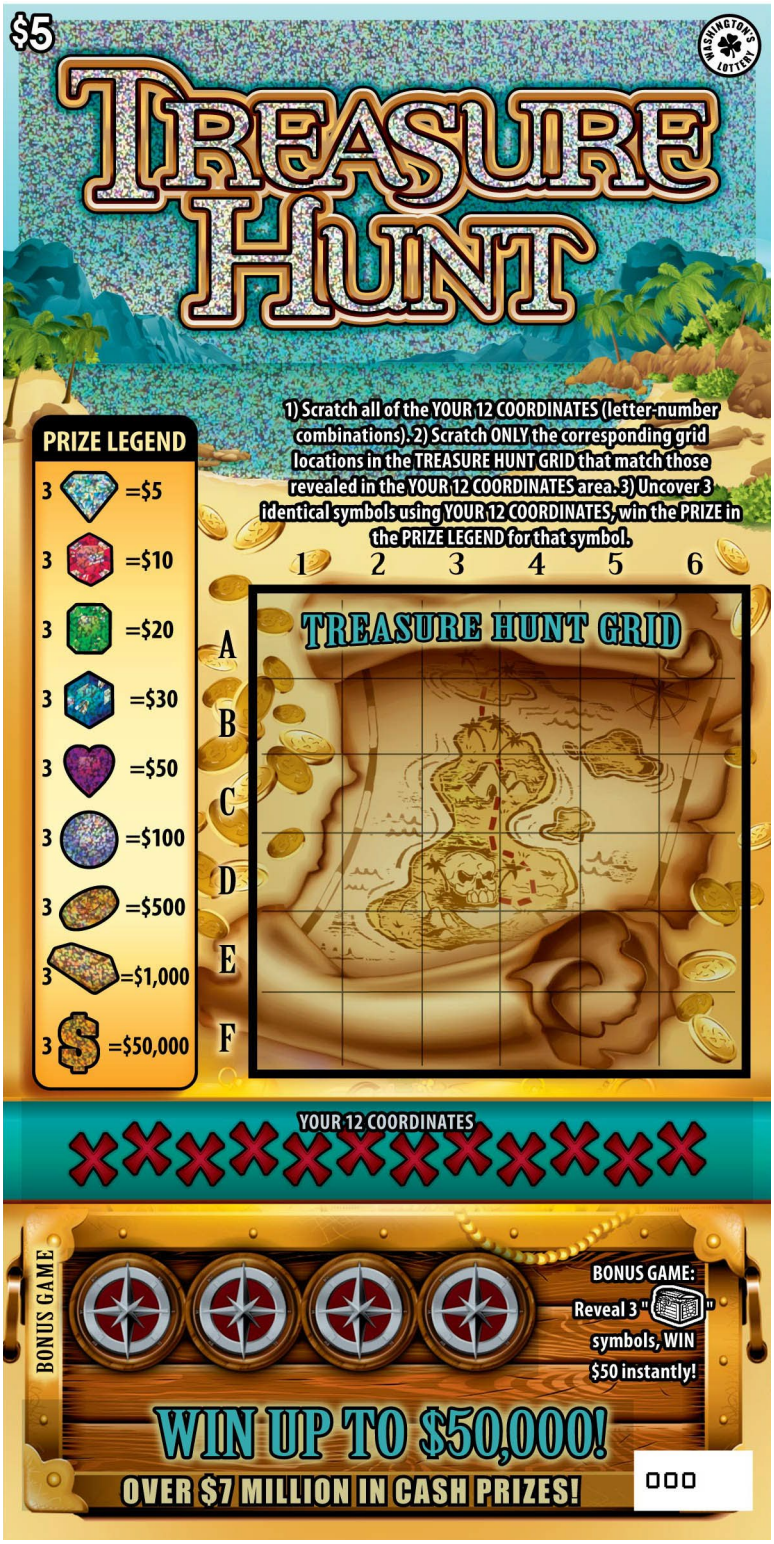
Integrated Holographic

Want to create maximum impact with your instant products at retail? Check out our new integrated holographic designs—the holographic stock's shimmer appears throughout the entire ticket. No matter what area of the ticket is visible in the ticket dispenser, integrated holographic ensures that the ticket will garner added attention, resulting in higher game sales. Not only does this new design approach increase the perceived value of the game, it maximizes your investment in the holographic product. Integrated holographic games are a separately priced **Offered Option**, in addition to the base price.

Linked Play Holographic

Our final holographic product takes our Linked Play action one step further. Imagine your players' excitement when they remove the scratch-off coating on their scratch ticket and reveal shiny, holographic play symbols. This added element of surprise is a great way to maximize holographic stock, since we incorporate it into the play experience. This exciting new way to play is sure to enhance the play experience and stimulate player excitement as the only game with holographic play symbols. Linked Play holographic games are a separately priced **Offered Option**, in addition to the base price.

$5
WASHINGTON'S LOTTERY
TREASURE HUNT
1) Scratch all of the YOUR 12 COORDINATES (letter-number combinations). 2) Scratch ONLY the corresponding grid locations in the TREASURE HUNT GRID that match those revealed in the YOUR 12 COORDINATES area. 3) Uncover 3 identical symbols using YOUR 12 COORDINATES, win the PRIZE in the PRIZE LEGEND for that symbol.
PRIZE LEGEND
3 =$5
3 =$10
3 =$20
3 =$30
3 =$50
3 =$100
3 =$500
3 =$1,000
3 =$50,000
1 2 3 4 5 6
A
B
C
D
E
F
YOUR 12 COORDINATES
B3 C3 F4 B5 B2 E1 A1 F2 D3 C4 D6 A3
BONUS GAME
CHEST
CHEST
SKULL
KEY
BONUS GAME: Reveal 3 " " symbols, WIN $50 instantly!
VAL. 1675000001000
NO. 12345678901234
000


$5
WASHINGTON'S LOTTERY
TREASURE HUNT
1) Scratch all of the YOUR 12 COORDINATES (letter-number combinations). 2) Scratch ONLY the corresponding grid locations in the TREASURE HUNT GRID that match those revealed in the YOUR 12 COORDINATES area. 3) Uncover 3 identical symbols using YOUR 12 COORDINATES, win the PRIZE in the PRIZE LEGEND for that symbol.
PRIZE LEGEND
3 =$5
3 =$10
3 =$20
3 =$30
3 =$50
3 =$100
3 =$500
3 =$1,000
3 =$50,000
1 2 3 4 5 6
A B C D E F
TREASURE HUNT GRID
YOUR 12 COORDINATES
BONUS GAME
BONUS GAME: Reveal 3 " " symbols, WIN $50 instantly!
WIN UP TO $50,000!
OVER $7 MILLION IN CASH PRIZES!
000

MicroMotion

As the exclusive, worldwide provider of MicroMotion, a patented printing process, we use a series of special coatings on a highly reflective foil substrate to create the illusion of motion right on the ticket. The finished product reflects light at varying angles to create a dazzling effect. Players can see and feel the raised MicroMotion finish, giving the ticket an even higher perceived value. But we didn't stop there. We went back to the R&D chalkboard and drastically improved the results of this unique product. We reengineered MicroMotion with a specialty holographic-foil hybrid substrate and formulated inks, in combination with visual graphic enhancements and new MicroMotion patterns that demand players' attention.

In 2020, the Texas Lottery was one of many to launch a JAMES BOND 007™ MicroMotion game that included the blockbuster multi-state linked scratch game. The $5 game outperformed other $5 games in its category by 30% bringing in over $35 million in sales.

This printing feature is perfect for higher price point products, but it is also great for families of games. The Illinois Lottery is the latest to use the striking designs of MicroMotion across a family of games launched in late 2021. While these games are new in the market, the family is a top performer in the state. The family includes a $1, $2, $5, $10, $20, and $30 encompassing the majority of price points the Lottery offers. The standout price points so far are the higher price points $10, $20, and $30 that are all performing higher than average in weekly sales.

In 2021, MicroMotion found it's place in the market at the $20 and $30 price points. A great differentiator at retail, MicroMotion high price point games raked in over $200 million in retail sales in the U.S. market.

We continue to reimagine concepts, add new patterns and create fresh new designs to keep this product growing and thriving. MicroMotion is a separately priced **Offered Option**, in addition to the base price.

$30
GEORGIA LOTTERY
Check and Sign
MILLION DOLLAR GIVEAWAY!
WINNING NUMBERS
YOUR NUMBERS
LOADED WITH $1,000,000 PRIZES!
000
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown for that number. Get a " " symbol, win 5 TIMES the PRIZE shown for that symbol! Get a " " symbol, instantly win $600!

Specialty Inks and Coatings

Pearlescent Ink

As the name suggests, this coating's pearl-like quality provides a shimmering effect. The classic iridescence provides a subtle yet sophisticated effect that the Lottery can use as a solid backdrop, tint into various colors or incorporate in a pattern to create an upscale design. Pearlescent ink is a separately priced **Offered Option**, in addition to the base price.

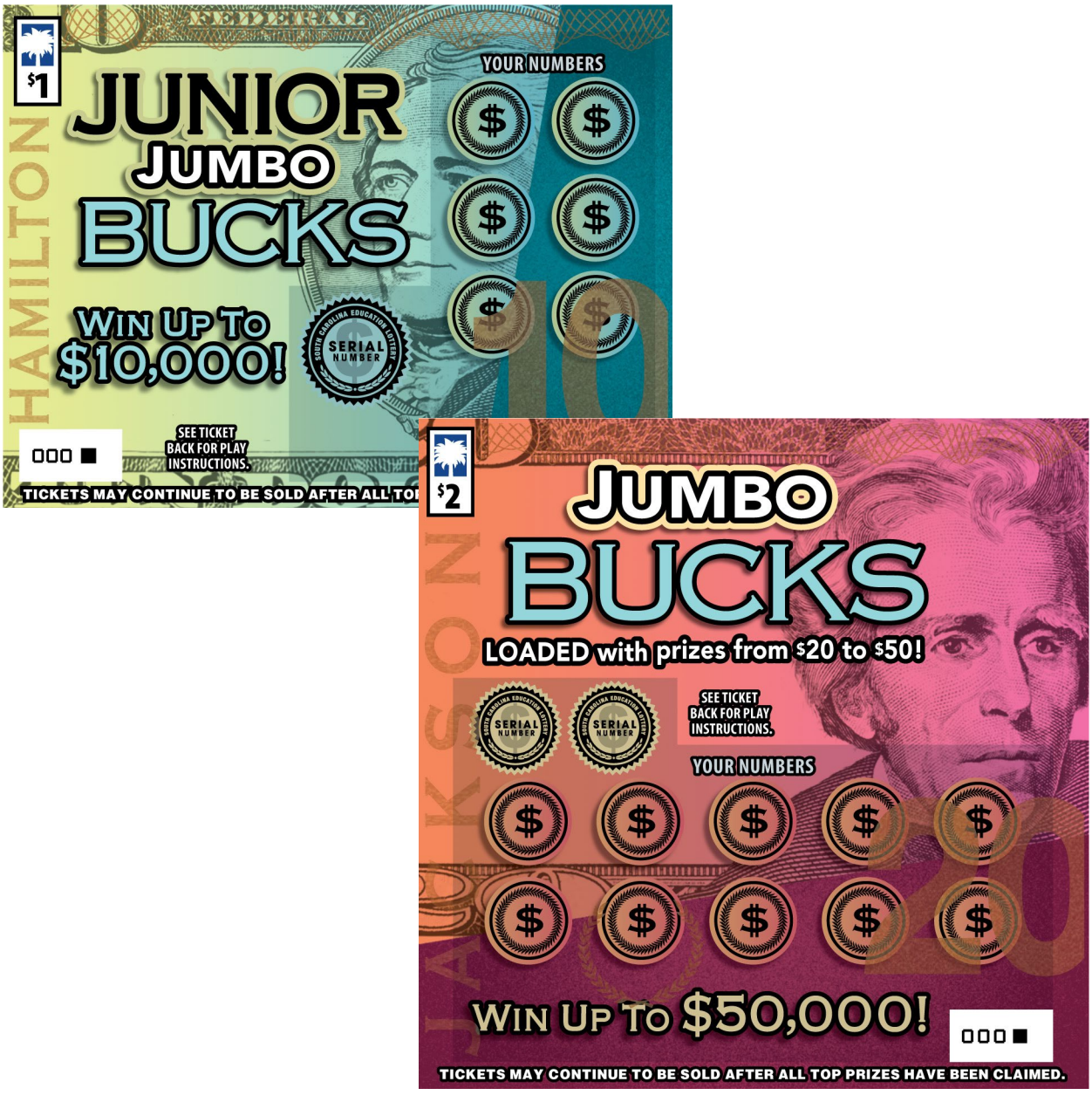
LuxShimmer®

Quality printing establishes your scratch game brand, but uniqueness and specialty print features with aesthetic qualities, like LuxShimmer, elevate your brand. LuxShimmer is a glossy and glittery semi-transparent coating that shifts and changes color intensity depending on the graphic colors used beneath. Darker under-colors create more vibrant shimmer while lighter backgrounds create a subtle water-mark effect that is revealed as the ticket reflects light. LuxShimmer can also be used seamlessly over the display and overprint areas without any need for separation. LuxShimmer is a great way of

blending subtle and obvious effects to create a unique ticket design. Consider using LuxShimmer on your next scene, pulse or family of games for even more variability.

The Colorado and Pennsylvania Lotteries utilized LuxShimmer on their Founding Father and Presidents families. After 16 weeks, the Colorado Lottery's family of games collectively indexed at 114 and the Pennsylvania Lottery's at 116.

LuxShimmer coating is a separately priced **Offered Option**, in addition to the base price.



$3
Lady JUMBO BUCKS CROSSWORD
SEE TICKET BACK FOR PLAY INSTRUCTIONS.
PRIZE KEY
11 WORDS $100,000
10 WORDS $1,000
9 WORDS $500
8 WORDS $100
7 WORDS $50
6 WORDS $20
5 WORDS $10
4 WORDS $5
3 WORDS $3
IF A COMPLETED WORD IN A WINNING COMBINATION CONTAINS A "$" SYMBOL, WIN TRIPLE THE PRIZE!
Find a "☆" symbol in the BONUS BOX, automatically win $30!
BONUS BOX
WIN UP TO $1
TICKETS MAY CONTINUE TO BE SOLD AFTER ALL
$5
GIANT JUMBO BUCKS
LOADED with prizes from $50 to $100!
BONUS BOX
SEE TICKET BACK FOR PLAY INSTRUCTIONS.
SERIAL NUMBER
YOUR NUMBERS
WIN UP TO $250,000!
TICKETS MAY CONTINUE TO BE SOLD AFTER ALL TOP PRIZES HAVE BEEN CLAIMED.

$10
MIGHTY
JUMBO
BUCKS
LOADED with prizes from $100 to $200!
FRANKLIN
BONUS BOX 1
BONUS BOX 2
SEE TICKET BACK FOR PLAY INSTRUCTIONS.
SERIAL NUMBER
YOUR NUMBERS
WIN UP TO $375,000!
000
TICKETS MAY CONTINUE TO BE SOLD AFTER ALL TOP PRIZES HAVE BEEN CLAIMED.

LuxTouch®

Research confirms the strong link between tactile sensation and perceived value. Now, instant games can feel as great as they look with LuxTouch coating. When applied to instant tickets, multisensory LuxTouch offers a more engaging playing experience. This coating technique can reproduce wood grain, animal print, sand and a nearly unlimited selection of other textures, patterns and surfaces. LuxTouch coating conveys value and fun in an entirely new way. LuxTouch coating is a separately priced **Offered Option**, in addition to the base price.

$5
Arizona Lottery
PLAYERS CLUB
2ND CHANCE
WINNING NUMBERS
YOUR NUMBERS
WIN UP TO $50,000!
002
Please see back for play instructions.

LuxVelvet®

LuxVelvet coating, a member of the LuxTouch family, uses the power of touch to engage players. This clear coating adds a soft, velvety feel to tickets. We can apply it over the entire display area or spot-apply it. We can also use it as a background, with a pattern or on specific imagery to emulate the tactile feel of that image. Our experienced creative team can work with the Lottery to develop artwork that will maximize this special feature. To maximize the matte finish, we recommend pairing LuxVelvet with a gloss ink like LuxShimmer, Ice Ink or a UV Gloss. LuxVelvet coating is a separately priced **Offered Option**, in addition to the base price.

$10
PENNSYLVANIA LOTTERY
ENTER FOR A CHANCE TO WIN UP TO $1 MILLION OR MORE IN LAS VEGAS! SEE BACK FOR DETAILS.
007 TM
10 TOP PRIZES OF $300,000!
Q BONUS: Reveal a " " (WIN100) symbol, win $100 instantly! BONUS is played separately.
WINNING NUMBERS
Q BONUS
YOUR NUMBERS
SEE BACK FOR ONLINE BONUS CODE
When any of YOUR NUMBERS match any WINNING NUMBER, win prize shown under the matching number. Reveal a " " (WINPRZ) symbol, win prize shown under that symbol automatically. Reveal a " 7X " (7TIMES) symbol, win 7 TIMES the prize shown under that symbol. Reveal a " 007 " (WINALL) symbol, win all 15 prizes shown!
SCRATCH TO CASH

LuxColor® Inks

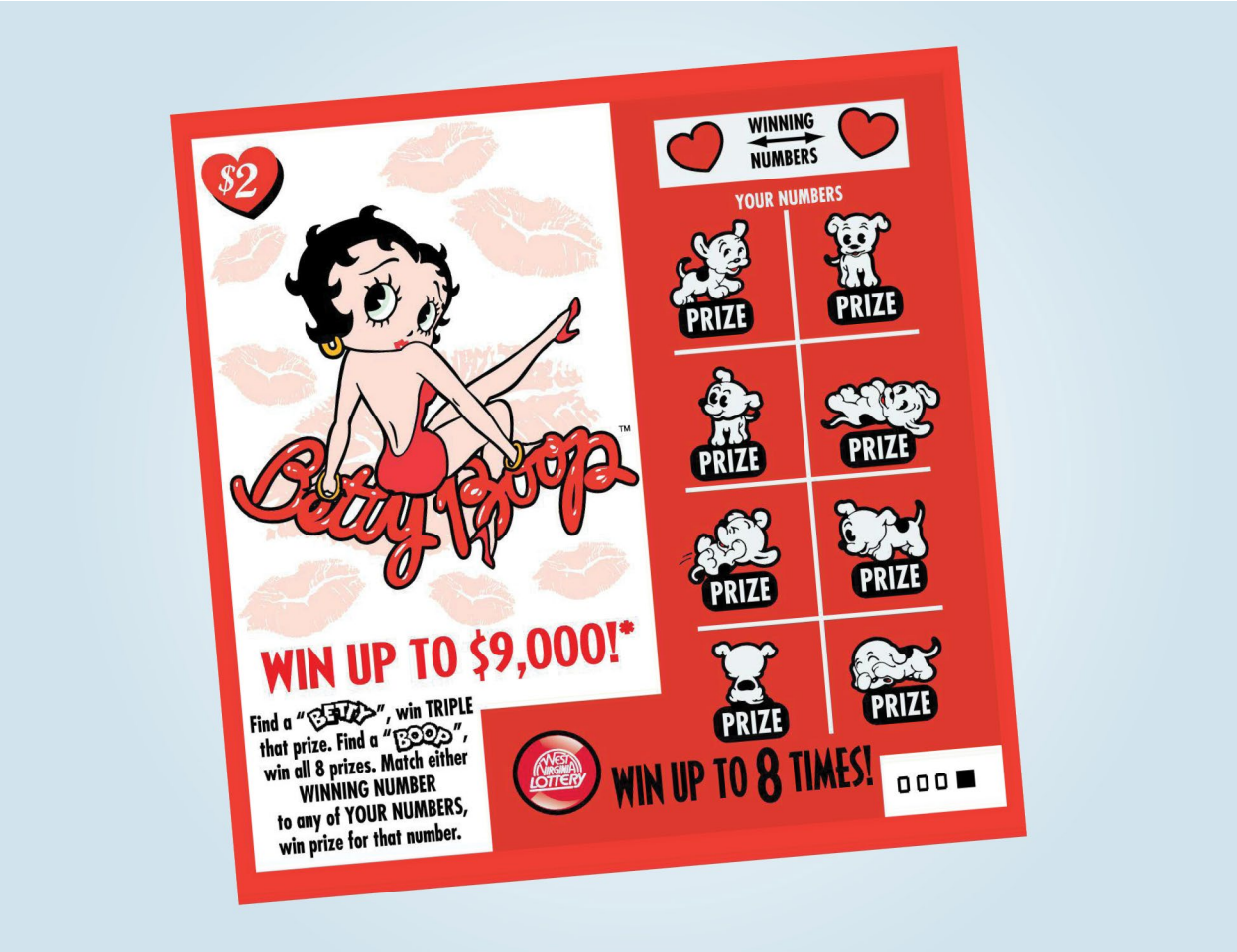
From our research, we have learned that players appreciate elegant, luxurious games. Further, they are more likely to give games with a higher perceived value as gifts. We consequently developed LuxColor premium inks, which offer a depth of color and richness like no other. With a sumptuous tone and iridescent quality, LuxColor premium inks make an ordinary game extraordinary, especially when paired with other options like premium metallic inks. Choices include green, red, purple, gold and blue. LuxColor ink is a separately priced **Offered Option**, in addition to the base price.

Color-Shifting Ink

What if you could offer your players a game where the colors actually appear to change depending on the angle of the ticket? With our color-shifting inks, colors shift from one hue to the next depending on the viewing angle. Our several color combinations will add an exciting design element to your game. We provide a sample ticket using color-shifting ink in the **Instant Products Catalog**. Color-shifting ink is a separately priced **Offered Option**, in addition to the base price.

Patterned Ultra Shine

Patterned ultra-shine is a translucent tinted coating that we can spot-apply in specific patterns (clover leaves, hearts, logos) throughout the ticket to add interest and visual appeal. Depending on the design and press, we can also print patterned ultra-shine with two alternating colors on the same ticket (e.g., red and blue hearts). Patterned ultra-shine is a separately priced **Offered Option**, in addition to the base price.



Matte Coating

If your portfolio needs a noticeably different game, try our matte coating, a simple effect that provides stunning results, especially when paired with gloss coatings and metallic inks. This light-absorbing coating provides maximum contrast against other, more colorful and shinier, brilliant coatings. Matte coating is a separately priced **Offered Option**, in addition to the base price.

Spot Gloss Coating

We can apply shiny spot gloss coating in specific areas of the display. This technique can highlight special design elements or make a particular image of the display pop when combined with a matte background. The use of spot gloss or matte varnish is a separately priced **Offered Option**, in addition to the base price.

Ice Ink®

Our exclusive Ice Inks combine luscious bright colors with a subtle, intriguing shimmer. The Lottery can use these inks in the display and play areas to draw attention with brilliant, crystalized color. Now, you have a design tool perfect for refreshing core games or adding a more premium look to higher price points within a family of games. Ice Ink is a perfect way to take your favorite fluorescent ink games to the next level.

While Ice Pink has been the favorite among six lotteries that launched Lady Luck-themed games, the other colors have been a hit with games that use scenes or pulses to help create visual diversity at retail. The South Carolina Education Lottery launched the first official Ice Ink game, a three-scene game that used three different Ice Ink colors. After 18 weeks on the market, the My Million Dollar series sold at 101% with the reorder and had an index of 156.

The Washington Lottery utilizes different Ice Inks in their $3 category on their popular Slingo games. The first was Ice Ink Pink, standing out at retail and performing 10% better than other games in its category. Their latest is an Ice Ink Green that fluoresces just as strikingly and is on par to perform at least 10% better than other games in the $3 category.

The Tennessee Education Lottery has recently utilized multiple Ice Inks across a family of games with a Scratch My Back. The different Ice Inks on the front and back of the games give the family a cohesive pop at retail.

Ice Ink is a separately priced **Offered Option**, in addition to the base price.

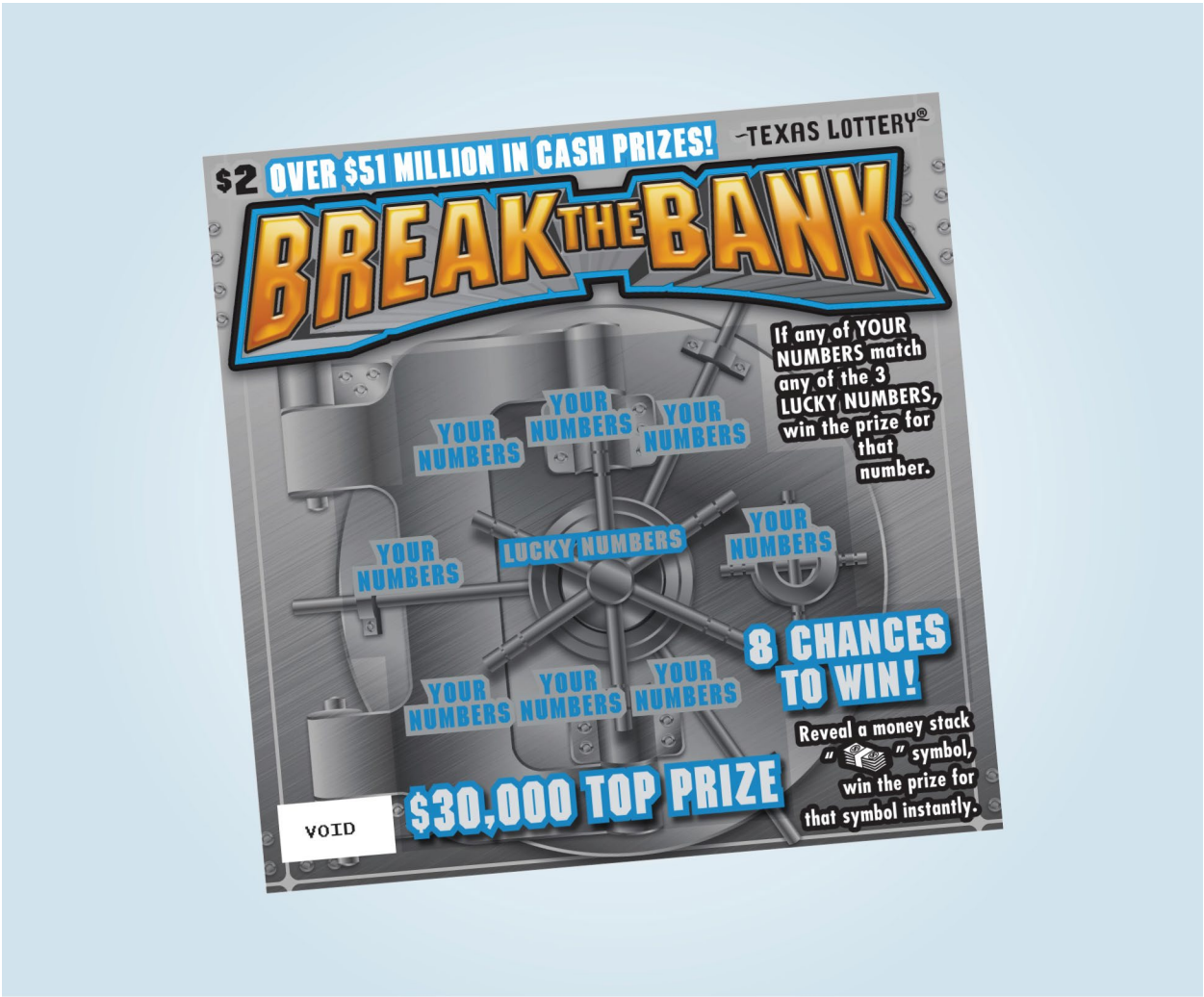
$2
LOTTERY TENNESSEE
SHOW ME
20X
Scratch My Back!
for more chances to win
WINNING NUMBERS
YOUR NUMBERS
WIN UP TO $50,000!
000
Match any of YOUR NUMBERS to either WINNING NUMBER, win PRIZE shown for that number. Get a "20X" symbol, win 20 TIMES that PRIZE.
Visit tnlottery.com to "Play It Again!" plus earn VIP Rewards points!

$1
SHOW ME
10X
LOTTERY TENNESSEE
Scratch My Back!
for more chances to win
WINNING NUMBER
YOUR NUMBERS
WIN UP TO $10,000!
000
Match any of YOUR NUMBERS to the WINNING NUMBER, win PRIZE shown for that number. Get a "10X" symbol, win 10 TIMES that PRIZE.
Visit tnlottery.com to "Play It Again!" plus earn VIP Rewards points!

$10
LOTTERY TENNESSEE
SHOW ME
100X
Scratch My Back!
for more chances to win®
WINNING NUMBERS
YOUR NUMBERS
WIN UP TO $500,000!
000
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown for that number. Get a "10X", "20X", "50X" or "100X" symbol and multiply that PRIZE by 10, 20, 50 or 100 respectively.
Visit tnlottery.com to "Play It Again!" plus earn VIP Rewards points!

Simulated Foil™

Simulated Foil is a specialized process that creates the illusion of foil stock. Designers can work with the Lottery to develop just the right look using silver or gold. Various color or graphic washes are also available to further expand the reflective possibilities. The added benefit? We can seamlessly integrate the metallic effect into the overprint areas. Simulated Foil is a separately priced **Offered Option**, in addition to the base price.



Print Features and Capabilities

Understand™

To engage consumers who speak a language other than the one printed on the ticket, Scientific Games has developed Understand. This feature offers a solution that does not require additional space on the ticket display area for the additional language. With Understand, we image the alternate language play instructions first and then cover them with the same scratch-off material as the ticket's play area. We then graphically print the primary language instructions on top.

Players who prefer the primary language will play the game as they always do. Players who wish to see the instructions in an alternate language such as Spanish or French simply scratch off the primary language play instructions to uncover the same instructions in the alternate language. Players can easily identify this feature by a small icon next to the area containing the second language.

This unique feature allows lotteries to better reach underserved players who might not purchase tickets because they are not fluent in the primary language. Understand is a separately priced **Offered Option**, in addition to the base price.

Scientific Games' Innovation Team partnered with a consulting and marketing firm to research a variety of product development needs, including Understand™. We interviewed four internet-based focus groups that included 21 survey takers. The result? Both Spanish and English-speaking players liked the idea of Spanish instructions. It would be helpful for Hispanic players and at the same time did not cause any objections from English speaking players. For English-speaking players, a few mentioned that they found this feature to be educational in teaching them some Spanish words.

"Yeah, this is to me a perfect idea. I love the idea of having the orange corner there with Spanish wording. So then all they have to do is scratch. To me, that is a great concept" – Player, Acquaintance Segment

Graphic Benday

Graphic benday is a powerful feature that makes tickets more graphically appealing and more secure. With graphic benday, extra print units place artwork under the scratch-off coating. When a player removes that coating, they find attractive artwork, distinct from that on top of the scratch-off coating, to enhance their lottery experience.

This bonus feature truly appeals to lotteries because the graphics, combined with imaging float, provide a defense against attempts at player fraud. They do this making evident any tampering attempts by cutting and pasting together more than one ticket. Graphic benday is the next generation of the traditional benday patterns, and it truly enhances the graphic appeal of the lottery product for the consumer. Graphic benday is a separately priced **Offered Option**, in addition to the base price.

MINNESOTA LOTTERY
BEARDED BUCKS
WIN UP TO $10,000
■ 000
2nd Chance
Enter to win a signed print by Chuck U. See back for details.
Reveal a "" symbol, win prize shown for that symbol. Reveal a "" symbol, win DOUBLE the prize shown!
$2
MELON $60 SIXTY
COMB $500 FIVHUN
BEE $25 THYFIV
DONUT $1,000 ONETHO
CHEESE $50 FIFTY
BUTTON $14 FORTN
WIN $10,000 TENTHO
FORK $5 FIVDOL
BTFLY $100 ONEHUN
LBUG $10 TENDOL
0123456789

Graphic Pulse

Graphic pulsing can occur in both the display and overprint areas. The graphic possibilities and color themes are virtually endless, including background images, overprint symbols and even game headers. This option requires a press stoppage for any plate changes.

Utilize a pulse game as a strategic product enhancement to offer players a larger top prize. Smaller lotteries can use pulse games to take advantage of ordering more quantities of tickets. The additional quantities offer a larger top prize while the two different graphics offer retailers an opportunity to provide players something new. Graphic pulse is a separately priced **Offered Option**, in addition to the base price.

OHIO LOTTERY
DOUBLE DOUBLER
$1
OVER $4.7 MILLION IN TOTAL CASH PRIZES!
YOUR PRIZE
YOUR PRIZE LEVEL
WIN UP TO $5,000!
$5,000!
Color Pulse
NEW MEXICO LOTTERY
Betty Boop
$2
PRIZE
TOP PRIZE $10,000!
WIN UP TO 10 TIMES!
Graphic Pulse

FouReal®

FouReal is a printing technique that prints vivid, full-color graphics over the scratch-off area—with a nearly unlimited palette of color choices. This process allows for complicated graphics on the overprint area of a ticket, increasing the graphic appeal of a game and making the game more secure. FouReal is a separately priced **Offered Option**, in addition to the base price.

Increase a Tickets Visual Appeal with Seamless and Dramatic Printing Techniques

MegaColor integrates the display area with the overprint area.

FouReal prints vivid, full-color graphics over the scratch-off area—allows for complicated graphics on the overprint area of a ticket, increasing the graphic appeal of a game.

Additional Colors

Each of our presses allows us to print a wide variety of additional graphic colors, offering a great deal of design flexibility. The inks used for ticket front and back printing will not smear, run or stain under normal handling or use by retailers and consumers. We develop all inks in conformance with our strict security measures. Inks are non-irritating and resistant to water and other common solvents to protect against security fraud.

Additional Overprint Colors

The number of colors available for the overprint area depends on the number of colors used for the display and the ticket back. Overprint inks can create continuous images across the ticket front, adding a powerful look to your games. Additional overprint colors, beyond those specified as part of the base price, are a separately priced **Offered Option**, in addition to the base price.

Additional Back Print Colors

At times, it is important to draw extra attention to an instruction, a callout or a special logo on the ticket back. Perhaps you would like to give higher price point games a little extra something on the back to help set them apart. A wide variety of spot colors are available for the ticket back for these purposes.

Additional back print colors, beyond those specified as part of the base price, are a separately priced **Offered Option**, in addition to the base price.

Variable Messaging on Ticket Back

By featuring a variably imaged message on the ticket back, the Lottery can deliver important information about Lottery proceeds, beneficiaries, websites and players clubs, promotions, winning prize availability and more. This space can even generate revenue through co-promotion with other consumer product companies. Specialty inks such as fluorescent can draw additional attention. Variable messaging on the backs of tickets is a separately priced **Offered Option**, in addition to the base price.

ScIDe Note™

ScIDe Note (pronounced "side note") is a new patent-pending packaging product that was created to improve pack identification at the warehouse and retailer levels. Special programming is used to image data lines along the perforation between every ticket. These data lines ultimately form an easily readable tag at the end of each fan-folded pack that displays the game number, price point and pack value, making games easier to locate on a shelf or in a box. Ask your customer service representative if this strategic product enhancement is a good fit for you and your lottery partners. ScIDe Note is a separately priced **Offered Option**, in addition to the base price.

Specialty Products

HD Games™

Very rarely does true game changing innovation come along that can redefine the Lottery's scratch game landscape. As the scratch game evolves, so does the available technology, the players' knowledge, and the need to break new, innovative ground. HD Games is one of these innovations, the first of its kind in our industry. This patent pending product is more than an innovation, combining enhanced ticket features that elevate the overall game experience. At the nucleus of this new product is high-definition variable imaging, which allows much sharper definition and detail in the imaged symbols, fonts and barcodes. This enhancement sharpens the clarity of the imaged elements, increases the visibility of human-readable numbers, captions and improves the FailSafe® barcodes. These imaging advancements open the door for highly detailed and unique characters, three-dimensional fonts, extraordinary prize symbols and future covert security tactics. We also can create custom HD fonts for unique, specialty games. Custom HD Games fonts is a separately priced **Offered Option**, in addition to the base price.

Underneath the HD imaging, players find a brighter play area that improves the contrast and clarity of the imaged data for better visibility. Deep within this new, brighter play area sits our new SecurTag™ security additive, which the Lottery can use as an additional tool for authenticating top prize winners.

Scientific Games exclusive HD Games has contributed over $2 billion in sales. With over 100 HD Games launched, players are enjoying the play experience the 3D symbols offer. HD Games perform about 12% better than other games in their respective price point category.

In addition to the improvements in the imaging and play area, HD Games also offer a host of physical features to elevate the appeal of every HD Game. We start with a premium ticket stock, which gives the game a high-quality look and feel. Next, every HD Game comes with an HD gloss, either full or spot depending on the ticket design, which also adds to the overall visual appeal of the product. On the ticket back, we include a second display color that we can pair with price point color themes to help retailers and warehouse employees identify games. Finally, we want to make sure the players can easily recognize which scratch games are the new and improved HD Games, so we have designed a unique corner graphic or HD as part of the game to address this need. HD Games is a separately priced **Offered Option**, in addition to the base price.

Lotteries can also use HD Games to enhance your extended play segments. With this technology, crossword and bingo cards can appear darker, more dimensional, and even theme based for greater visual appeal.

$5
NEW MEXICO LOTTERY
HD
CAS
for
Christm
TOP PRIZE $1
WINNING SYMBO
YOUR SYMBOLS
PRIZE
WIN UP TO 20 TI
Match any of YOUR SYMBOLS to any of the WINNING
Reveal a " " symbol, win 5 TIMES the PRIZE sho
instantly win ALL 20 PRIZES s
Visit nmlottery.com • Visit nmlottery.co
$5
NEW MEXICO LOTTERY
HD
CASH
for
Christmas
TOP PRIZE $1,000!
WINNING SYMBOLS
BELLS
CANDLE
ANGEL
OWL
REINDEER
YOUR SYMBOLS
LIGHTS
MISTLETOE
MITTEN
NUTCRACKER
HOLLY
$250 TWOFTY
$25 TWYFIV
$10 TENDOL
$100 ONEHUN
$20 TWENTY
HAT
SANTA
SLEIGH
SNOWMAN
SNOWFLAKE
$15 FIFTN
$50 FIFTY
$30 THIRTY
$250 TWOFTY
$5 FIVDOL
BOW
BAUBLE
FIREWOOD
DRUM
BOOT
$2 TWODOL
$30 THIRTY
$25 TWYFIV
$1,000 ONETHO
$50 FIFTY
SKATE
SNOW GLOBE
CANDY HOUSE
MILK COOKIES
SOCK
$20 TWENTY
$5 FIVDOL
$10 TENDOL
$100 ONEHUN
$1,000 ONETHO
1234567890
000■
Match any of YOUR SYMBOLS to any of the WINNING SYMBOLS, win PRIZE shown.
Reveal a " " symbol, win 5 TIMES the PRIZE shown. Reveal a " " symbol,
instantly win ALL 20 PRIZES shown!
Visit nmlottery.com • Visit nmlottery.com • Visit nmlottery.com

HD Imaging Stimulates Crossword and Bingo Game Sales

VariPlay Games

Consumer research has demonstrated that our core players prefer the improved elements of the HD key number match games over our classic designs. In addition, HD Games provide excellent opportunities for exciting new play actions and great new designs that were not possible before, which appeal to our lighter player segments. One of these playstyles is VariPlay. This feature allows for high-definition variable imaging in the display area. VariPlay is a separately priced **Offered Option**, in addition to the base price.

HD Games™ Color

In keeping with the Scientific Games tradition of taking our products and continuously expanding and refreshing them, we present HD Games Color. This option takes all of the benefits of HD Games and combines them with the gameplay abilities of two-color imaging. This allows us to further expand upon the playstyle opportunities that HD Games present. HD Games, HD Games Color and VariPlay are separately priced **Offered Options**, in addition to the base price.

HD Games with Foil, Holographic, MicroMotion or Sparkle

Scientific Games now offers our HD Games product line on foil board, giving the player an exceptional experience from purchase to play. Foil also allows for the whitest play area possible on a game. This allows the maximum contrast possible between HD Game symbols and the play area.

HD Games can also be combined with holographic or Sparkle printing features. The Pennsylvania Lottery was the first to launch both combinations, with Sparkle in 2018 and holographic stock and Sparkle Select in 2019. Both seasonal games were top performers in weekly per capita sales during the holiday season in the U.S. For this holiday season, the Pennsylvania Lottery is also the first to introduce HD Games with MicroMotion.

HD Games with Foil, Holographic or Sparkle are a separately priced **Offered Option**, in addition to the base price.

HD Games on Foil Stock

HD Games on Holographic Stock

HD Games on Sparkle

HD Games with MicroMotion

Sparkle®

Scientific Games' Sparkle games have taken the lottery market by storm. With over $7 billion in sales and over 200 games launched in the U.S., Sparkle games are proven performers year-after-year. Lotteries all over the world take advantage of Sparkle to create excitement at retail and drive sales. Sparkle is a hot foil stamping method that we can apply in specific areas to highlight a design element or throughout the ticket for maximum shine. We can even print it directly on top of the overprint area to add more excitement to play spots. Sparkle gives head-turning attention to premium games at retail for greater sales impact. It comes in a holographic or foil-like finish to offer a variety of dazzling design options. Scientific Games recently launched colored foils of red, green, blue, purple, aqua, copper and rose gold to help give your product that unique look and appeal that stands out at retail.

Of the 50 games launched in CY 2021, only 5 were $5 and lower price points. The North Carolina Education Lottery launched a $20 Premier Cash game, the second $20 Sparkle game for the lottery. The two Sparkle games are top performers, with Premier Cash offering a steady 2% growth over the previous year's $20 Sparkle game.

Georgia, Arizona, Michigan and Montana chose to combine Sparkle with a foil substrate to create an even deeper visual effect. Georgia's $2 Special Edition Jumbo Bucks game with foil and green Sparkle sold out and skyrocketed to an index of 232.

Sparkle was the strategic product enhancement chosen to package the high-value prizes of Texas Lottery's $50 games in 2021. Millionaire Club featured a standout layer of Sparkle Gold on a primarily black ticket and is the top performing $50 game since 2018. Across multiple price points the Texas Lottery utilizes Sparkle to enhance tickets, these Sparkle games perform 5% better than other games in their price point category.

The New York Lottery's 200X Sparkle game launched in early 2021. This game continued to perform above average compared to all of the $30 games throughout 25 weeks of sales. The weekly sales for 200X was $800 thousand more than the average weekly sales of all of the $30 games since 2018.

Sparkle games are separately priced **Offered Options**, in addition to the base price.

NORTH CAROLINA EDUCATION LOTTERY
$20
PREMIER
CASH
TOP PRIZE
$2,000,000!*
*These prizes will be paid in installments over 20 years.
WINNING NUMBERS
YOUR NUMBERS
WIN UP TO 20 TIMES!
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win PRIZE shown for that number. Reveal a " " symbol, win that PRIZE instantly. Reveal a " " symbol, win DOUBLE the PRIZE shown. Reveal a " 10X " symbol, win 10 TIMES the PRIZE shown. Reveal a " " symbol, win ALL 20 PRIZES!
nclottery.com

Sparkle® Select

We expanded our Sparkle product line to include the brand-new Sparkle Select series of foils. This line of foils combines the best of both worlds. We can now merge brilliant metallic color washes with a plethora of holographic patterns to give your game an extra wow factor.

New Hampshire's $500,000 Fortune game was the first to use this option with a Gold Twinkle pattern that blends small holographic twinkling dots with a beautiful gold finish. The game went on to become their most successful $10 of 2018-2019 and hit $500,000/week in sales by week 5.

Delaware Lottery's $10 Lion Share game using Scientific Game's forward-thinking graphics and Sparkle Select Copper Hasty pattern, has exceeded sales expectations through week 10 selling 41% better than the other $10 games in the market.

Most recently, the Pennsylvania Lottery launched their first ever $50 game utilizing Sparkle Select. The Green Jungle pattern highlights everything money related across the $5 Million Money Maker game. The first $50 completely took to Pennsylvanian lottery players and was reordered after only five weeks on sale.

We are so proud of our innovation partnership with the Texas' Lottery. The Big Cash game is a Scientific Games first and we are so thrilled to see how the new dollar sign pattern with a green wash performs in the Lottery's $10 category. We look forward to showcasing Big Cash and the new Sparkle Select product across the lottery industry.

We continue to look for new ways to harness the power of Sparkle to give your retailers more sales and your players more excitement. Sparkle Select games are separately priced **Offered Options**, in addition to the base price.

$50
PENNSYLVANIA LOTTERY
STAR BONUS: Reveal a "$1000" (WIN1K) symbol, win $1,000 instantly. Reveal a "20X" (20TIMES) or a "50X" (50TIMES) symbol, multiply any prize won in the main play area below!
$5 MILLION
MONEY MAKER
5 TOP PRIZES OF $5,000,000!
OVER $285 MILLION IN TOTAL CASH PRIZES!
WINNING NUMBERS
YOUR NUMBERS
OVER 145,000 PRIZES FROM $500 to $10,000!
CASH BONUS: Reveal a cash prize amount in any BONUS spot, win that amount instantly!
BONUS
BONUS
BONUS
BONUS
BONUS
When any of YOUR NUMBERS match any WINNING NUMBER, win prize shown under the matching number. Reveal a "MNYRL" (MNYRL) symbol, win prize shown under that symbol automatically. Reveal a "$500" (WIN$500) symbol, win $500 instantly. Reveal a "WINALL" (WINALL) symbol, win all 30 prizes shown. Reveal a "FIVE MIL" ($5MIL) symbol, win $5 MILLION instantly! CASH BONUS is played separately.
000
SCRATCH TO CASH

$10
TEXAS LOTTERY®
BIG CASH
29 CHANCES TO WIN!
FAST WIN
FAST WIN
FAST WIN
FAST WIN
▲ FAST WIN: Reveal 2 matching prize amounts in the same FAST WIN, win that amount. ▲
WINNING NUMBERS
YOUR NUMBERS
$200,000 TOP PRIZE!
VOID
Match any of YOUR NUMBERS to any of the WINNING NUMBERS, win the prize for that number. Reveal a "5X" symbol, win 5 TIMES the prize for that symbol. Reveal a "10X" symbol, win 10 TIMES the prize for that symbol.

Scratch My Back®

Our revolutionary Scratch My Back product adds gameplay to the ticket back, giving players even more play for their money. Since 2008, Scientific Games has launched nearly 280 Scratch My Back games, with retail sales surpassing $7 billion. Even more impressive, the average index of all Scratch My Back games is 111, with a sell-through rate eclipsing 97%—a resounding proclamation of success. And while the majority of these games have dominated the $5 game space, recent years have shown a broadening of price point offerings. Three $30 games emerged in 2021, two in the U.S. and one in Canada. We infused other features like Gigantix® or Sparkle® into the design to help bolster these products. Scratch My Back games can include traditional gameplay, extended play options and even different play actions from front to back. A hit with players, Scratch My Back games overall perform about 11% better than other games in their price point category.

Scientific Games budgets for player research in the U.S. annually to test our product offerings. In October 2021, our innovation team asked over 900 players across the country online about their purchase appeal for Scratch My Back products. We also used our ONE™ Segmentation player motivations to look for correlations between product features and player behaviors. We found that the Friend segment had the highest appeal rating. The Friend segment is weekly to monthly lottery players that are open to new games.

MOLottery®

Scratch My Back Holiday Game Increases Retail Sales

The Missouri Lottery gave their $20 Holiday Cash Bonus players a little something extra with their first holiday Scratch My Back® game. Scratch My Back games at the $5 price point are a staple in Missouri and sell nearly 40% better than the average $5 game. Given the typical success of Scratch My Back games, the Lottery ordered almost 60% more product than their $20 holiday game sold the year prior.

Results:

- Holiday Cash Bonus completely sold out, equating to more than an additional $5 million in retail sales from a single holiday game.

The following statements are just a few of the many testaments to Scratch My Back's success:

- In 2015, the California Lottery introduced their first Scratch My Back game, Extra Play. The game took off and set the bar at a new high for $5 products in California. It was the top-selling game across the entire portfolio for four consecutive weeks and averaged $4,750,000 a week for the first 16 weeks. In just 11 days, Extra Play returned enough money to cover the entire cost of the feature, making the remaining returns 100% incremental. California is continuing using the Scratch My Back enhancement on other price points as low as the $2 and as high as the $30.
- The Georgia Lottery created a family of duo games combining our Sparkle and Scratch My Back strategic product enhancements giving players additional chances to win on a reflective and glittering design. They most recently have taken a new approach using the enhancement, not before seen in the industry. The family of games, $1, $2, $5, $10, and $20 on use the Scratch My Back feature for a multiplier in a second-chance promotion. Players scratch the multiplier to reveal an amount and can then enter the non-winning ticker into a chance to multiply instant cash wins and entries into monthly drawings. The front of the ticket contains multipliers reserved for the scratch ticket, while the back is reserved strictly for bringing players to new ways to play!

This product enhances games and adds value that players will immediately see as offering more—more chances to win, more value for their money and a lot more fun. Scratch My Back games also give the Lottery the opportunity to promote your messaging on the ticket back. This is especially true on our Gigantix version. Scratch My Back is a separately priced **Offered Option**, in addition to the base price.

MULTIPLIER MANIA
2ND CHANCE PROMOTION

Scratch to reveal your 2nd chance multiplier and then go to www.galottery.com/multipliermania to enter your non-winning Scratcher for a chance to multiply instant cash wins or entries into monthly drawings.
You can also view draw dates, promotional details and game rules.

Odds of winning monthly prizes depend on the number of entries received for each drawing.

8 41519 11638 3

- Ticket price is $10. Overall Odds: 1:3.23. **Sign ticket and claim prizes as soon as possible, but no later than 90 days after end of game.** To claim prizes up to and including $600, present the ticket to any Georgia Lottery retailer or office. To claim prizes over $600, present the ticket to any Georgia Lottery office, along with a valid government issued photo ID and social security card. Prizes can also be claimed by mailing signed ticket to: Georgia Lottery, P.O. Box 56966, Atlanta, GA 30343. Date of claim is date of receipt by GLC.
- All tickets, transactions and winners are subject to Lottery Rules and applicable State Law. Prizes, including top prizes, are subject to availability at time of ticket purchase. Ticket purchasers must be at least 18 years old. Tickets are void if they fail to meet requirements of game rules or are altered or defective in any manner. Liability for void ticket is limited to replacement of ticket or refund of retail sales price.
- Players winning a free ticket in this game are entitled to a free ticket valued at $10.
- For more information, visit our website at **www.galottery.com** or call *1-800-GA-LUCKY (1-800-425-8259).*

Win up to $1,000,000!

Signature FailSafe®

Name (please print) Scratch My Back®

Address City

( )

State Zip Phone

Recyclable
Please recycle!
MADE IN GEORGIA

PLAY RESPONSIBLY
It's all about fun!

Check and sign ticket.

MULTIPLIER MANIA
2ND CHANCE PROMOTION

Scratch to reveal your 2nd chance multiplier and then go to www.galottery.com/multipliermania to enter your non-winning Scratcher for a chance to multiply instant cash wins or entries into monthly drawings.
You can also view draw dates, promotional details and game rules.

Odds of winning monthly prizes depend on the number of entries received for each drawing.

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? MULTIPLIER

- Ticket price is $5. Overall Odds: 1:3.60. Sign ticket and claim prizes as soon as possible, but no later than 90 days after end of game. To claim prizes up to and including $600, present the ticket to any Georgia Lottery retailer or office. To claim prizes over $600, present the ticket to any Georgia Lottery office, along with a valid government issued photo ID and social security card. Prizes can also be claimed by mailing signed ticket to: Georgia Lottery, P.O. Box 56966, Atlanta, GA 30343. Date of claim is date of receipt by GLC.
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- Players winning a free ticket in this game are entitled to a free ticket valued at $5.
- For more information, visit our website at **www.galottery.com** or call 1-800-GA-LUCKY (1-800-425-8259).

Win up to $500,000!

Signature FailSafe®

Name (please print) ScratchMyBack®

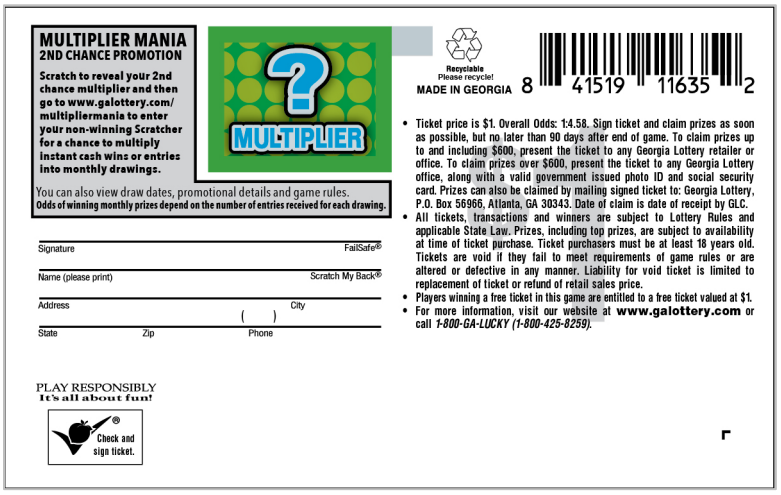
Address **City**

State **Zip** **Phone** ( )

Recyclable
Please recycle!
MADE IN GEORGIA

PLAY RESPONSIBLY
It's all about fun!

Check and sign ticket.


MULTIPLIER MANIA
2ND CHANCE PROMOTION
Scratch to reveal your 2nd chance multiplier and then go to www.galottery.com/multipliermania to enter your non-winning Scratcher for a chance to multiply instant cash wins or entries into monthly drawings.
You can also view draw dates, promotional details and game rules.
Odds of winning monthly prizes depend on the number of entries received for each drawing.
MULTIPLIER
Recyclable
Please recycle!
MADE IN GEORGIA
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• Ticket price is $1. Overall Odds: 1:4.58. Sign ticket and claim prizes as soon as possible, but no later than 90 days after end of game. To claim prizes up to and including $600, present the ticket to any Georgia Lottery retailer or office. To claim prizes over $600, present the ticket to any Georgia Lottery office, along with a valid government issued photo ID and social security card. Prizes can also be claimed by mailing signed ticket to: Georgia Lottery, P.O. Box 56966, Atlanta, GA 30343. Date of claim is date of receipt by GLC.
• All tickets, transactions and winners are subject to Lottery Rules and applicable State Law. Prizes, including top prizes, are subject to availability at time of ticket purchase. Ticket purchasers must be at least 18 years old. Tickets are void if they fail to meet requirements of game rules or are altered or defective in any manner. Liability for void ticket is limited to replacement of ticket or refund of retail sales price.
• Players winning a free ticket in this game are entitled to a free ticket valued at $1.
• For more information, visit our website at www.galottery.com or call 1-800-GA-LUCKY (1-800-425-8259).
Signature
FailSafe®
Name (please print)
Scratch My Back®
Address
City
State
Zip
Phone
PLAY RESPONSIBLY
It's all about fun!
Check and sign ticket.

MULTIPLIER MANIA
2ND CHANCE PROMOTION
Scratch to reveal your 2nd chance multiplier and then go to www.galottery.com/multipliermania to enter your non-winning Scratcher for a chance to multiply instant cash wins or entries into monthly drawings.
You can also view draw dates, promotional details and game rules.
Odds of winning monthly prizes depend on the number of entries received for each drawing.
MULTIPLIER
8 41519 11636 9
Win up to $50,000!
• Ticket price is $2. Overall Odds: 1:4.01. Sign ticket and claim prizes as soon as possible, but no later than 90 days after end of game. To claim prizes up to and including $600, present the ticket to any Georgia Lottery retailer or office. To claim prizes over $600, present the ticket to any Georgia Lottery office, along with a valid government issued photo ID and social security card. Prizes can also be claimed by mailing signed ticket to: Georgia Lottery, P.O. Box 56966, Atlanta, GA 30343. Date of claim is date of receipt by GLC.
• All tickets, transactions and winners are subject to Lottery Rules and applicable State Law. Prizes, including top prizes, are subject to availability at time of ticket purchase. Ticket purchasers must be at least 18 years old. Tickets are void if they fail to meet requirements of game rules or are altered or defective in any manner. Liability for void ticket is limited to replacement of ticket or refund of retail sales price.
• Players winning a free ticket in this game are entitled to a free ticket valued at $2.
• For more information, visit our website at www.galottery.com or call 1-800-GA-LUCKY (1-800-425-8259).
Recyclable
Please recycle!
MADE IN GEORGIA
Signature
FailSafe®
Name (please print)
Scratch My Back®
Address
City
State
Zip
Phone
PLAY RESPONSIBLY
It's all about fun!
Check and sign ticket.

Skyline Games

Our Skyline games combine interesting die-cuts and scoring to create a ticket that players can unfold to reveal various play areas and additional space for specific promotions or messaging. The perceived higher value of this striking product is ideal for higher price points. Skyline games are a separately priced **Offered Option**, in addition to the base price.

Gift Card Holder

Gift card sales have grown to more than $100 billion annually, with more than 50% of adults saying they buy gift cards yearly. To capitalize on this trend, our Discovery Team has combined a scratch game with a gift card holder. This enhances the gifting experience by adding a chance to win scratch game cash prize. A scratch ticket features a play area along with die-cuts that can hold any standard size gift card (as well as its envelope, if applicable).

There are many benefits to gift card holders:

- They work with any gift card.
- The recipients of gift card holders may be non-lottery players receiving a quality lottery product for the first time.
- We can place variable messaging on the ticket back for special promotions, players clubs and other important messaging. Variable messaging on the backs of tickets is a separately priced **Offered Option**, in addition to the base price.

Many supermarkets and convenience stores sell a variety of gift cards, usually from a display rack. Scientific Games has developed specific point-of-sale pieces that agents can use at those locations to drive gift card buyers to the lottery counter to purchase the gift card holder. Gift card holders are a separately priced **Offered Option**, in addition to the base price.

Bottlenecker

Gift-giving positively introduces newcomers to our products. The Discovery Team thus created the bottlenecker, a cross between a traditional scratch ticket and a promotional piece that distributes rebates and special offers. Bottleneckers also increase awareness of lottery products via multiple locations in stores that agents do not traditionally dedicate to the Lottery.

Our bottlenecker product provides several advantages:

- It works with any bottled beverage—wine, liquor, beer or soda.
- Wine and liquor are popular gift items during the holidays, making bottleneckers a great gift enhancement for holiday party hosts, as well as fun stocking stuffers and regular gifts.
- The recipient of the bottlenecker may be a non-lottery player, making this product perfect for creating trial usage.

Bottleneckers are a separately priced **Offered Option**, in addition to the base price.

Barcoded Coupons

Scientific Games often provides lotteries with direct mail coupons, eCoupons or other coupon materials that help our customers meet their marketing objectives. Each coupon can have a unique barcode that meets various technical and validation requirements.

We can use a mailing or email address list that the Lottery supplies (e.g., VIP Club members) or can develop the mailing or email address list using information the Lottery provides. We can then send coupons to those specific recipients either via mail or electronically (eCoupon). Players can redeem eCoupons via smartphone or print them for use in a brick-and-mortar retailer.

A coupon program offers:

- A fast way to get a promotion to the appropriate recipient
- Personalized coupon offers for the recipient
- A way to reward players
- Customized coupons per the Lottery's desired specifications
- Flexible coupon distribution that can provide customized offers to particular geodemographic segments
- A way to generate or augment a database of players

We have developed promotional programs, including barcoded coupons, attach cards, direct mail pieces and Valpak coupons. Promotional offers have included buy one get one free, buy three get one free, free lottery tickets and free online play. Barcoded coupons are a separately priced **Offered Option**, in addition to the base price.

Panel Games

Panel games incorporate scores or folds into the design, creating separate panels of play. Panel games can include one fold, resulting in two panels of play, two folds for three panels of play, or three folds for four panels, to hold an abundance of added value. Panel games come in a variety of sizes, with and without four-color graphics on the front and back of each panel, and offer ample space for the Lottery to advertise promotions, increase winner awareness, support loyalty programs and promote good cause messages. Panel games are a separately priced **Offered Option**, in addition to the base price. A sample panel game is provided in the **Instant Products Catalog**.

Advent-Style Calendar

Our oversized advent-style game is designed as a calendar, slowly building anticipation each day as players countdown to Christmas. Each day on the calendar represents a different play spot that can either be scratched off or popped open by a perforated tab, giving players multiple chances to win over the course of the holiday season. Advent-style calendars are a separately priced **Offered Option**, in addition to the base price. An advent-style calendar is provided in the **Instant Products Catalog**.

Retailer Games

Retailer support can greatly influence lottery sales rates. Scientific Games can generate games specifically for the retailer as part of an incentive program. Typically smaller versions of a consumer game, these tickets highlight an important quarterly game or introduce a new play style, making retailers more comfortable handling consumer questions. Retailer game tickets can be included with each pack of consumer game tickets, giving the retailer a chance to win with each pack. The prize structures for the retailer games can provide any variation of frequency of win and win amounts. For example, for the Minnesota Lottery we developed a Hit $50 retailer game that accompanied each Hit $50 consumer game pack. The barcode on the back of the retailer game piece allowed retailers to redeem their prizes instantly. Retailer games are a separately priced **Offered Option**, in addition to the base price.

Spotlight Games™

Scientific Games invented the Spotlight Game more than 10 years ago. Spotlight Games are a more complex higher-priced product, offering players high-value prizes through uniquely crafted prize structures. These games generate a great deal of excitement in the market and quickly attract a much wider audience of players, particularly players with a higher propensity to play games of chance who might not otherwise play the lottery. Spotlight Games do not have to be extremely large quantity games, but it is critical that they have an impressive number of life changing prizes or something else that makes them extra special. Spotlight Games are a separately priced **Offered Option**, in addition to the base price.

Blowout Games

Blowout Games signify a dramatic shift in prize structure philosophy. Instead of highlighting large top prizes, these games are loaded exclusively with $50, $100, $200 or $500 prizes. While the overall odds of a winning ticket are higher, the actual odds of winning one of the “blowout” prize amounts is significantly better than with any traditional game. This provides a greater number of tangible prizes to more players giving these games a fresh new appeal. This new twist also helps games stay relevant longer, thus improving the likelihood of a high sell-through rate. Blowout Games have been gaining steam since 2017 and are performing beyond the industry’s expectations across the board. Blowout Games are a separately priced **Offered Option**, in addition to the base price.

In addition to the above Strategic Product Enhancements, Scientific Games also provides the following as separately priced **Offered Options**, in addition to the base price:

- Two-color ink ticket back
- Pack sizes other than those listed in the specifications
- Fanfolded packs in yellow shrink-wrap instead of clear shrink-wrap
- 10 pt. C-1.5-S Stock instead of 10 pt. C-1-S Stock
- 10 pt. C-2-S Stock instead of 10 pt. C-1-S Stock

Instant Party Games

At Scientific Games, we take pride in our efforts to constantly expand the instant gaming category. We of course focus on products and solutions that are viable to you and your players, but we also know we must look beyond today's marketplace and envision the products of tomorrow. Our Instant Party Games are one category of these products. We are developing Instant Party Games in an effort to merge the excitement of instant lottery games with the entertainment of social gaming.

The Instant Party Game "Get Lucky" merges instant scratch cards with unique playing cards that can turn any gathering into an instant party. Imagine playing a game with your family, friends, neighbors or coworkers where the prizes are instant scratch off tickets that can win real money. The game is sold as a full deck of cards where half are instant lottery tickets and the other half are playing cards consisting of questions, brain teasers and challenges. The more the merrier as they say, as this game is truly meant to socially engage people in the name of fun.

"Get Lucky" has been tested with players to rave reviews and boisterous laughter, proving that people still crave entertaining games that bring each other together. Retail and distribution models can vary depending on the market desires, but opportunities to reach new players are certainly evident. Let us help grow your portfolio of products and give your players a new way of enjoying a lottery experience. Instant Party Games are a separately priced **Offered Option**, in addition to the base price.

Bingo Box

Scientific Games worked closely with Lotto-Quebec to create the very first multiplayer scratch game. The bingo-style game, launched in February 2019, comes with five bingo scratch games (up to eight players per game) and 10 reusable ticket scratchers. Everything is contained in an attractive, but compact box, ready to pop open for some shared fun. The game carries $1,000 top prizes and is loaded with lower tier amounts. The campaign included TV and radio spots, linked participation with approximately 40 bingo halls, as well as an interactive game to create a multi-level gaming experience. Bingo Box games are a separately priced **Offered Option**, in addition to the base price.

Zip Pouch

A lottery ticket wrapped in luxury is the best way to describe our zip-pouch product. Printed on either cardboard or foil board, these tickets allow players to enjoy a highly satisfying tactile experience when they tear—or unzip—the pouch's perforated edge to access the game within. Foil, hot stamping and embossing are also available to add even more perceived value to this exciting packaging option. Zip-pouch games are perfect for higher price point games and special occasion games.

A premier innovation from our team in Montreal, the zip pouch product has recently gained popularity with the Loto-Québec 100$ Ultime game. In 2017, players purchased more than 485,000 (97%) of the 500,000 100$ Ultime tickets during the eight-week promotion, making it the most popular game in Loto-Québec history. The pouch included hot foil stamp and LuxVelvet, and the ticket inside included matte coating on holographic paper. Zip pouch tickets are a separately priced **Offered Option**, in addition to the base price.

Scientific Games' Enhanced Partnership

Thirty-five years ago, Scientific Games pioneered the cooperative services partnership (CSP) concept while working with the New York Lottery. Since that time, the program has evolved with new products and services, as well as investments in infrastructure, talent and technology, to become Scientific Games' Enhanced Partnership (SGEP).

Our approach to your business is not piecemeal. We are the only company that offers a complete, fully integrated solution, including portfolio management, advanced logistics, prize structure analysis and inventory management—not just the simple game management that our competitors offer. More than simply scratch game advantage, our program has become the most comprehensive and successful full category management solution in the industry. Scientific Games now sets the bar for the lottery industry when it comes to the scratch game product and services. During COVID-19, the states that used our SGEP services were able to keep the supply chain moving by continuing to operate at full capacity driving retail sales of these customers to new heights.

SGEP focuses on the four key segments that have proven to drive top-line retail sales and profits: innovative product portfolio solutions, advanced logistics technology, retail optimization technology and engaging digital solutions. These four segments touch the scratch game product at every step of its lifecycle journey—from insights at the beginning to consumer sell-through at the end of the journey and back again. The segments include:

- **Product Solutions** – Providing everything from insights and product development to printing to promotional extensions at retail
- **Advanced Logistics** – Using a cutting-edge inventory, distribution management and predictive ordering engine to ensure the right product goes to the right place at the right time in the right quantities
- **Retail Optimization** – Developing new retail channels and maximizing existing channels through innovation and technology
- **Digital Engagement** – Creating strong digital content on the frontend and taking advantage of the vast amounts of data generated on the backend to maximize sales

SGEP provides you with a full instant product category management view versus a game-by-game view. This focus on the big picture sets the stage for more effective strategy development, leading to initiatives that drive category sales, not just individual product sales. SGEP services are separately priced **Offered Options**, in addition to the base price. The following describe the benefits of each pillar.

Product Solutions

Starting with product solutions, our talented scratch game product developers make strategic decisions and recommendations using insight derived from player research, our proprietary databases of game sales, and attribute information—all of which lead to product innovation.

- **Insights and Business Intelligence** – Analytics and insights are the very foundation of identifying opportunities, and we leverage the insights we have gathered through SGEP to improve your product offerings and marketing strategies—as well as your ability to continue growing revenue. Understanding the industry, market, trends, jurisdictional similarities and product performance is critical for making sound decisions. Our analysts and data scientists know the lottery market and have access to vast amounts of localized data, giving them the ability to turn research into action. Knowing what motivates consumers lets us guide industry trends, not follow them.

- **Product and Portfolio Management** – To fully realize the effect of a scratch game, one must examine it from a portfolio point of view, taking into account the game's product positioning, price point management, product type, launch schedules and market demand.
- **Innovative Products and Services** – We help our lottery customers grow their revenue by creating new and innovative products that keep up with market changes, trends and preferences. Critical to sales growth, these products include optimal prize structure development theories, licensed properties, new play actions, value-add opportunities and new printing technologies. Our innovation philosophy centers around the idea of anticipating what your business needs will look like in the next two, five and 10 years.
- **Product Execution and Production** – To ensure the product pipeline is full, we use processes and programs that allow for efficient, fluid game development. Our expert game developers refine game details, including prize structures, artwork, game parameters and production specifications. They understand the complexities of our proprietary prize structure theory and how to develop secure and appealing games that ensure optimal performance and player satisfaction. Finally, our production team brings the game developers' work to life via unparalleled printing capabilities.

Advanced Logistics

Advanced logistics ensure that we effectively manage your inventory through the order process in a secure, accurate and timely manner. Our predictive ordering capabilities reduce out-of-stock situations and unproductive inventory, virtually eliminating any need for trunk stock, as well as control the number of refused packages. Lotteries without SGEP often push out too much product all at once, thinking that more product in the field equals more sales. By pushing out too much, the opportunity for top prizes being hit too quickly increases dramatically due to retailers not properly staging the inventory correctly in their stores. Our approach and processes are different. By maintaining inventory levels based on real-time data, we are able to generate higher sales and bigger retailer commissions.

- **SciTrak Ultra and Inventory Management** – Introduced in 1997, SciTrak™ is the industry's first telemarketing system that gives our inside sales consultants the tools to strategically shape orders and work with retailers to ensure they receive the most profitable games based on their unique environments. Using a custom-designed and evolving algorithm, only SciTrak Ultra promotes efficiency and accuracy, as it constantly monitors sales and conditions at each retailer.
- **OrderCast ML: Smart Predictive Ordering** – OrderCast ML, our advanced predictive ordering tool, uses artificial intelligence learning to calculate how a game will perform at a specific retail location. The system analyzes and optimizes a retailer's sales and marketing information to predict the best scratch game mix for that location. OrderCast ML uses customizable sales and marketing coefficients to provide a forward-looking sales estimate, meaning that the SGEP team can quickly refine and adjust order selections after both regular and unanticipated changes in market conditions.

Retail Optimization

The information we garner from retailer insights supports new channel development efforts and helps inform key strategic initiatives such as product development and innovation. We gain a valuable understanding of the dynamics of each retail location and identify performance gaps and opportunities that are key to optimizing retail sales. Through our research and our fact-based

approach to retail, we expand how consumers can access our products by creating new ways to introduce products in different channels.

- **Retail Insights** – Understanding a player's perceptions and actions from the moment they walk into the store to the time they leave, with or without a lottery purchase, helps us understand what really happens at retail. Working with chain and independent retailers has given us extensive in-store research and a solid foundation to develop successful retail programs.
- **Retailer Relationship Management and Sales Force Automation** – Our gemIntelligence® application platform is the leading lottery-specialized retail relationship management and sales force automation solution. Standard features of gemIntelligence include retailer visit management, routes, tasks, vehicle mileage and expense tracking, electronic forms, surveys, media (in multiple methods), sales reporting, scratch game inventory, goals and incentive tracking, and many more. We can also integrate the application platform with other lottery and third-party system data sources as required by each lottery.
- **SCiQ®** – A revolutionary retail ecosystem, SCiQ securely dispenses, dynamically merchandises and tracks scratch game sales on a ticket-by-ticket basis in real time. It simultaneously provides accurate inventory controls and easy reconciliation with event-level reporting on a single location or chain-wide basis. Additional key features include secure storage, real-time sales and bin event tracking, one-button shift accounting, out-of-stock alerts and inventory reconciliation.
  See **Section 8.33.6** for more details on our automated scratch sales solution.

Digital Engagement

Digital engagement is both the final and beginning stage of SGEP. Data generated from consumers and retailers, digital programs and digital promotions, feeds back into the product solutions segment. Digital programs garner critical insight into today's players and their motivations, as well as how to keep them engaged when and where they want to play via mobile apps, interactive games and promotions. Building the right digital strategies guarantees that lotteries will use the right programs at the right time with the right scratch game products. Our expertise and experience in these areas is second to none in the lottery space.

- **Consumer and Retailer Insights** – When added to player research, insights garnered from our interactive programs provide invaluable insight into player preferences, motivations and actions. These insights contribute to the strategies we use in all four SGEP segments.
- **Marketing Strategy and Planning** – Our marketing strategy and planning set the stage for ensuring the right digital programs, promotions and games enhance marketing efforts for the scratch game product. By integrating our digital strategy with our overall scratch game product portfolio strategy, we enhance both print and interactive lottery products by extending the play across multiple channels.
- **Loyalty Programs** – Our lottery mobile apps leverage smartphone technology to provide players with an easy, convenient way to participate in loyalty rewards. Ticket scanning features on the apps enable players to scan barcodes on scratch games and draw games to accumulate points for merchandise or drawing entries. Additional loyalty initiatives include Points for Prizes®, Points for Drawings® and Play It Again™.

TPIA §552.110/552.1101

- **Interactive Promotions** – Scientific Games pioneered the use of interactive promotions, including second-chance promotional games, to innovate the way lotteries engage with their players and to connect the retail experience to digital engagement. These promotions add excitement to the scratch games product category by rewarding current players and helping recruit new players. Scientific Games has delivered more distinct mobile and web-based projects to lotteries than all other major lottery suppliers combined.

SGEP: A Full Category Management Solution

A comprehensive, dynamic program, SGEP's components and tools work in sync with one another rather than as a single module, or in a more linear mode with limited focus. Each component drives the others. We base our product solutions on the vast amounts of insights data that we collect. Our advanced logistics operations consider hundreds of product-related factors, and for retail optimization we develop solutions that help overcome obstacles to selling lottery products. And as our products land in customers' hands, we support them with industry-leading digital engagement extensions. With SGEP, our customers receive dedicated resources that focus solely on enhancing their lottery operations.

CONFIDENTIAL INFORMATION BEGINS HERE

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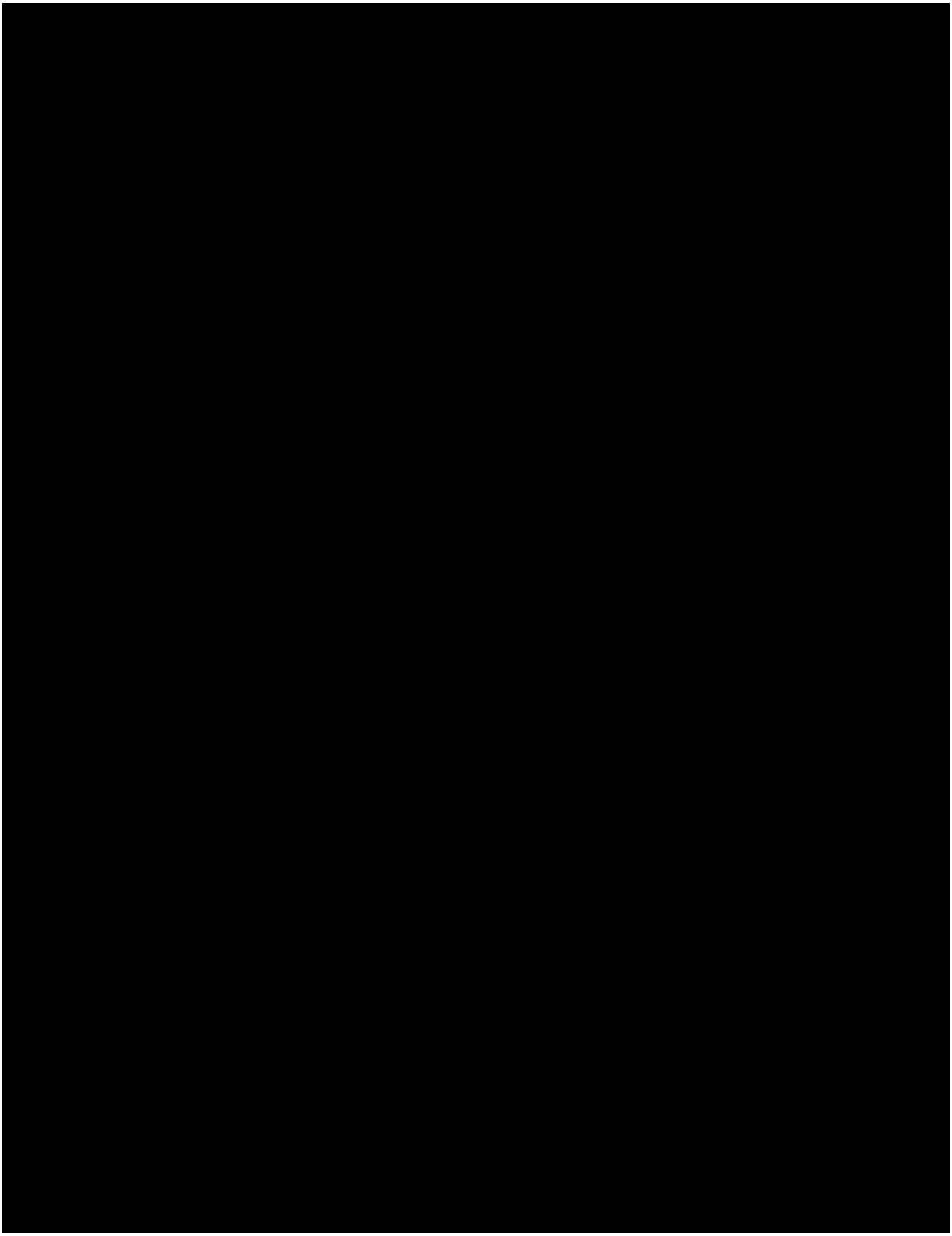
TPIA §552.110/552.1101



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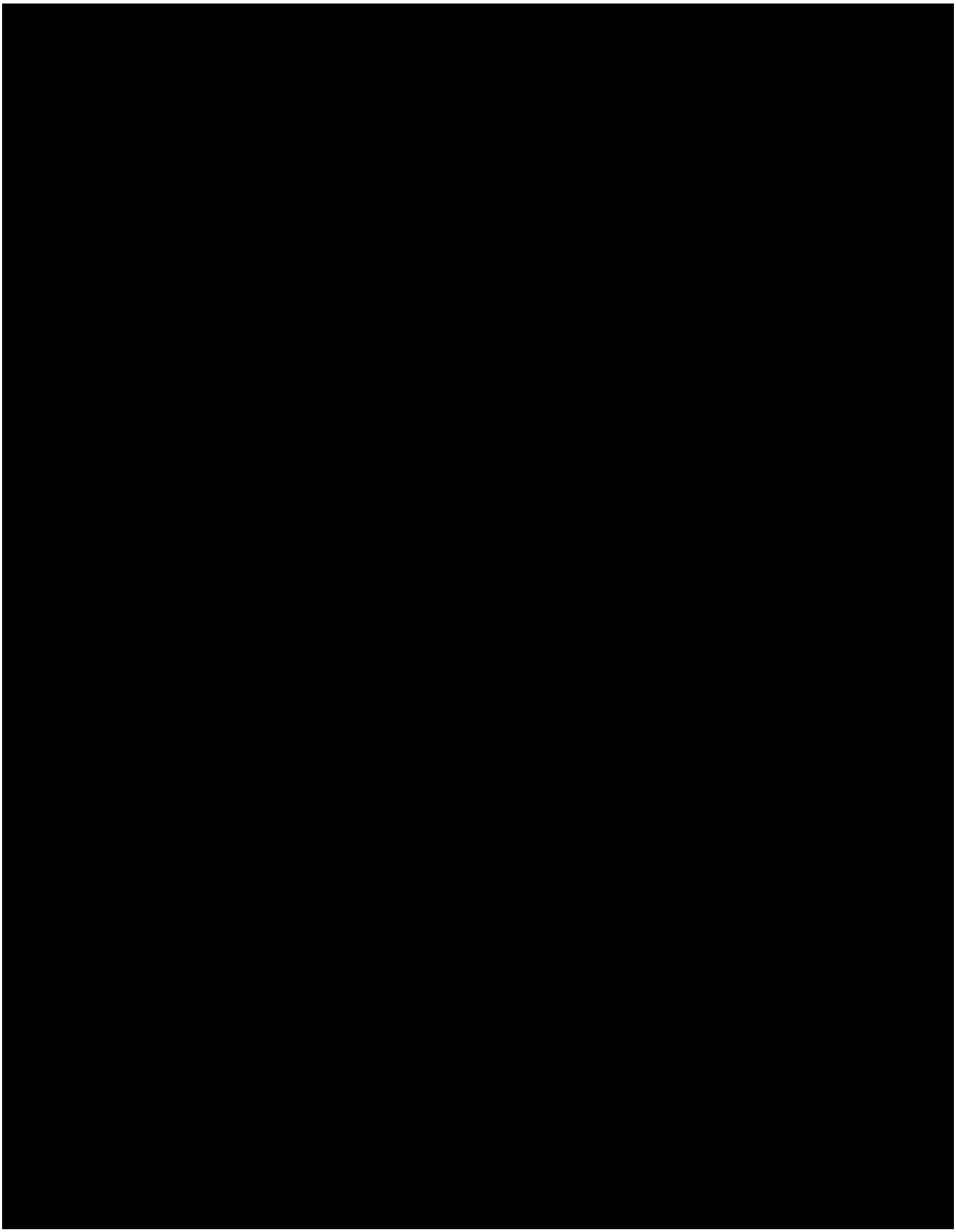

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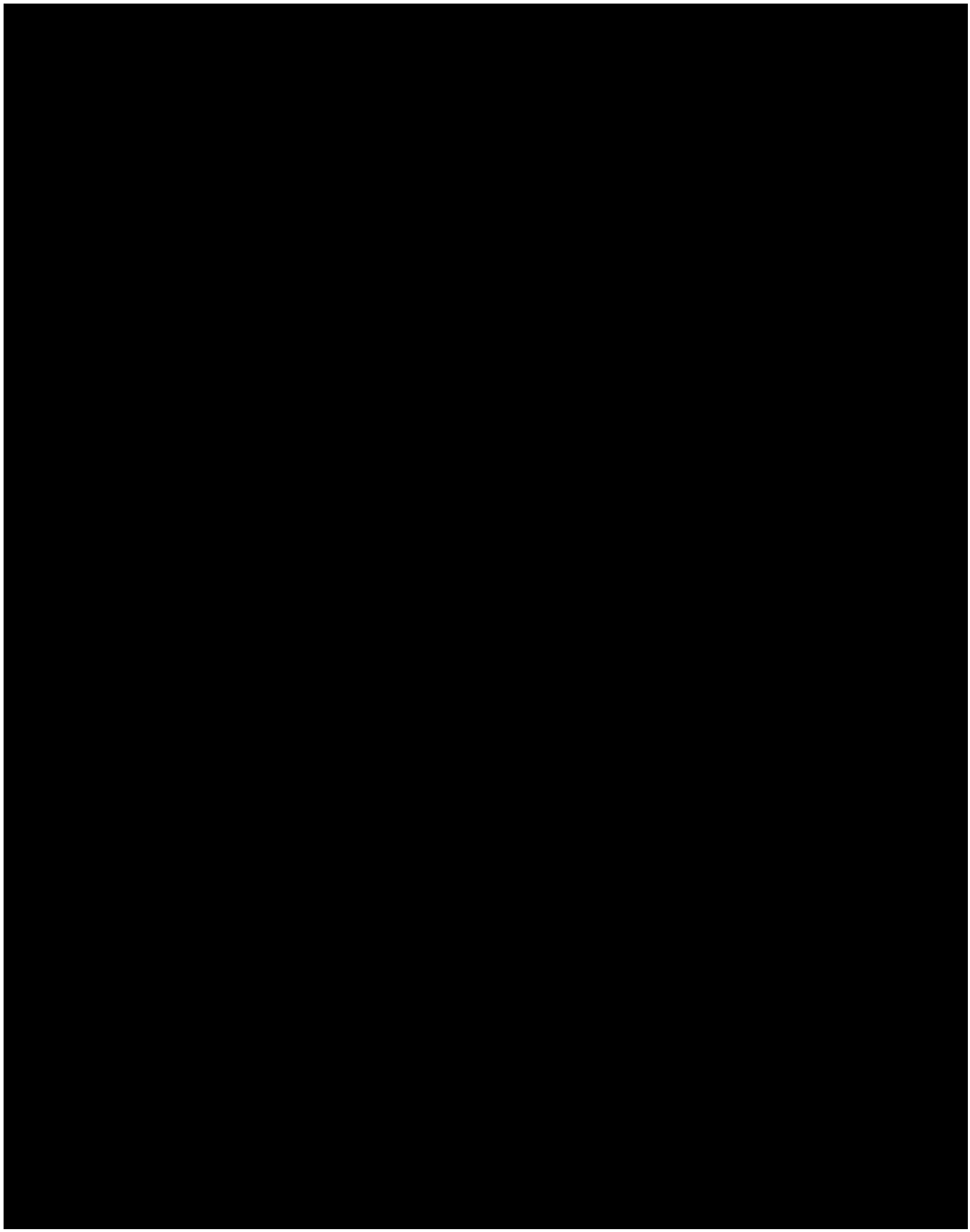

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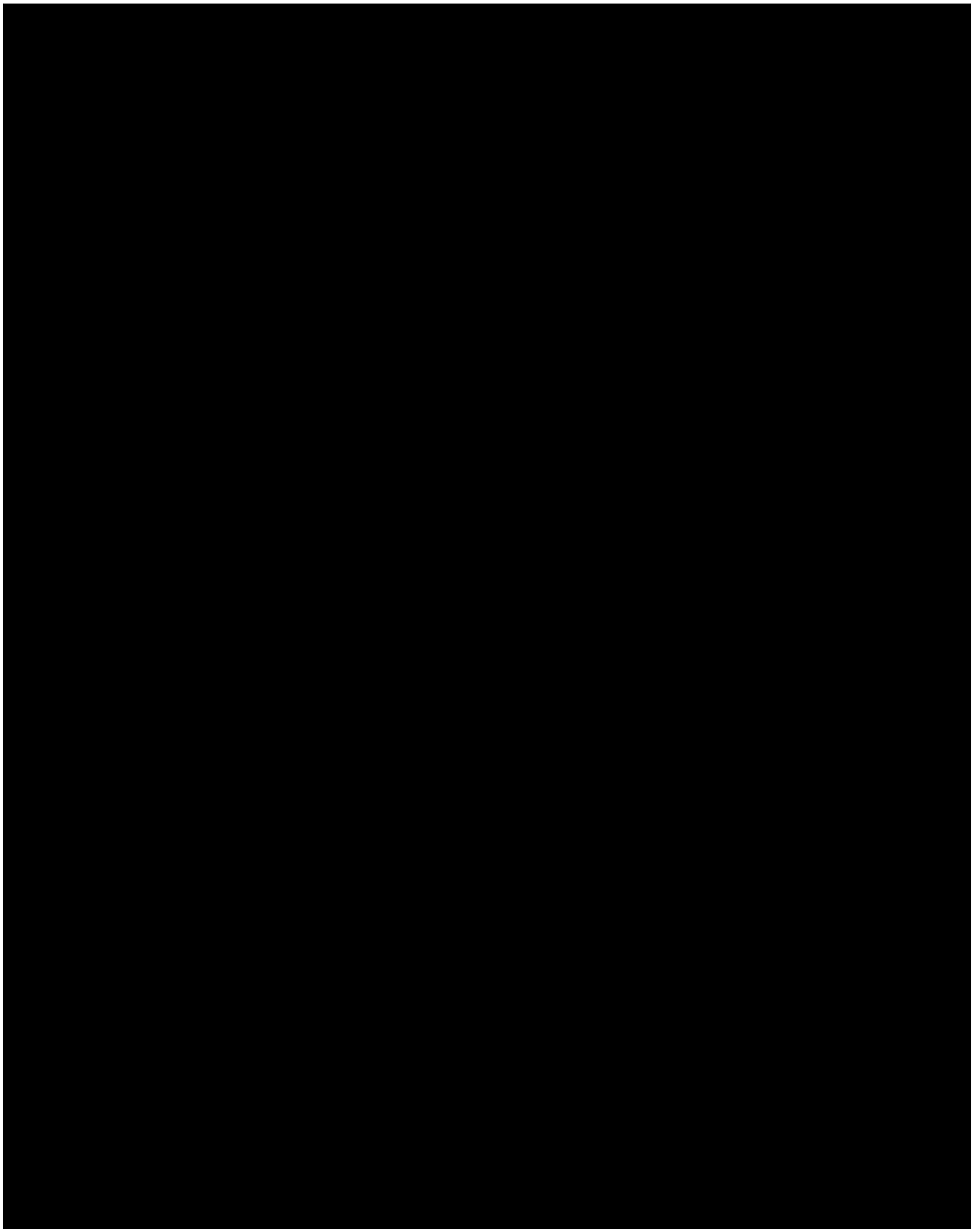

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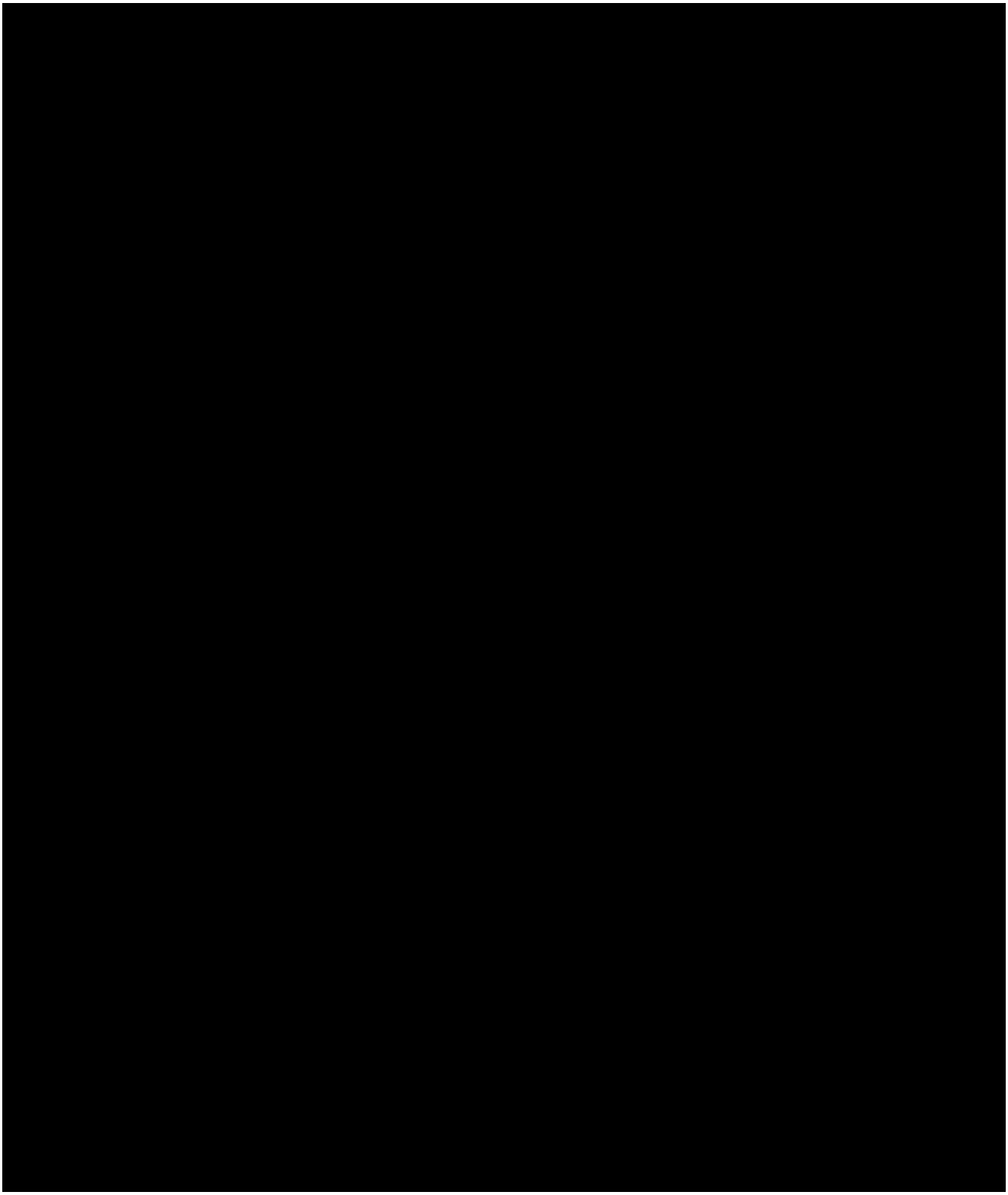

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Destruction of Tickets for Closed Games

Scientific Games offers two options for destruction services to the Texas Lottery for closed games. We have provided a description of our process for the transport and destruction of returned instant tickets of closed games at either our Alpharetta facility or an appropriately certified in state option.

As a current instant ticket provider for dozens of lotteries, Scientific Games is familiar with the lottery industry's preferred destruction practices and has successfully provided this service. As an **Offered Option**, Scientific Games can provide this service to the Texas Lottery. In addition, we can also provide certification of successful destruction in a format approved by the Texas Lottery Security Director.

Both options for the destruction of tickets for closed games are separately priced **Offered Options**. Should the Texas Lottery decide to purchase the offered SGEP option described in earlier in this section, destruction of tickets for closed games would be included in that contract.

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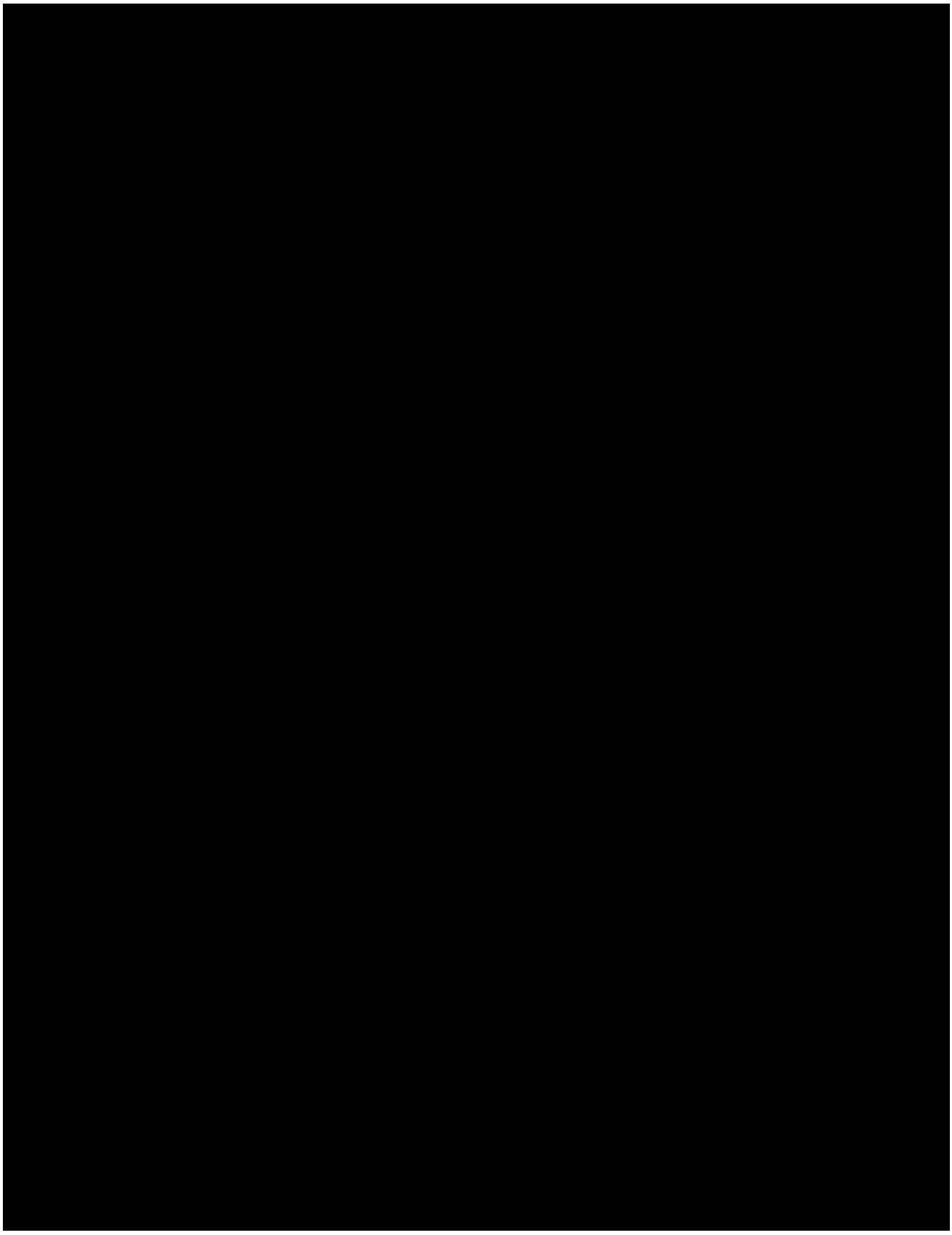

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PlayCentral

In this section, we propose as an **Offered Option**, our PlayCentral portfolio of self-service terminals, each using advanced technologies to provide attractive, easy-to-use, efficient, scalable and reliable delivery of games for all players. The PlayCentral HD and PlayCentral 54 will support all current and future Lottery scratch games and draw games, while the PlayCentral EX is a smaller-footprint draw-only self-service kiosk.

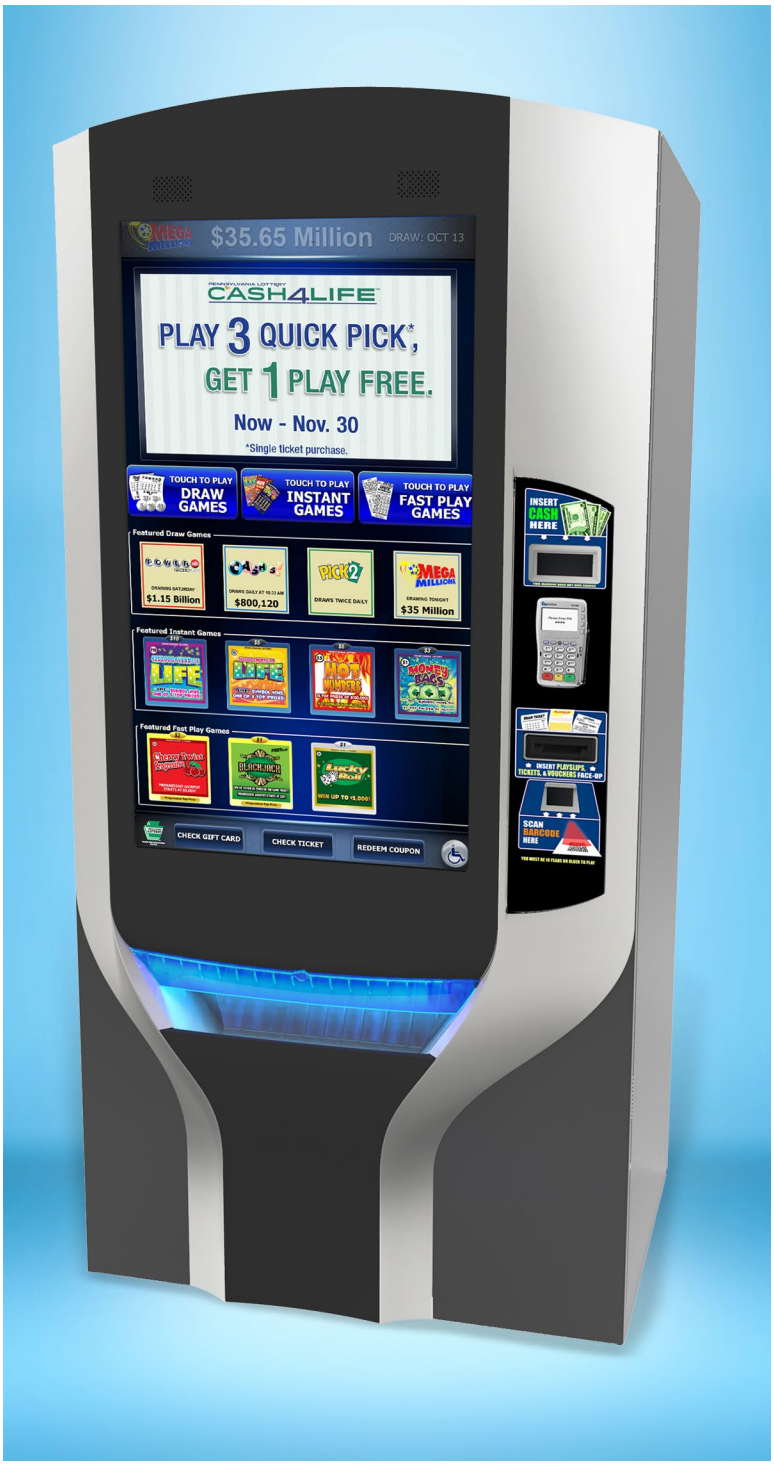
A Diverse Family of Self-Service Solutions to Grow Your Business

Just as one size does not fit all for retail sales terminals, one size does not fit all in self-service devices. Our PlayCentral portfolio of self-service terminals provides an effective way to expand distribution and reach new players, and our PlayCentral HD, PlayCentral 54 and PlayCentral EX provide a variety of size, functionality and configuration options to fit more easily into more retail environments. This terminal diversity allows the Lottery to reach new and different retailer types and provide them with exactly what they need for success. In addition, our intelligent retail ecosystem approach means data from these units can be used in your gemIntelligence® and/or gemRetailer™ retail management system applications.

All of our PlayCentral terminals are separately priced **Offered Options**, in addition to the base price.

PlayCentral HD Self-Service Terminal

The PlayCentral HD turns a simple lottery purchase into an interactive experience. It has a 42-inch high-definition touchscreen to draw players' attention and make it easier than ever to purchase lottery games. The intuitive user interface combines easy navigation and recognizable game styles with an engaging shopping experience. It can vend, as well as provide details about, up to 28 scratch games, as well as all of a lottery's draw games and high-frequency monitor games.



The PlayCentral HD puts the player in command of the games they want to play while offering all of the features expected in a self-service kiosk:

- Support for 24 or 28 scratch games
- All lottery draw games
- PlayNow games, instant win, fast play, draw games
- High-frequency monitor draw games
- Payment with cash or optional credit-debit card and mobile (e.g., Android Pay or Apple Pay)
- Ticket checking and validation
- Age verification
- Integrated Lottery InMotion™ advertising
- ADA accessible
- Multi-lingual capable

PlayCentral 54 Self-Service Terminal

Complementing the PlayCentral HD is the compact PlayCentral 54. The PlayCentral 54 is essentially a low-profile design of the PlayCentral HD. Like its larger counterpart, the PlayCentral 54 is a touchscreen full-service self-service vending machine with the exact same product offerings, capabilities and payment options. Sitting at only 54 inches tall, the PlayCentral 54 fits more readily into diverse retail layouts to take advantage of high-foot-traffic locations where it can be most productive.

The PlayCentral 54 shares all major components and features with the field-proven PlayCentral HD. All features, functionality and user experiences we previously described for the PlayCentral HD carry over to the PlayCentral 54 to ensure a common user experience across the entire PlayCentral product line. Compared to the PlayCentral HD, the PlayCentral 54 differs in three places: it supports a maximum of 16 scratch games, has a 27-inch HD touchscreen in a square 1:1 aspect ratio, and it is only 54 inches in total height.

PlayCentral EX Self-Service Draw Terminal

PlayCentral EX is a draw-game-only self-service terminal that supports full self-service sale of all draw games, PlayNow instant win games, high-frequency draw games and any other games the Lottery offers, but does not dispense any scratch game tickets. PlayCentral EX features two 23-inch full HD displays and delivers the same intuitive and engaging user experience as the rest of the PlayCentral product line.

Like the PlayCentral HD and the PlayCentral 54, the PlayCentral EX puts the player in command of the games they want to play and the information they want to access, while offering all of the features expected in a self-service kiosk:

- All lottery draw games
- PlayNow games, instant win, fast play, draw games
- High-frequency monitor draw games
- Payment with cash or optional credit-debit card and mobile (e.g., Android Pay or Apple Pay)
- Ticket checking and validation
- Age verification
- Integrated Lottery InMotion advertising
- ADA accessible
- Multi-lingual capable

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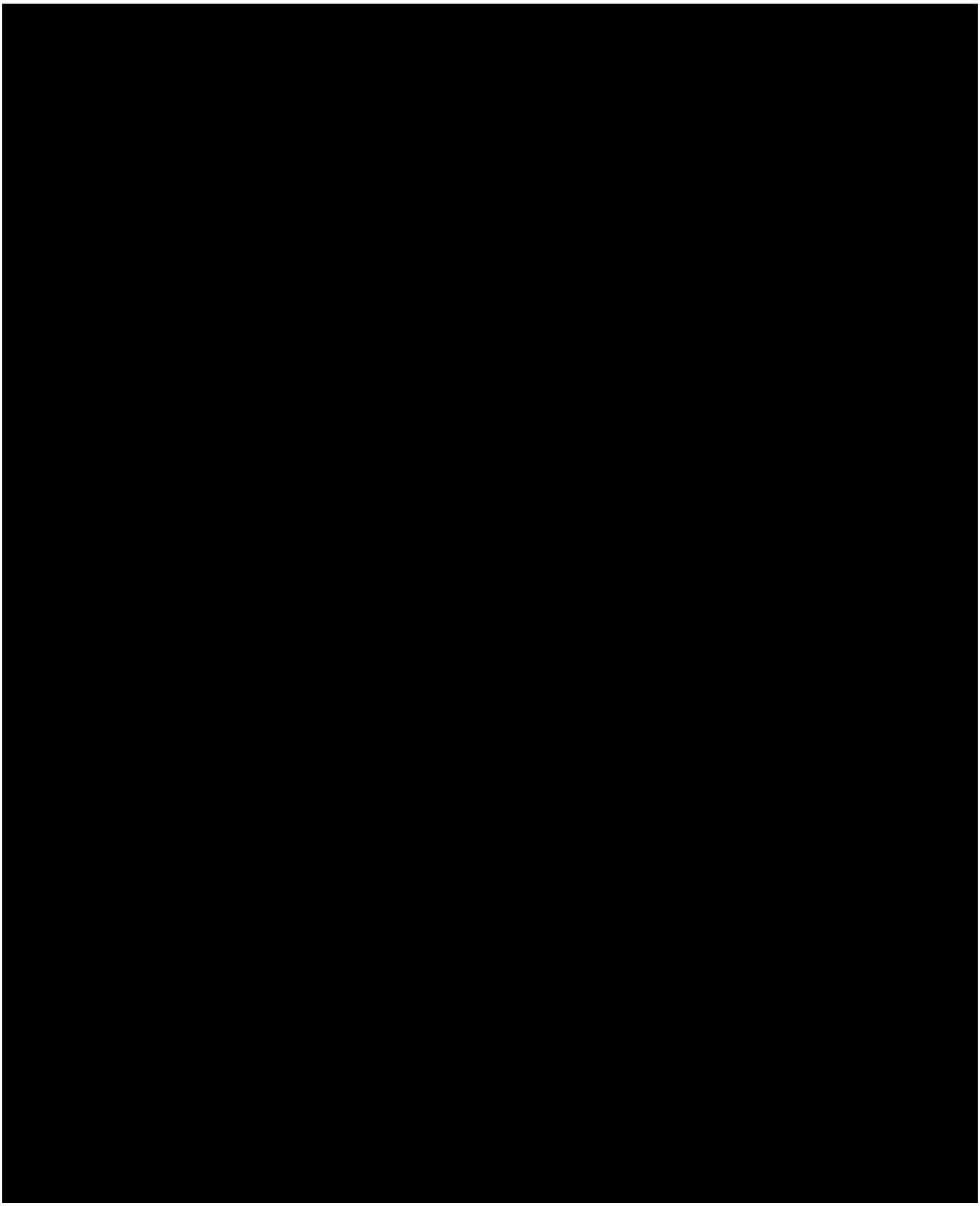

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gemSuite Options

A Proven Solution That Works the Way You Do

We offer the Texas Lottery the opportunity to transform your operations into a more flexible, future engineered enterprise, able to more quickly respond to market opportunities while reducing labor-intensive, manual tasks associated with many of your current back office processes.

Scientific Games is pleased to offer this set of applications, collectively called the gemSuite™ Options in the following **Offered Options**.

The Texas Lottery can choose any individual option (Items 1, 2, 3) or the entire gemSuite™ (Item 4). Each product includes the license of our latest version of the software's core features and capabilities, implementation, training, and ongoing software support and maintenance. We also provide our standard and customary software development services required to configure and customize the application to the Lottery's business requirements and then support updates or modifications to the software throughout the life of the contract. The Lottery can choose multiple hosting options (Lottery-hosted, Commercial Cloud or SG Hosting). Additional software application modules are available as add-on options.

1. **gemIntelligence®** – Now powering 24 lotteries in North America (Canada, U.S. and Latin America), the gemIntelligence Retailer Relationship Management software platform is a highly graphical and easy to use application that can be used anywhere, any time and on any device. Lotteries have achieved proven success in increasing sales, improving retail performance and enhancing Lottery efficiencies.
2. **gemRetailer™** – The latest version of the gemRetailer, which offers flexible access to sales and other business and accounting information for your retailers. Our enhanced product also includes new capabilities like our popular eForms and other features to streamline retailer information access and increase satisfaction.
3. **gemEnterprise™** – Our "Agile Lottery Backoffice" software platform includes several modules that can automate and transform lottery operations. From our Retailer Licensing and Management platform that has helped shrink the licensing cycle time from weeks to days, and our retailer business support applications that speed and simplify processes like claims and payments to our security investigations and complaint tracking applications, your Lottery can use one or all of these proven applications.

4. **gemSuite™** – The latest version of all our gemSuite solutions (gemIntelligence, gemRetailer, and gemEnterprise) to support the lottery's transformation to a paperless and streamlined operation.

gem Options are separately priced **Offered Options**, in addition to the base price.

Incomm Gift Cards

Scientific Games has partnered with InComm to be able to offer a lottery gift card solution which leverages InComm's experience and expertise. During the last two decades, InComm has been powering the change that has revolutionized the gift card and prepaid industry—bringing convenience, security and wider choices to shoppers on a global level; increasing traffic for retailers; and extending reach for brands. InComm has transformed the shopping experience, providing solutions that drive revenue all over the world. **Figure 8-58** shows Incomm's global experience.

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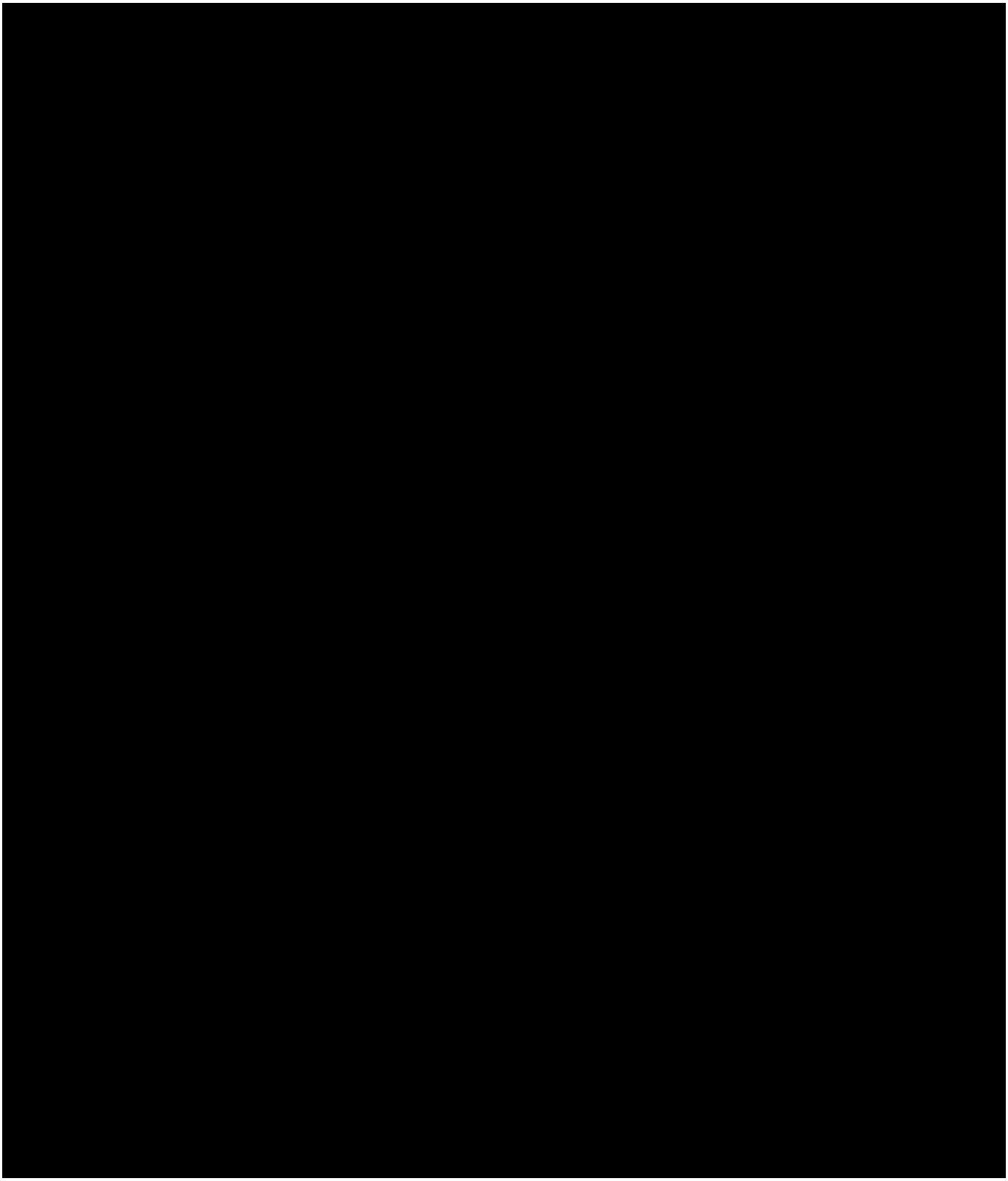

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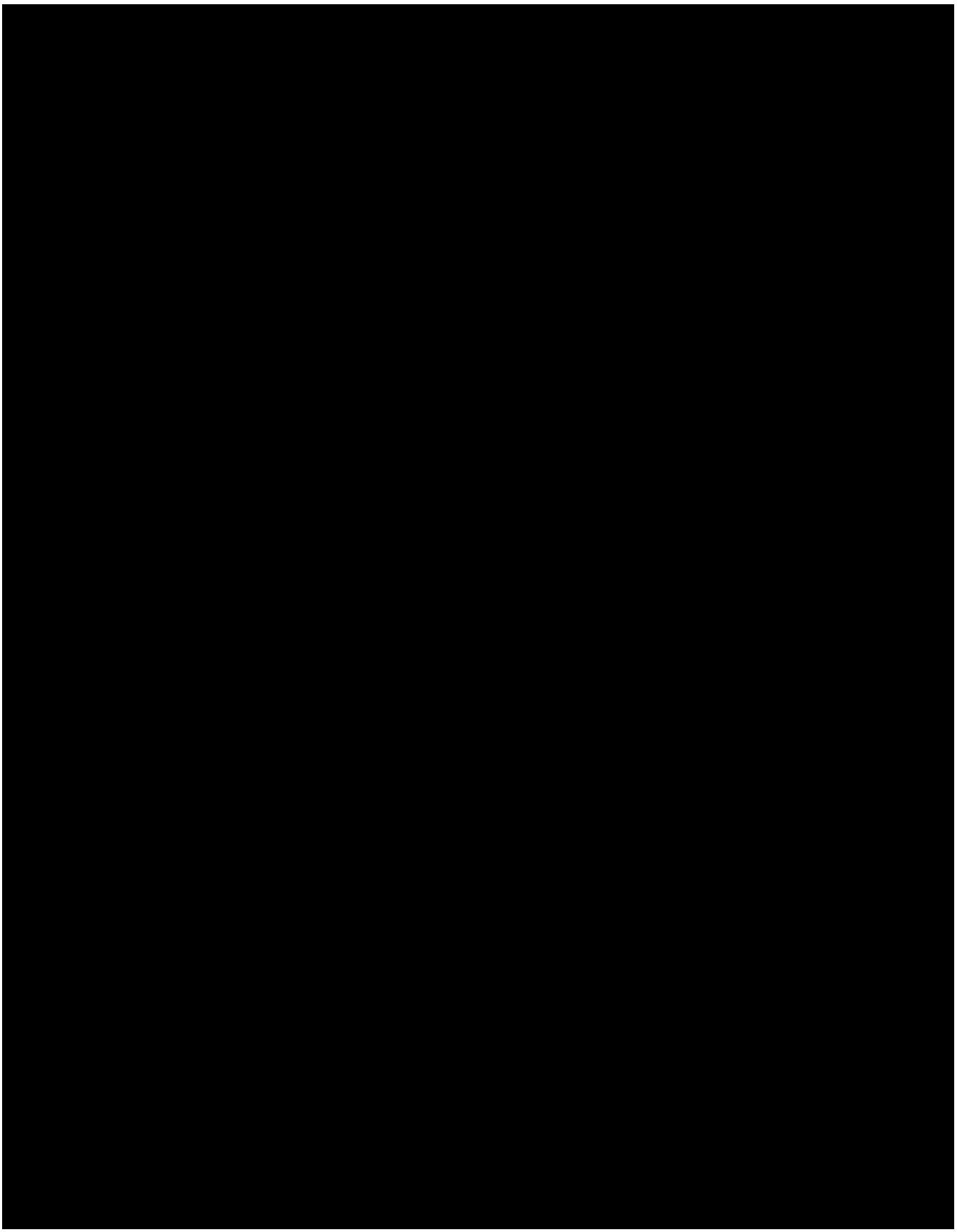

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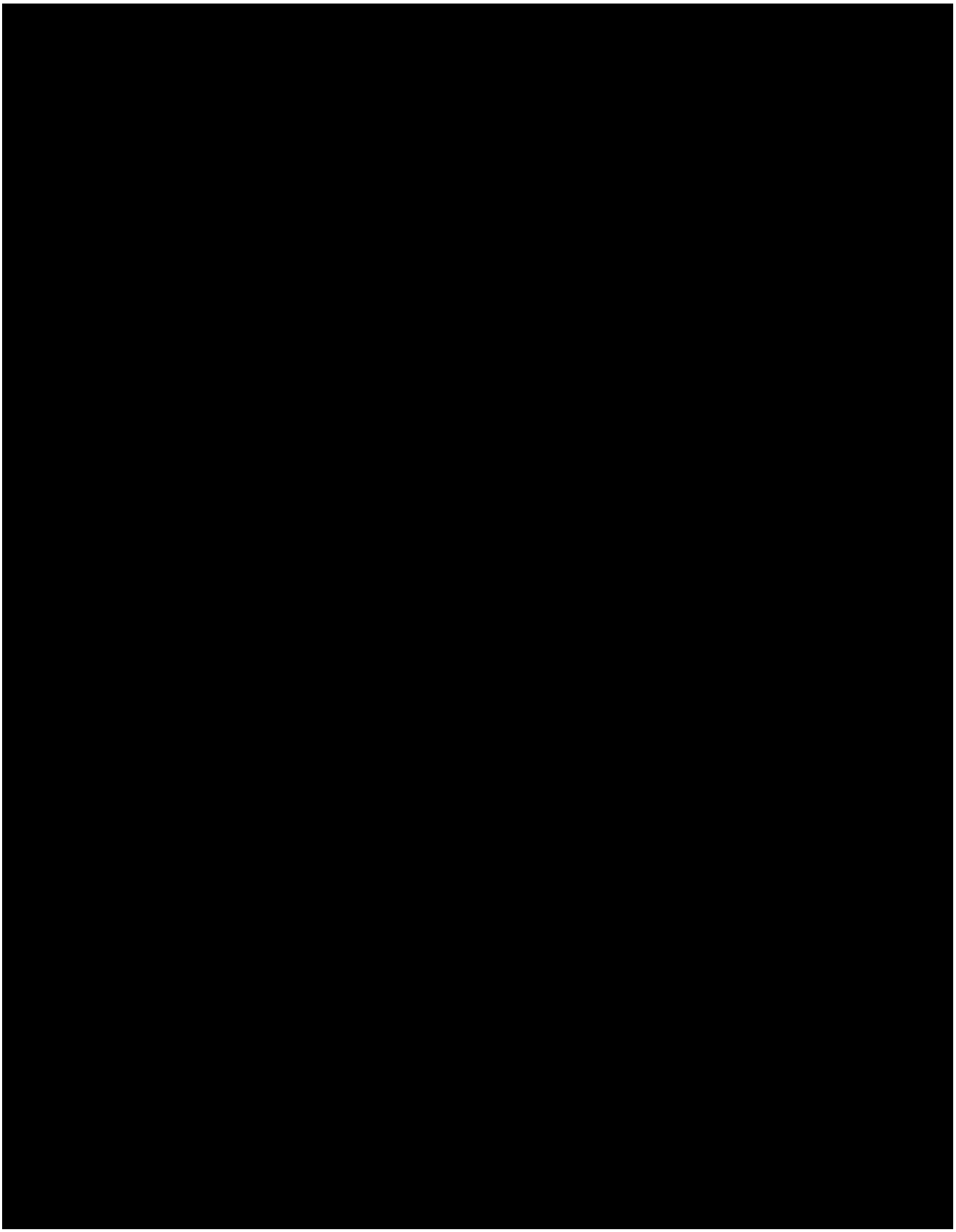

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Experienced Provider of Digital Solutions

Scientific Games Lottery is a worldwide industry leader in delivering digital solutions to lotteries. This leadership is based on the fact we have delivered more distinct mobile and web-based projects to lottery organizations than all of our competitors—combined. Given the diversity of regulatory environments, player sophistication, third-party system integrations and even languages of the markets we serve, this is no mean feat. To date, we have delivered more than 700 digital programs and promotions to more than 50 lotteries throughout the world.

We pioneered the use of interactive second-chance promotions and promotional games, as well as unrestricted "for-fun" games in order to innovate the way lotteries engage with their players and to connect the retailer experience to digital engagement. As a result, we are now a leader in offering digital extended play experiences in conjunction with traditional retail games.

We are a leading provider of full-service loyalty rewards programs to the U.S. lottery industry, having launched the first U.S. program with the Arkansas Scholarship Lottery in 2009. Today, we provide loyalty rewards programs and related services to six U.S. lotteries, and remain the only full-service provider in the industry.

In addition to our industry-leading experience in digital second-chance innovations and loyalty rewards programs, we have delivered iLottery solutions to more than fifteen lotteries throughout the world. The first was he first being Lotto Bayern (Germany) in 2001, and the most recent being the Pennsylvania Lottery in 2018.

Finally, we are the leading provider of mobile applications to the U.S. lottery industry with 21 delivered thus far; meaning one in four U.S. lotteries offer a mobile application developed by Scientific Games. Mobile applications are central to our digital solutions, offering features in the areas of convenience, promotions, loyalty, rewards and iLottery.

Interactive Promotional Games

As a separately priced **Offered Option**, in addition to the base price, Scientific Games can support the Texas Lottery with interactive games delivered to players in a for-fun or second-chance capacity. Scientific Games pioneered the use of interactive second-chance promotions, promotional games and unrestricted for-fun games that offer innovative ways for lotteries to engage with players and connect the retail experience to digital. As a result, we have become the leading provider of lottery digital extended play experiences offered in conjunction with traditional retail games.

Today, Scientific Games leverages an interactive promotions platform and suite of backend services that support the next generation of gaming content.

Skill-With-Reveal Games

Skill-With-Reveal (SWR) games feature a genuine skill component, with game-specific leaderboards tied to the player's social identity and network, as well as an overlay or bonus feature for awarding predetermined prizes (such as drawing entries). SWR games can also be offered in a for-fun capacity.

Players connect to these games via the social channel(s) designated by the lottery. Our games support 30 social channels, including Facebook, Twitter and YouTube, the primary social channels currently used by lotteries. SWR games also support game achievements through a developer friendly API. The achievements API provides a method to define, store and retrieve custom achievement awards for casual style games in the lottery space. This assures a player's previous achievements in a second-chance or for-fun lottery interactive game are retained from session to session. These achievements often take the form of badges or stars and are defined by each individual game title and theme.

SWR games offer unparalleled flexibility: they can be executed as a mechanism for awarding prizes or in a for-fun capacity, as determined by the objectives of the Lottery. SWR games provide exciting game mechanics found in many casual games including Match 3, Collapse, Hidden Object and Linking Objects. Lotteries can offer the SWR category of games for entertainment purposes only simply by eliminating the reveal component and leveraging the games themselves to engage new and existing players through a truly social competition.

Game Tutorials (for Mobile and Web)

As lotteries begin introducing new and emerging playstyles as well as online wagering, educating players will facilitate the process. We can develop and deploy lottery tutorials for new draw and instant games, as well as new wagering processes. We can deliver these tutorials in three primary formats:

1. A series of sequential HTML5 pages, or equivalent
2. An interactive tutorial, provided in HTML5 or equivalent
3. A tutorial integrated into the game being explained or demonstrated

Game tutorials are a separately priced **Offered Option**, in addition to the base price.

Next Gen Loyalty

Mission Statement

There are three major goals for a players' club and loyalty-rewards program. These make up a suggested mission statement for the program.

To directly and responsibly engage with our players, to learn valuable insights about our players, and to translate that engagement and insight into increased sales and return.

Loyalty marketing ideally moves your customers from a transactional relationship to an emotional one. The players club and loyalty-rewards program we can provide aims to deliver more value to your current players and provide incentives for their continued play. Through this process, we will further formalize the relationship chain between the Texas Lottery and your players.

Gamifying the Experience

Players engage for the chance to earn loyalty rewards. In the lottery space, we enhance this engagement by gamifying the delivery of points—recasting the traditional loyalty experience of earning points into a uniquely lottery experience of winning points based on achievements. Simply adding points to the program does not drive a points-based rewards program's success. Such a program becomes successful because of the psychological understanding of what motivates players to yearn for the points. Barry Kirk points out in his article "Earn, Burn and Yearn: A New Paradigm for Loyalty Marketing" that "accumulation of points can be a psychologically rewarding experience, and can trigger a host of intrinsic human emotions and behavior as identified. Because program points are essentially an abstract concept, the mind is free to subjectively assign value beyond the financial benefit. Players can perceive points in ways that are most relevant to their personal goals."

We have thus created two key features to offer more engagement and more control of the budget, as well as the ability to award points based on frequency of play: Next Gen Loyalty and multi-type points.

Next Gen Loyalty Approach

Scientific Games' Next Gen Loyalty approach combines the benefits of our earlier loyalty-rewards programs and adds key features to enable lotteries to better attract and engage players. The newest feature of our Next Gen Loyalty, Bonusing, is a subset of promotions in the sense that it has similar traits, i.e., triggers, qualifiers and rewards; however, it is different in the way players receive the bonus. Unlike a promotion, where it is often routine, for example, to buy one get one free, a bonus can be achievement based or an unexpected opportunity to win multiple prizes for "free." With bonusing, the Lottery can:

- Excite and engage players through an increasing number of bonus games and features connected to lottery gameplay.
- Gain better player purchasing insights resulting from players participating in bonusing, ultimately leading to increased sales. What this means is that bonusing is a way to "age" players inside the program by keeping them engaged longer. Once we have regular players, we can see new purchase patterns and even potentially affect those patterns based on how we engage them, and ideally the pattern changes align with products the Lottery chose to stimulate.

In practice, bonusing allows for points to be distributed as additional wins on an interactive reveal mechanism, such as a bonus wheel. The first allotted number of tickets entered by a player would trigger the bonus wheel to reveal an amount of points, or other awards such as lottery product coupons, drawing entries, gift cards (physical or digital) or merchandise (physical or digital). The next entry objective to receive a wheel spin fluctuates based on lottery objectives and player behavior. Players would see their next objective and a meter indicating their progress toward that objective. As with a traditional point-range method, there would be a points budget. In bonusing, much of that budget would go toward wheel spin awards.

Achievement Challenges Add Value and Extend Player Engagement

Multi-Type Points

We created a shopping points designation and a drawing points designation on the back-end database. These designations offer the ability to apply different business rules and management for Points for Prizes and Points for Drawings. The different business rules will allow the Lottery to award players more chances to win essentially without impacting the budget. When a player completes an achievement the player has the potential to win any point type that was configured for that specific achievement.

- Shopping points are exclusively eligible for redemption for all merchandise in the prize rewards catalog—Points for Prizes.
- Drawing points are points that can only be used to enter drawings—Points for Drawings. They cannot be used to redeem merchandise in the prize rewards catalog.

Both point types can be awarded as a bonus, allowing greater flexibility of prizes players can earn.

Bonusing reinforces that the promotion is about winning, in addition to the act of earning and accumulating. The richer the awards on the bonus wheel, the greater the winning experiences for players. Multi-type points will allow the Lottery to offer points to players for non-purchase-related activities while not affecting the budget. Multi-type points also provide incentive to players to complete surveys and engage with social media by appealing to the player's desire for more chances to win.

As a separately priced **Offered Option** in addition to the base price, Scientific Games can provide the Texas Lottery with end-to-end support for a Next Gen Loyalty program. These services include website design development and maintenance, marketing and analytics, drawing services, customer support, operational support, and prize acquisition and fulfillment.

Player Account Management, Ticket Entry and Validation System

Scientific Games can provide the Texas Lottery a players club and loyalty-rewards program that will be accessible via a responsive website to register and enter tickets, learn information on the program, browse and shop in the online store, submit feedback and view account history. Whether they gain access via smartphone, tablet or computer, players can enter their personal information, including name, age and residence (which are then verified by the site), accept the Lottery's Terms of Service and, finally, establish an account. During registration, a valid email address and password are entered and serve as the player's login information.

For new members, the player registration module captures pertinent information:

- Name
- Address
- Phone number
- Birth date
- Gender
- SSN4 – for player identification and age verification purposes in loyalty or iLottery programs
- Other information the Lottery wishes to collect, such as communication preferences

In some cases, the Lottery may require players to self-verify their age, location and even acknowledge rules, regulations and disclaimers by checking a box.

As part of best practices, we require that each new loyalty-rewards program member must have a valid email address that differentiates one player from another. The system recognizes players by their email addresses. Once players enter their email address, the system validates that each address is unique. If players already have an account using the same email address, they will receive an error message before submitting the registration information.

Player Identity Authentication

Scientific Games recommends player identity authentication to ensure that all loyalty-rewards program registrants meet the Lottery's minimum age requirements and can only open one loyalty and rewards program account.

At a minimum, our solution can identify age, username and address only. However, other data inputs collected at registration are used in this verification, including date of birth, last four social security digits (SSN4), etc., to increase confidence in the result. For this reason, the system passes all available player account creation data (i.e., full name, address, birth date, SSN4) to the platform to support their highest level of age authentication. Our solution accomplishes age verification by accessing governmental databases and other sources.

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Player Secure™

Implementing programs and promotions that engage lottery players is our key to delivering marketing success. Securing these programs and promotions to lottery industry standards is our key to ensuring integrity success. During the course of the last 19 years, our interactive systems have facilitated the registrations of millions of lottery players, entering hundreds of millions of lottery tickets, rewarding billions of drawing entries and loyalty points. As a result, we uniquely understand that player trust is each Lottery's most valuable asset, and this must be maintained at the same high standard across each and every lottery touch point.

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Marketing and Analytics

Scientific Games can provide marketing support for our interactive products and solutions, including strategy, planning, creative (digital and traditional), campaigns, marketing communications (automated and manual), attribution and analytics. Since launching our first interactive program in 2001 for the New Jersey Lottery, Scientific Games has emerged as the industry's leading provider of interactive solutions. Through this experience we have developed a set of strategies and tools to support our customers and the programs we provide them.

Next Generation Mobile Application

Scientific Games is the leading provider of mobile applications to the U.S. Lottery industry with 22 deployed to-date, and 12 currently live, meaning one in four U.S. lotteries offer a mobile application developed by Scientific Games.

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Our mobile application solution adds convenience for players and offers functions supporting our full-line of digital solutions, as depicted in **Figure 8-62**.

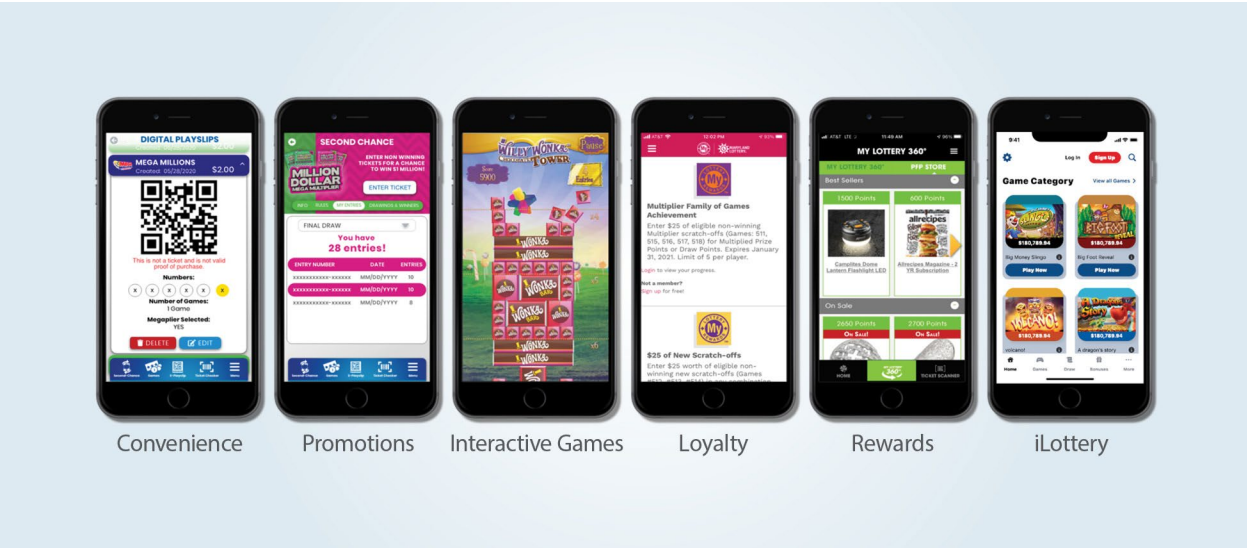

Figure 8-62: Scientific Games' Mobile Application Offers Features for Every Vertical

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Digital Coupons

Scientific Games can support the Texas Lottery with barcoded electronic coupons that interact with the Lottery's validation equipment and are delivered to player's digitally through desktop, mobile and/or email. Barcoded electronic coupons are a separately priced **Offered Option** in addition to the base price.

Digital Delivery of Coupons

There are variety of ways coupons can be delivered digitally. Email delivery, as a blast or targeted, is one effective method. According to Salesforce's "2016 State of Marketing" report, 80% of marketers agree that email is core to their business with 79% of marketers rating email campaigns featuring exclusive deals as very effective or effective, second only to loyalty. The ability for a player to open an email on mobile and receive a digital coupon, which can then be redeemed at retail for a free play or discount on a lottery game, will be useful in reaching consumers where they shop. Combined with business intelligence on member activities and purchases, derived from data that has been integrated into the data warehouse, a mobile coupon solution can be targeted to specific players. Salesforce's "2016 State of Marketing" report ranks exclusive deals as the most effective mobile campaign type with 80% of respondents rating exclusive deals as very effective or effective. Mobile as a tool for coupon delivery should be a priority within a predetermined long-term plan.

Tie a Coupon Redemption to a Purchase

With the purchase of a lottery ticket, the player could enter or scan (via mobile) a code from the ticket that will deliver a special single-use coupon. A free play on the same game or tied to another game.

Quick Response (QRC) or Similar Barcode Technology

Scientific Games has worked with a variety of 2D barcodes including QR codes together with mobile scanning to deliver experiences. These codes can enable a number of different activities from directing players to a specific website, to delivering entries, game play and other prizes. It could also provide access to a single-use coupon offering a discount or free ticket with purchase of a certain dollar value in lottery tickets once the QR code is scanned.

Single-Use Barcodes

The ability to deliver a coupon with a code that may be used only once provides an important benefit for managing and controlling the Lottery's liability. Either by scanning or entering a unique code via the lottery terminal (depending on the capabilities of the Lottery's system's provider), or by entering a unique promotion code delivered via email or mobile devices, the one-time use of a coupon can be controlled.

Identification and Data Capture of the Redeemer

In order to capture data on a redeemer, it requires the ability to capture their identification and other data. For instance, if a player is required to enter their name and email address (or other information) before they can use or claim a coupon, we can collect and provide this information back to the Texas Lottery.

Customer Relationship Management

As an **Offered Option**, separately priced, Scientific Games offers the Texas Lottery Customer Relationship Management (CRM) expertise and operations management with turnkey, full-service solutions provided by a Growth Marketing team of retention marketing experts.

This includes implementing and managing an industry-leading CRM software solution, Optimove. Through the Texas Lottery website, 2nd chance program, and mobile application integration, as well as the use of the extensive information in the data warehouse, the lottery will be able to create custom behavioral-based, automated, scheduled, and ad hoc communications with your loyal players via player preferred channels.

Communication Channels can include:

- Email
- Rich inbox
- App push
- In-app pop-ups
- SMS/MMS

For the Lottery's convenience, and to offer as much flexibility as possible, we price these messaging channels individually. The Lottery may pick up or drop them at any time during the life of the contract. For example, the Texas Lottery may choose to only use only the email messaging channel for year one, and would only be subject to fees associated with the email messaging channel, with no fees for messaging channels not used. In this example, the Lottery may then choose to add more messaging channels at a later date and only begin paying for those channels upon implementation.

In addition to advanced email and omni-channel campaigns, our platform can also send day-to-day ad hoc marketing emails with relevant connected content for the Lottery, including monthly newsletters, promotional emails, etc. This omni-channel marketing approach will enable the Texas Lottery to reach customers on their favorite channels, while simultaneously realizing marketing goals set collaboratively among the Lottery and the Growth Marketing team.

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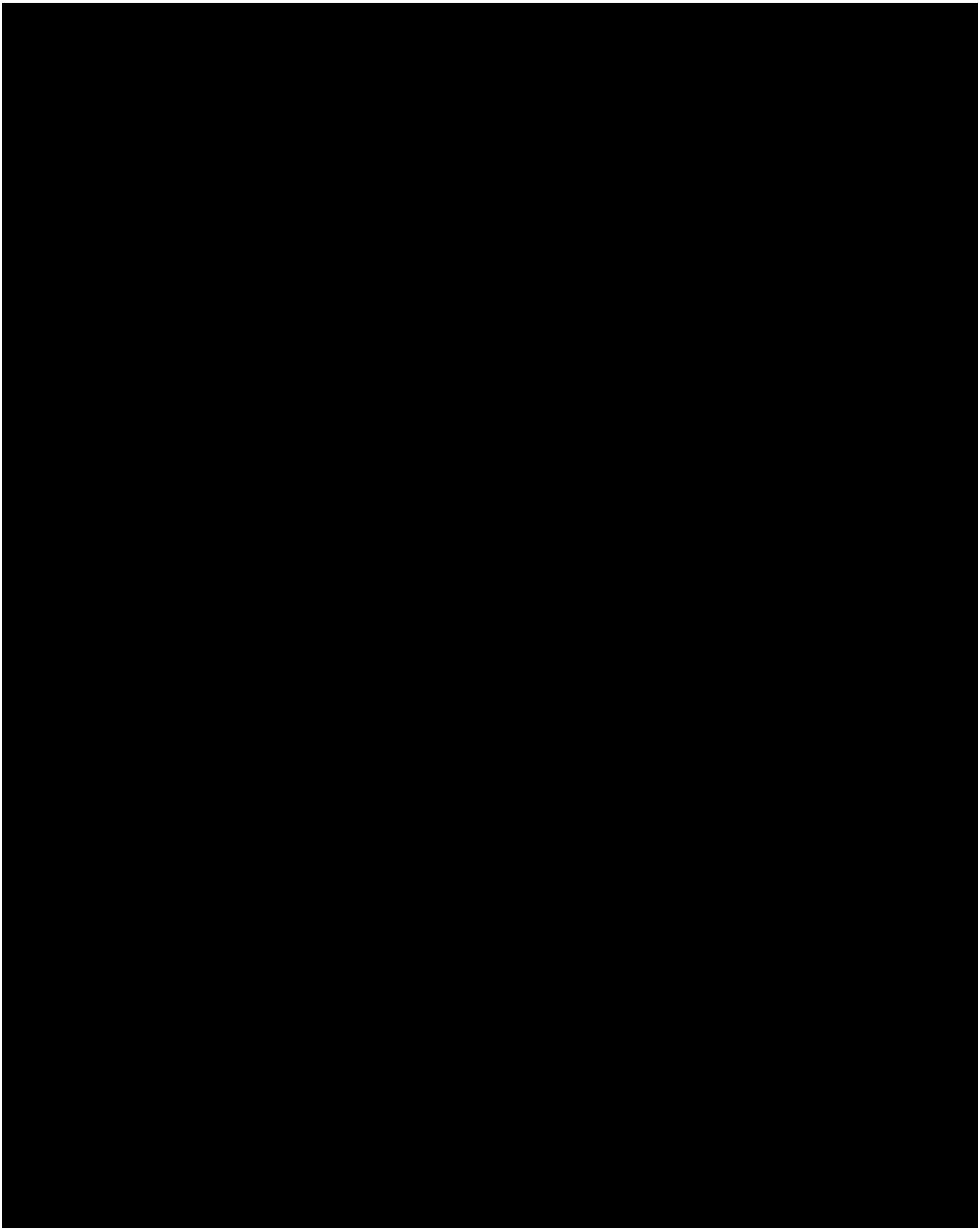

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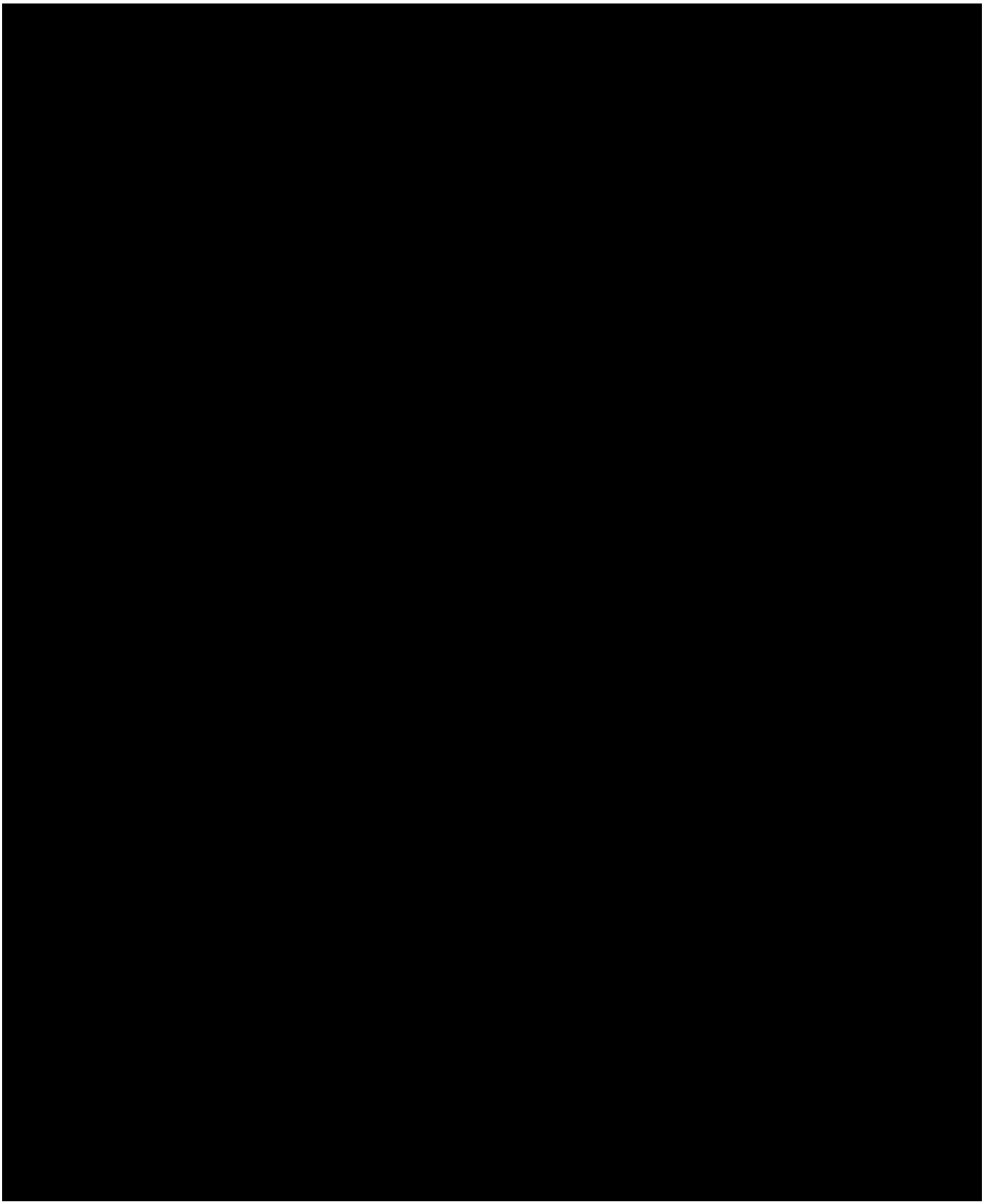

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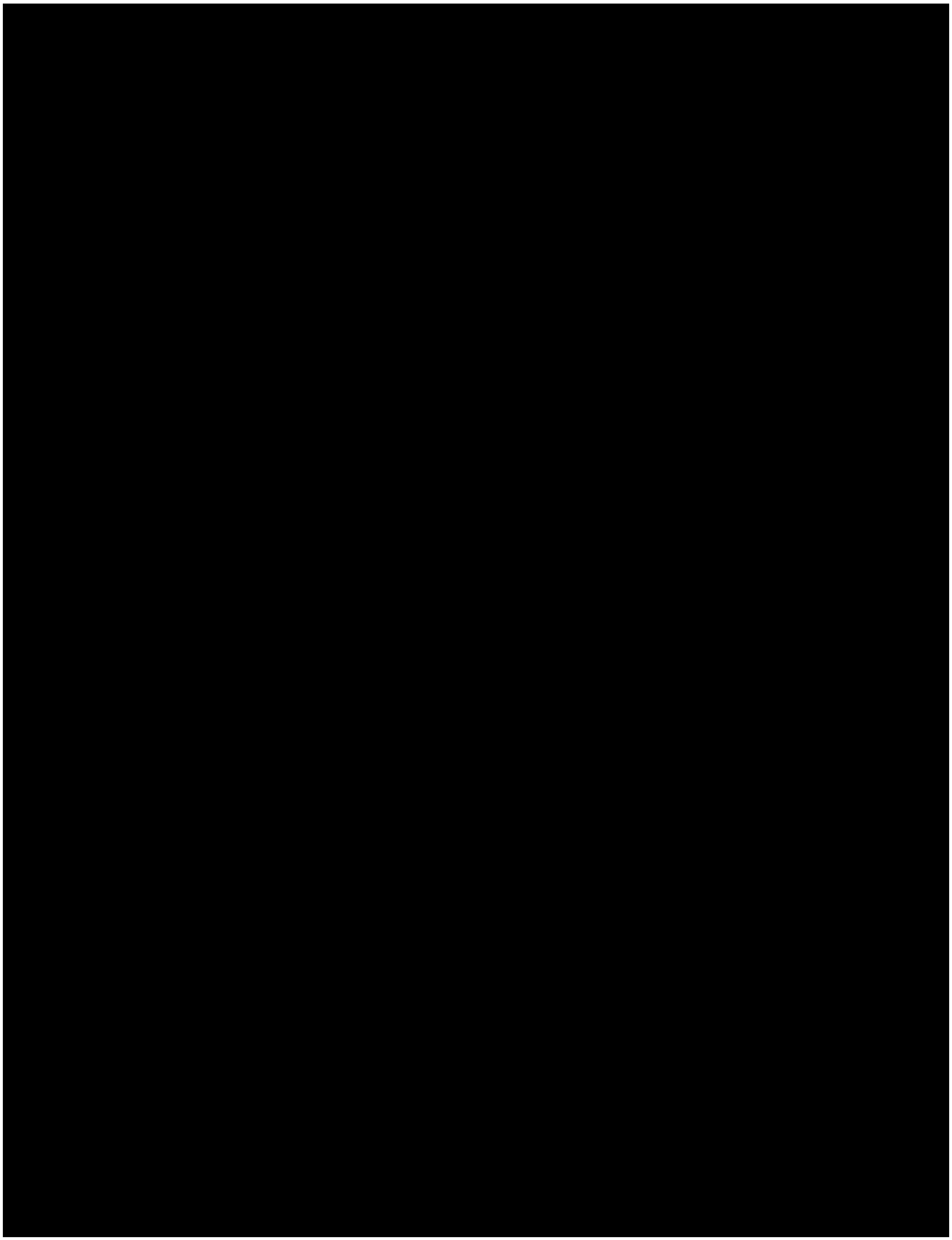

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iLottery

Should the purchase and redemption of lottery games via the internet and mobile web be legally authorized and desired in the future, Scientific Games is prepared to support the Texas Lottery with this functionality, offered to players via the internet, mobile web and a mobile application.

For years, the lottery industry has been looking to the future and predicting that mobile technologies would become as important as—if not more important than—the internet via a traditional computer. That prediction has come true. Scientific Games creates our solutions with the mobile interface and user experience as the first consideration. Should the Texas Lottery receive authorization and have the desire to sell lottery products online, Scientific Games' iLottery solution would provide players access to an interface optimized specifically for them, from day one. The ease of use they encounter will translate into a better playing experience, increased return rates and explosive sales. iLottery is a separately priced **Offered Option**, in addition to the base price.

Record $1 Billion in Online/Mobile Sales for Scientific Games and the Pennsylvania Lottery

Together, Scientific Games and the Pennsylvania Lottery have become the most commercially successful iLottery online/mobile launch in North America to date as total sales for the popular digital lottery games hit the $1 billion mark shortly before the program's two-year anniversary. Significantly surpassing any previous North American iLottery launch in history, the program launched and managed by Scientific Games is also on track to top $1 billion in sales annually.

The Pennsylvania iLottery program is powered by Scientific Games' OGS, the industry leading content aggregation platform, and OpenPlatform™, a player account management suite that includes responsible gaming tools, and an innovative affiliate program that benefits the Lottery's retailers. As part of the affiliate program, the Lottery currently has a partnership with about 500 of its 9,800 retailers to encourage players to sign up for online/mobile play. During the first full fiscal year of iLottery, Pennsylvania's traditional lottery sales—or sales at brick-and-mortar retailers—grew 7.2% over the prior fiscal year and scratch-off sales grew 5.9%.

Responsible Gaming Benefits of iLottery: Customized Responsible Gaming Settings

U.S. lotteries, and the industry as a whole, have always had a high level of concern for responsible gaming. Although only 1% – 4% of U.S. adults meet the criteria of problem gamblers (according to the National Council on Problem Gambling), the industry will continue with the mission to protect citizens from the potential harms of compulsive gambling. This will also extend to lottery games on the internet.

Lotteries can adopt a self-exclusion program whereby individual players may prohibit themselves from establishing a lottery internet account or playing lottery games on the internet. They may also place self-imposed limits on the amount of money they can spend on internet lottery games, the number of hours per day or week spent playing, etc. The Lottery is also empowered to define global limits to player behaviors such as total money spent, total time spent, maximum number of user sessions per day or week, etc. These are all configurable features of the iLottery platform.

An internet self-exclusion program is a step forward for lotteries and responsible gaming initiatives.

eDraw Games

eDraw games, or internet draw games, are the same draw games that lottery players have been buying and playing for years, but now players can purchase and monitor their tickets online from their computer or mobile device. eDraw games are offered via two methods:

- **Subscriptions** – Minimum of two or more draws purchased in a single transaction allowing players to "subscribe" to future draws
- **Singles** – Single game purchases allowed in a single transaction

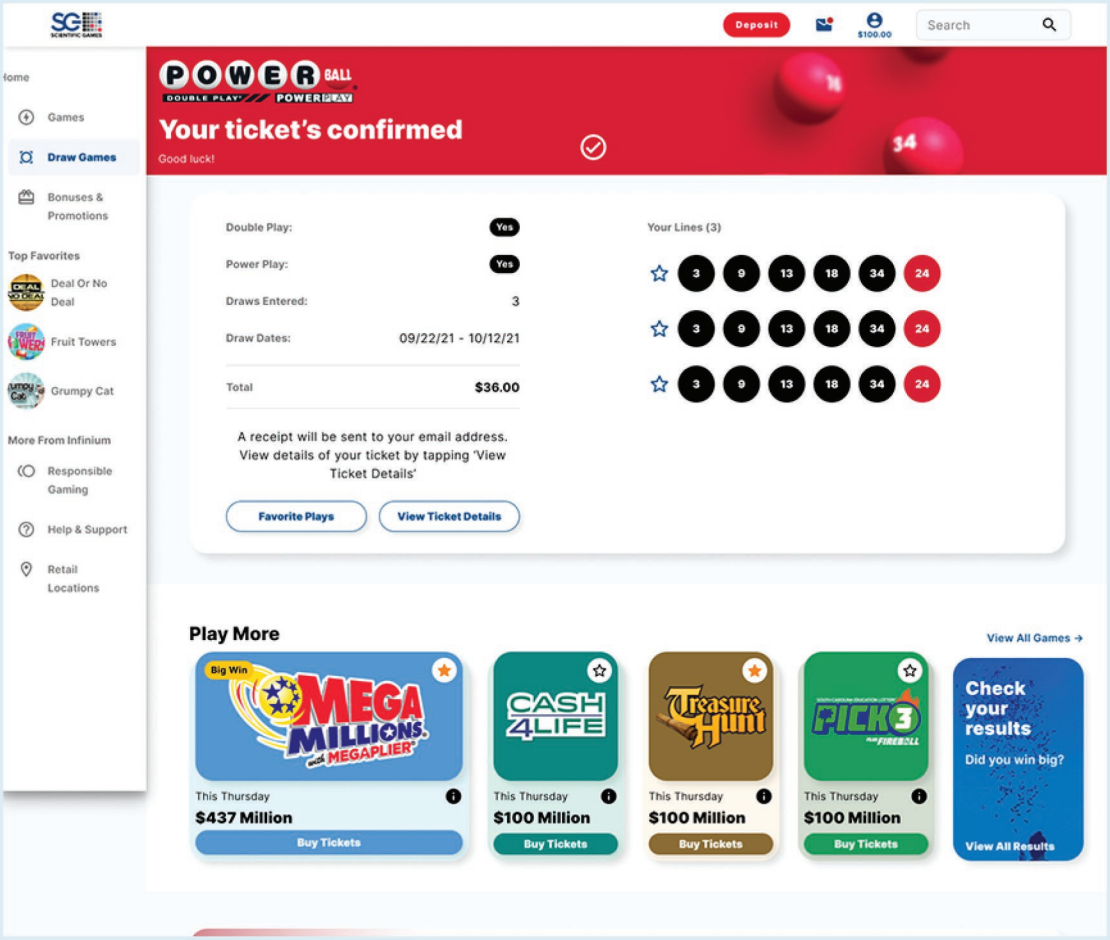
eDraw games allow players to:

- Monitor game prize jackpots
- Enroll in a subscription service
- Purchase draw games for current drawings
- Receive notifications if they have won
- Redeem winnings online

Our eDraw solution is focused on reaching new players by offering a convenient way to participate in the purchase of draw games online and transitioning existing players into subscribers. Our lottery centric e-commerce platform facilitates the sale of traditional games through interactive channels (web and mobile). Features include:

- **Dynamic Shopping Cart** – Purchase multiple games at one time
- **Draw Term Flexibility** – Current draw to one year
- **Persistent Display of All Game Offerings** – Ensures maximum awareness of game choices
- **Flexible Prize Redemption Options (Up to $600)** – Check, re-wager, automatic deposit and gift card

- **Never Lose a Player** – No subscription cancellations (conversion or matrix change), automatic renewal
- **Time and Cost Savings** – No Lottery staff required to manage player accounts
- **Increased Player Choice** – Players can change quick pick numbers
- **No Player Card Required** – No minimum monthly transaction and no additional fees
- **Non-invasive Registration Process** – Limited player data but verify age, identity and location in seconds
- **Promote Responsible Gaming** – Exclusion and wager limits
- **Group Play** – Participation in pooled number draw games



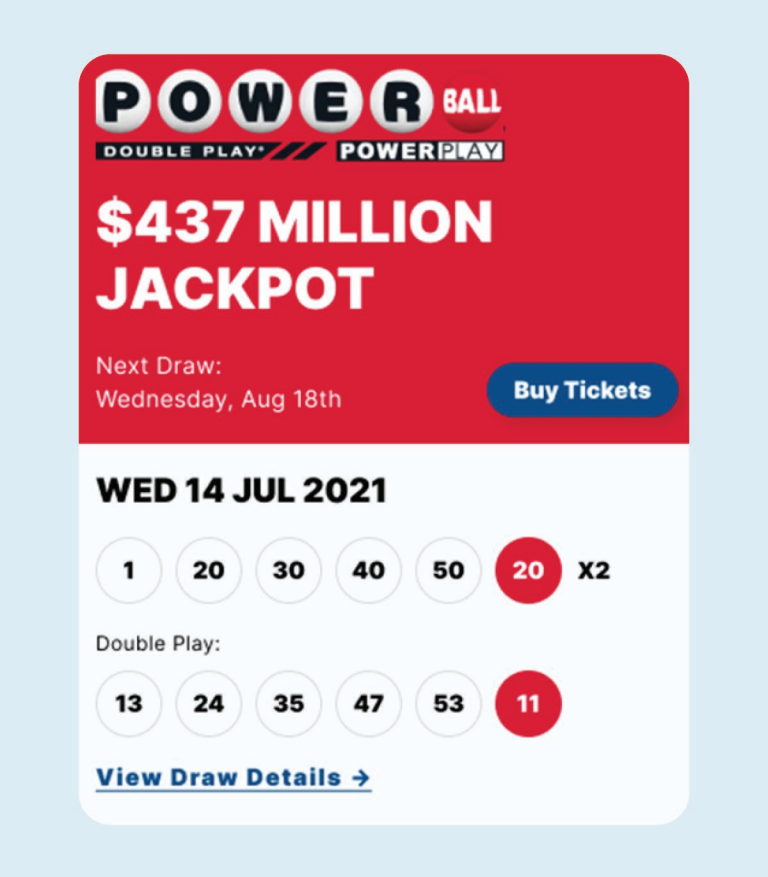


Figure 8-71: Draw-based Purchase Display

Call to action for Buy Now, immediately takes the player to a purchase screen.

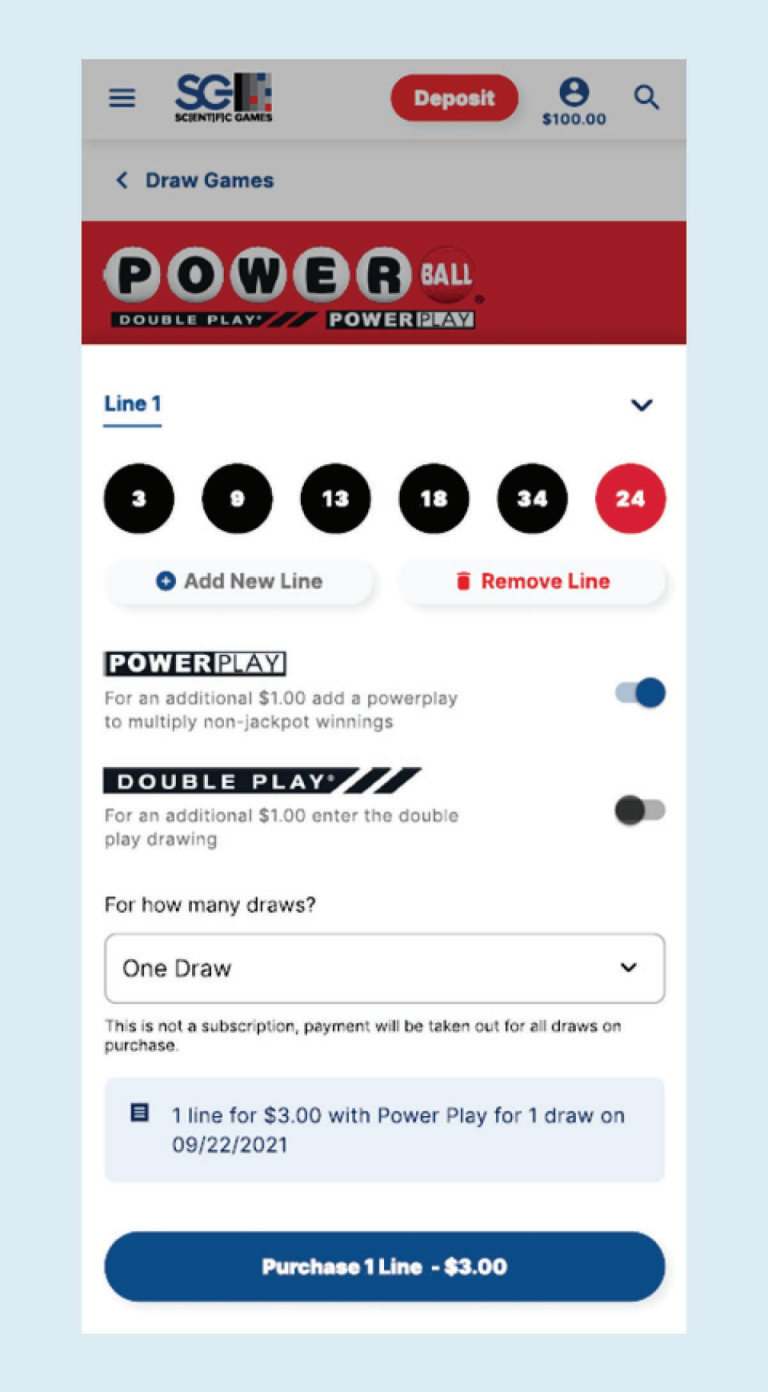


Figure 8-72: Purchase Interface

Each game includes a Buy Now page, which allows the player to complete a virtual playslip, with the ability to purchase single- and multi-draw tickets.

eInstants

eInstants are the online, interactive version of traditional paper scratch games. This product line may include games specifically designed for the internet that can be integrated with the printed versions

sold at retail. They can also be completely separate, standalone games with their own distinct themes, play actions, price points and payouts.

Scientific Games has a robust library of popular gaming titles all via a single unified connection point. We can deliver a diverse content library of market-tested a successful game content from the existing and ever-growing game library we provide. Scientific Games develops more than 3,000 printed games each year. We have years of experience creating games and prize structures that deliver the best player experiences. In addition, we view the development and expansion of each customer's game library form a wholistic point of view. In other words, we consider the Lottery's entire business both online and offline when recommending and facilitating effective game and prize structure management. As the Lottery's current printing partner, who better than Scientific Games to ensure the Lottery has the right overall product strategies and recommendations to facilitate sales growth? In fact, we believe the Lottery's business should be supported in this fashion rather than having multiple different vendors developing the online game strategy versus the traditional retail strategy. We recommend the Lottery consider a partnership with a cohesive view of our business, players and retailers to recommend and deliver on a product roadmap that facilitates growth across all channels.

Figure 8-73: Extensive Portfolio of eInstant Games

Our game portfolio centers around various product types:

1. **Basic Play** – Each game looks and feels like a printed scratch ticket with select graphic reveal elements, sounds and effects. These games may match the theme and prize structure of an existing printed game. Each game delivers a tease or heart stopper to engage and enchant the player. These games can be a subset of a pool in a printed game and provide a predetermined outcome to take advantage of efficiencies and prizes in the prize structure.
2. **Extended Play** – Games may look and feel similar to a printed game but offer a more robust interactive play with additional bonus features. These games may feel like there is skill involved with the flexibility in how the play action is delivered. They also deliver surprise and delight from the delivery and timing of bonus games.
3. **Advanced Play** – These games are fully animated with rich content and longer play actions. They are not based on printed tickets and offer further flexibility with heart stoppers, bonuses and mini-games, along with an array of social mechanics.

eInstant games for the Texas Lottery would be designed to leverage play styles from the Lottery's existing portfolio of games as well as introduce new themes and play mechanics. We customize all games across channel mix to provide an optimized portfolio, and an optimized user interface, that best fits each.

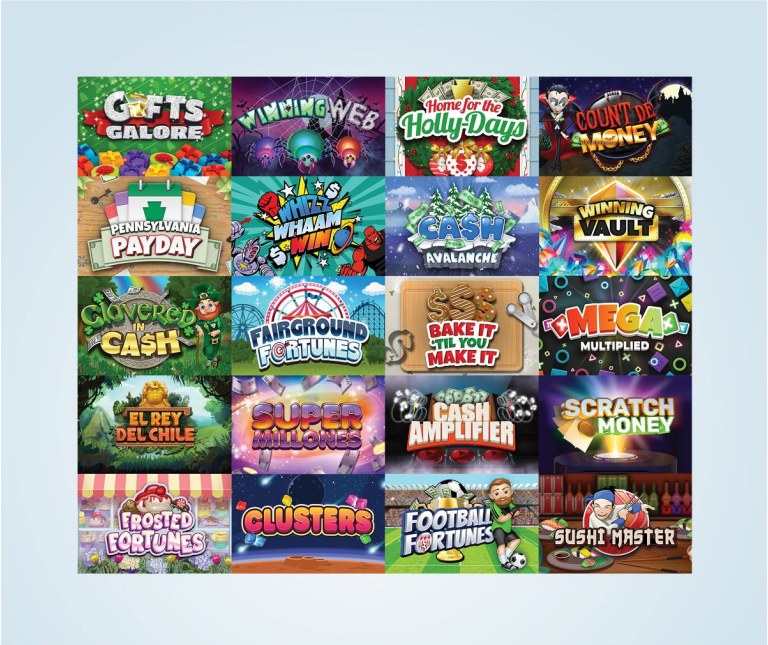
SidePlay Entertainment Limited

In September of 2021, Scientific Games acquired SidePlay Entertainment. Our goal was to enhance our portfolio, expertise and resources to further facilitate growth of our ever-expanding iLottery game library. SidePlay Entertainment is a game studio that specializes in the production of eInstant game content for lotteries around the world. SidePlay has worked with a number of lotteries, most notably as the premier game supplier to Camelot and the National Lottery UK. The online performance of the National Lottery UK is the envy of the lottery world, and at any one-time SidePlay games make up around 50% of the live National Lottery UK website portfolio, delivering a substantial contribution to revenues in the form of some of the highest-grossing games ever seen across the story of their eInstants catalogue.

SidePlay built their success on the vast experience, depth of knowledge and player insight within their team. As part of the Scientific Games Digital Content Studio and team, they work closely with lotteries to curate and build best-in-class game content—content that best suits the lottery player mindset and delivers extremely high levels of quality and player engagement. They use excitement tactically, through stimuli such as outcome anticipation, to great effect, accompanied by high levels of win belief. These are just a few of the factors that contribute to the "magic sauce" that makes SidePlay games successful time and time again.

Most important, at the heart of every game produced is a high level of value exchange for every player. So no matter what the game outcome, win or lose, the player feels like they have received value for money. This built-in philosophy creates player trust at a very meaningful level for the Lottery, encouraging unequalled levels of player reinvestment. This approach also compliments Scientific Games' expertise and experience in creating effective game experiences. Our goal is to provide the best games with the highest value for lottery players. SidePlay, their studio team and game expertise is part of our ongoing strategy for facilitating the right player experiences for our customers as well as a focus on growing their business.

We have selected a small sample of games that demonstrate SidePlay's breadth of capability and the addition of interesting new games to the Scientific Games' eInstant portfolio. Simple scratch mechanics with engaging themes engage players who are new to the eInstant game experience, helping them quickly develop trust along with an understanding and interest in the simplicity of eInstant games. Sophisticated games with more exciting mechanics grow in appreciation as the player base matures. Scientific Games can personalize the content built, incorporating the Lottery's own house style for an added layer of familiarity and player confidence.



Sports Betting

PLEASE NOTE: We understand that, during the term of the Contract, the State may desire to incorporate new products or technologies that may be within the scope of the Contract but were not available in the marketplace at the time of execution of the Contract. Such new products and technologies may offer significant advantages to the State in terms of economy, efficiency, quality, effectiveness and increased sales and revenue, and therefore it may be in the State's interest to take advantage of such new products or technologies in a manner consistent with applicable state and federal law and the Contract.

Scientific Games Lottery's global sports business provides sports products and services to multiple lotteries in Canada, Europe, and the United States. Built from the ground up to be a highly flexible and robust sportsbook able to cope with the huge demands of today's customers. Scientific Games sportsbook can offer any type of sport (or non-sport) event and any type of betting market across both fixed odds and pari-mutuel betting styles. Scientific Games Lottery has evolved to offer a full solution, including platform, trading products, liability management, hosting and operational support in order to provide all the advantages of the industry leading platform, with a fast time to market, and the ease of dealing with a single trusted partner for a full-service solution. Additionally, Scientific Games Lottery can offer additional services, including:

- **Partner Services** – We help lotteries integrate their products and develop new services against our platform to offer across their player base. Our comprehensive APIs gives access to gaming products for deep integration to product capabilities.
- **Platform Services** – Our platform services offer our lottery customers everything they need to run and manage the Scientific Games sportsbook including back-office tools, 24/7 support, best practice advice, compliance support, and hosting services.

- **Development and Integration Services** – Our lotteries are able to build a unique, customized platform offering a best of breed player experience and differentiation in a commoditized marketplace. We can complete custom development on the platform and products to introduce new features, new products, and unique player experiences. Any third-party API can be integrated via our existing APIs or new development.

Sports betting is a separately priced **Offered Option**, in addition to the base price.

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H. | Attachment H: Cost Proposal

The original version of the Cost Proposal and the USB are provided in the original binder only, in a separate and labelled sealed envelope.

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ATTACHMENT A
PROPOSER'S COMMITMENT

I hereby commit Scientific Games International, Inc.

(Company Name)

to provide the goods and services described in the attached Proposal for Scratch Ticket Manufacturing and Services required by the Request for Proposals for the Texas Lottery Commission.

Signature: _____

Title: Senior Vice President, Instant Products

Date: March 14, 2022

ATTACHMENT D-1
BACKGROUND INFORMATION CERTIFICATION

Texas Government Code §466.155

Under Texas Government Code §466.103, the Executive Director of the Texas Lottery Commission may not award a contract for the purchase or lease of facilities, goods or services related to lottery operations to a person who would be denied a license as a sales agent under Texas Government Code §466.155.

Scientific Games International, Inc.

(Company Name)

certifies that it has reviewed Texas Government Code §466.155 and that it would not be denied a license as a sales agent under said section.

(signature of person authorized to contractually bind the Proposer)

John Schulz

(printed name)

Senior Vice President, Instant Products

(title)

March 14, 2022

(date)

FINANCIALS

2021 Annual Report

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

FORM 10-K

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

For the fiscal year ended: December 31, 2021

OR

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

For the transition period from to

Commission file number: 001-11693

SCIENTIFIC GAMES CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**81-0422894**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6601 Bermuda Road, Las Vegas, Nevada 89119
(Address of principal executive offices)
(Zip Code)
(702) 897-7150
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.001 par value	SGMS	The NASDAQ Stock Market
Preferred Stock Purchase Rights		The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2021, the market value of voting and non-voting common equity held by non-affiliates of the registrant was $7,352,575,416.

Common shares outstanding as of February 24, 2022 were 96,676,411.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to the 2022 annual meeting of stockholders are incorporated by reference in Part III. The proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2021.

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Glossary of Terms

The following terms or acronyms used in this Form 10-K are defined below:

Term or Acronym	Definition
2021 Notes	6.625% senior subordinated notes due 2021 issued by SGI
2025 Secured Notes	5.000% senior secured notes due 2025 issued by SGI
2026 Secured Euro Notes	3.375% senior secured notes due 2026 issued by SGI
2026 Unsecured Euro Notes	5.500% senior unsecured notes due 2026 issued by SGI
2022 Unsecured Notes	10.000% senior unsecured notes due 2022 issued by SGI
2025 Unsecured Notes	8.625% senior unsecured notes due 2025 issued by SGI
2026 Unsecured Notes	8.250% senior unsecured notes due 2026 issued by SGI
2028 Unsecured Notes	7.000% senior unsecured notes due 2028 issued by SGI
2029 Unsecured Notes	7.250% senior unsecured notes due 2029 issued by SGI
AEBITDA	Adjusted EBITDA, our primary performance measure of profit or loss for our business segments
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bally	Bally Technologies, Inc.
CMS	casino-management system
Coin-in	the amount wagered
COVID-19	Coronavirus disease first identified in 2019 (declared a pandemic by the World Health Organization on March 11, 2020)
D&A	depreciation, amortization and impairments (excluding goodwill)
ERP	enterprise resource planning
ESPP	employee stock purchase plan
ETS	electronic table system
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
GDPR	General Data Protection Regulation
KPIs	Key Performance Indicators
LAP	local-area progressive
LBO	licensed betting office
LIBOR	London Interbank Offered Rate
Net win	Coin-in less payouts
Note	a note in the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, unless otherwise indicated
NOL	net operating loss
Participation	with respect to our Gaming business, refers to gaming machines provided to customers through service or leasing arrangements in which we earn revenues and are paid based on: (1) a percentage of the amount wagered less payouts; (2) fixed daily-fees; (3) a percentage of the amount wagered; or (4) a combination of (2) and (3), and with respect to our Lottery business, refers to a contract or arrangement in which we earn revenues and are paid based on a percentage of retail sales
PASPA	Professional and Amateur Sports Protection Act
Pending Divestitures	the intended sale of our Sports Betting and Lottery businesses. The divestiture of the Lottery business is expected to close by the end of March 2022 while the sale of the Sports Betting business is on track to be completed in the second quarter of 2022, both subject to applicable regulatory approvals and customary closing conditions (see Notes 1 and 2)
PMA	private management agreement
PTG	proprietary table games
R&D	research and development
RMG	real-money gaming
RSU	restricted stock unit
SciPlay	SciPlay Corporation, formerly referred to as our Social business segment
SEC	Securities and Exchange Commission
Secured Notes	refers to the 2025 Secured Notes and 2026 Secured Euro Notes, collectively
Securities Act	Securities Act of 1933, as amended
Senior Notes	the Secured Notes and the Unsecured Notes
SciPlay Revolver	$150 million revolving credit facility agreement entered into by SciPlay Holding Company, LLC, a subsidiary of SciPlay Corporation, that matures in May 2024
SG&A	selling, general and administrative

SGC	Scientific Games Corporation
SGI	Scientific Games International, Inc., a wholly-owned subsidiary of SGC
SG Gaming	SG Gaming, Inc. (formerly known as Bally Gaming, Inc.)
Shufflers	various models of automatic card shufflers, deck checkers and roulette chip sorters
SOFR	Secured Overnight Financing Rate
Unsecured Notes	refers to the 2026 Unsecured Euro Notes, 2026 Unsecured Notes, 2028 Unsecured Notes and 2029 Unsecured Notes, collectively
U.S. GAAP	accounting principles generally accepted in the U.S.
U.S. jurisdictions	the 50 states in the U.S. plus the District of Columbia, U.S. Virgin Islands and Puerto Rico
VGT	video gaming terminal
VLT	video lottery terminal
WAP	wide-area progressive
WMS	WMS Industries, Inc.

Intellectual Property Rights

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PART I

FORWARD-LOOKING STATEMENTS

Throughout this Annual Report on Form 10-K, we make "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect," "anticipate," "target," "should," "could," "potential," "opportunity," "goal," or similar terminology. The forward-looking statements contained in this Annual Report on Form 10-K are generally located in the material set forth under the headings "*Business*," "*Risk Factors*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" but may be found in other locations as well. These statements are based upon management's current expectations, assumptions and estimates and are not guarantees of timing, future results or performance. Therefore, you should not rely on any of these forward-looking statements as predictions of future events. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things:

- the impact of the COVID-19 pandemic and any resulting unfavorable social, political, economic and financial conditions, including the temporary and potentially recurring closure of casinos and lottery operations on a jurisdiction-by-jurisdiction basis;
- risks relating to the Pending Divestitures, including lack of assurance regarding the timing of completion of the pending and proposed transactions and related risks associated with the ongoing operations and activities of the Lottery and Sports Betting businesses, that certain deferred tax assets may not be realized relative to the anticipated tax gain from these divestitures, that the transactions will yield additional value or will not adversely impact our business, financial results, results of operations, cash flows or stock price;
- our inability to successfully execute our new strategy and impending rebranding initiative;
- our inability to significantly de-lever and position the Company for enhanced growth with certain net proceeds from our Pending Divestitures;
- slow growth of new gaming jurisdictions, slow addition of casinos in existing jurisdictions and declines in the replacement cycle of gaming machines;
- risks relating to foreign operations, including anti-corruption laws, fluctuations in currency rates, restrictions on the payment of dividends from earnings, restrictions on the import of products and financial instability, including the potential impact to our business resulting from the continuing uncertainty following the U.K.'s withdrawal from the European Union;
- difficulty predicting what impact, if any, new tariffs imposed by and other trade actions taken by the U.S. and foreign jurisdictions could have on our business;
- U.S. and international economic and industry conditions;
- level of our indebtedness, higher interest rates, availability or adequacy of cash flows and liquidity to satisfy indebtedness, other obligations or future cash needs;
- the transition from LIBOR to SOFR, which may adversely affect interest rates;
- inability to reduce or refinance our indebtedness;
- restrictions and covenants in debt agreements, including those that could result in acceleration of the maturity of our indebtedness;
- competition;
- inability to win, retain or renew, or unfavorable revisions of, existing contracts, and the inability to enter into new contracts;
- the impact of U.K. legislation approving the reduction of fixed-odds betting terminals maximum stakes limit on LBO operators, including the related closure of certain LBO shops;
- inability to adapt to, and offer products that keep pace with, evolving technology, including any failure of our investment of significant resources in our R&D efforts;
- changes in demand for our products and services;
- inability to benefit from, and risks associated with, strategic equity investments and relationships;
- inability to achieve some or all of the anticipated benefits of SciPlay being a standalone public company;
- dependence on suppliers and manufacturers;
- SciPlay's dependence on certain key providers;
- ownership changes and consolidation in the gaming industry;

- fluctuations in our results due to seasonality and other factors;
- security and integrity of our products and systems, including the impact of any security breaches or cyber-attacks;
- protection of our intellectual property, inability to license third-party intellectual property and the intellectual property rights of others;
- reliance on or failures in information technology and other systems;
- litigation and other liabilities relating to our business, including litigation and liabilities relating to our contracts and licenses, our products and systems, our employees (including labor disputes), intellectual property, environmental laws and our strategic relationships;
- reliance on technological blocking systems;
- challenges or disruptions relating to the completion of the domestic migration to our enterprise resource planning system;
- laws and government regulations, both foreign and domestic, including those relating to gaming, data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information and other consumer data, and environmental laws, and those laws and regulations that affect companies conducting business on the internet, including online gambling;
- legislative interpretation and enforcement, regulatory perception and regulatory risks with respect to gaming, especially internet wagering, social gaming and sports wagering;
- changes in tax laws or tax rulings, or the examination of our tax positions;
- opposition to legalized gaming or the expansion thereof and potential restrictions on internet wagering;
- significant opposition in some jurisdictions to interactive social gaming, including social casino gaming and how such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming or social casino gaming specifically, and how this could result in a prohibition on interactive social gaming or social casino gaming altogether, restrict our ability to advertise our games, or substantially increase our costs to comply with these regulations;
- expectations of shift to regulated digital gaming or sports wagering;
- inability to develop successful products and services and capitalize on trends and changes in our industries, including the expansion of internet and other forms of digital gaming;
- the continuing evolution of the scope of data privacy and security regulations, and our belief that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions;
- incurrence of restructuring costs;
- goodwill impairment charges including changes in estimates or judgments related to our impairment analysis of goodwill or other intangible assets;
- stock price volatility;
- failure to maintain adequate internal control over financial reporting;
- dependence on key executives;
- natural events that disrupt our operations, or those of our customers, suppliers or regulators; and
- expectations of growth in total consumer spending on social casino gaming.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including under *Part I, Item 1A* "*Risk Factors*" in this Annual Report on Form 10-K. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no and expressly disclaim any obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

You should also note that this Annual Report on Form 10-K may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us and we do not make any representation as to the accuracy of that information. In general, we believe there is less publicly available information concerning the international gaming, lottery, social and digital gaming industries than the same industries in the U.S.

Due to rounding, certain numbers presented herein may not precisely agree or total to the previously reported amounts.

ITEM 1. BUSINESS

Unless otherwise specified or the context otherwise indicates, all references to the words "Scientific Games," "we," "us," "our" and the "Company" refer to SGC and its consolidated subsidiaries.

General

SGC was incorporated in the state of Delaware on July 2, 1984. On September 18, 2017, SGC entered into an Agreement and Plan of Merger with SG Nevada Merger Company, a Nevada corporation and SGC's wholly owned subsidiary ("Newco"), providing for the merger of SGC with and into Newco with Newco surviving the merger (the "Surviving Corporation"), for the sole purpose of changing SGC's state of incorporation from Delaware to Nevada (the "reincorporation merger"). The reincorporation merger was approved by the affirmative vote of holders of a majority of outstanding shares of Class A common stock of SGC entitled to vote thereon at a special meeting of SGC's stockholders on November 27, 2017. On January 10, 2018, the reincorporation merger was consummated. Following the consummation of the reincorporation merger, each outstanding share of Class A common stock of SGC, par value $0.01 per share, automatically converted into one share of common stock of the Surviving Corporation, par value $.001 per share. The reincorporation merger did not result in any change in SGC's name, headquarters, business, management, location of offices, assets, liabilities or net worth, other than as a result of the costs incident to the reincorporation merger. Our management, including all directors and officers, immediately prior to the reincorporation merger remained the same immediately following the reincorporation merger and assumed identical positions with the Surviving Corporation.

We are 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 in our continuing operations primarily includes supplying game content and gaming machines, CMSs and table game products and services to licensed gaming entities; providing social casino and other mobile games to retail customers; and providing a comprehensive suite of digital RMG, distribution platforms, content, products and services to various gaming entities. Our portfolio of revenue-generating activities in the discontinued operations primarily includes providing instant and draw-based lottery products, lottery systems and lottery content and services to lottery operators along with providing sports wagering solutions to various gaming entities. We also gain access to technologies and pursue global expansion through strategic acquisitions and equity investments.

As described in the Strategy section below, following the reconstitution of our Board of Directors, we determined a new business direction, based on a strategy focused on delivering great content and franchises across platforms and channels. This strategy, which focuses on cross-platform content and franchise games, led to the decision to divest our Lottery and Sports Betting businesses.

On September 27, 2021, we entered into a definitive agreement to sell our Sports Betting business to Endeavor Group Holdings, Inc. ("Endeavor") in a cash and stock transaction. Under the terms of the agreement, we will receive $1 billion in cash, and approximately 7.6 million shares of Endeavor Class A common stock (valued at approximately $200 million as of the purchase agreement date), subject to customary purchase price closing adjustments. On October 27, 2021, we entered into a definitive agreement to sell our Lottery business to Brookfield Business Partners L.P. together with its institutional partners (collectively "Brookfield") for total consideration of $6.05 billion consisting of $5.825 billion in cash and an earn-out of up to $225 million based on the achievement of certain EBITDA targets in 2022 and 2023, subject to customary purchase price closing adjustments. The divestiture of the Lottery business is now expected to close by the end of March 2022 while the sale of the Sports Betting business is on track to be completed in the second quarter of 2022, both subject to applicable regulatory approvals and customary conditions. Beginning in the third quarter of 2021, we have reflected the financial results of these businesses as discontinued operations in our consolidated statements of operations and reflected the assets and liabilities of these businesses as held for sale in our consolidated balance sheets, for all periods presented (see Note 2). These businesses held for sale are included in our covenant compliance requirements until disposed of and all of their related cash flows are available to the Company without restriction.

Accordingly, we report our results of continuing operations in three business segments—Gaming, SciPlay and iGaming (former Digital business segment excluding Sports Betting)—representing the different products and services we expect to continue to provide upon completion of the Pending Divestitures. Unless otherwise noted, amounts and disclosures included herein relate to our continuing operations.

On March 1, 2022, we announced our intention to formally change our name to Light & Wonder, Inc. and that we would immediately begin doing business as Light & Wonder, Inc. The legal name Scientific Games Corporation is expected to be legally changed to Light & Wonder, Inc. during the second quarter of 2022, upon satisfying all applicable legal requirements in the state of Nevada, where the Company is incorporated.

In connection therewith, the ticker symbol for the Company's common stock will be changed from SGMS to LNW, at the time of the legal name change. The Company's common stock will continue to be listed on The NASDAQ Stock Market.

Strategy

During the second half of 2020, we reconstituted our Board of Directors. The reconstituted Board of Directors and the Company conducted a comprehensive review and evaluation of the Company's strategic and business plans. On June 29, 2021, we announced that the Company (1) with the support of its Board of Directors, completed its strategic review, which reaffirmed our strategy to become a leading cross-platform global game company with a focus on content and digital markets; and (2) intended to divest the Lottery and Sports Betting businesses creating the path to significantly de-lever and position the Company for enhanced growth. In September and October of 2021, we signed definitive agreements to divest these businesses.

With our new streamlined organization and our vision to be the leading cross-platform global game company, we are focused on the following strategies:

- *Creating great content and franchises fully cross-platform* — We are singularly focused on creating great games and franchises that can be made available to players on any platform they want to play.
- *Expanding in high-growth digital markets* — We are investing and rapidly expanding in high-growth digital and content markets across all forms of content and games.
- *Enabling a seamless player experience* — By building evergreen franchises fully cross-platform and enabling systems and technology for our players and customers.
- *De-leveraging and maximizing cash flow from operations* — Upon the completion of the Pending Divestitures, we expect to significantly de-lever our balance sheet, enabling us to invest organically and inorganically to accelerate our strategies and return capital to shareholders, unlocking shareholder value.
- *High performing talent and culture* — We are creating a culture of high performance organization by building a strong and diverse global team that cultivates open minds and focuses on driving innovation and enabling an efficient and flexible operation that is structured to support our business strategies.

Continuing Operations

Gaming Segment

The gaming industry is characterized by the continuous development of new technologies, products and game content. Gaming products and services are used by a diverse group of gaming operators and U.S. and international lotteries which may offer VLTs and other forms of gaming, such as bingo and sports wagering.

Our products are installed in all of the major regulated U.S. gaming jurisdictions and in approximately 182 international gaming jurisdictions. Growth of gaming in land-based venues is driven by the opening of new casinos in both new and existing jurisdictions and the expansion of existing casinos. In addition, the land-based gaming business is significantly impacted by the rate at which casinos and other gaming operators replace their gaming machines, which depends on a number of factors, including their capital budgets. Virtually all sectors of the gaming industry are impacted by changes in economic conditions that impact players' disposable incomes.

A substantial portion of our U.K. gaming business benefits from a contract with the large U.K. bookmaker Ladbrokes Coral Group (which was acquired by Entain (formerly GVC Holdings PLC) in March 2018), which represents a significant portion of our U.K. LBO server-based gaming business.

Competition

The gaming machine sector is highly competitive and is characterized by the continuous introduction of new games, gaming machines and related technologies. We compete primarily with Ainsworth Game Technology, Aristocrat Leisure Ltd., ("Aristocrat"), Aruze Gaming America, Inc., Everi Games, Inc., International Game Technology ("IGT") (a subsidiary of International Game Technology PLC), Inspired Entertainment Inc., Konami Digital Entertainment, Inc. ("Konami"), the Novomatic Group of Companies, Interblock, and PlayAGS, Inc. ("AGS"). Our principal direct competitor in our U.K. LBO business is Inspired Entertainment Inc.

The CMS business is also highly competitive. Product features and functionality, accuracy, reliability, service level and pricing are among the factors that determine how successful systems providers are in selling their systems. Our principal competitors in CMSs include Aristocrat, IGT and Konami. Competition for these products is intense due to the number of providers and the limited number of casinos and jurisdictions in which they operate.

With respect to our table products, we compete on the basis of the breadth of our Shuffler products and services and PTGs, product reliability, service, the strength of our intellectual property and our extensive sales, regulatory and distribution channels.

Our automated Shufflers also compete against hand shuffling, which remains the most competitive shuffling option for casino card games around the world. Finally, since the need for our Shuffler products depends upon a casino's use of live table games, our Shufflers also compete against any products that live table games compete against.

Competition for PTG content is based on player appeal, brand recognition, price and the strength of the underlying intellectual property. We compete on this basis and on the strength of our extensive sales, service, marketing and distribution channels. We also compete with non-PTGs such as blackjack and baccarat and several companies that primarily develop and license PTGs such as AGS, Galaxy Gaming, Inc. and Masque Publishing, Inc. Finally, some of our product lines may compete against one another for space on the casino floor.

SciPlay Segment

Our SciPlay business segment is a leading developer and publisher of digital games on mobile and web platforms. SciPlay operates in the social gaming market, which is characterized by gameplay online, on mobile phones or on tablets that are social and competitive, and self-directed in pace and session length. Our SciPlay business segment includes social gaming where we generate substantially all of our revenue from the sale of virtual coins, chips or bingo cards (collectively referred to as "coins, chips and cards"), which players can use to play slot games, table games or bingo games. Once obtained, coins, chips and cards (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play within our apps. SciPlay currently offers a variety of social casino games, including *Jackpot Party® Casino*, *Gold Fish® Casino*, *Hot Shot Casino®* and *Quick Hit® Slots*, *MONOPOLY® Slots* and *88 Fortunes® Slots*. Our SciPlay business segment continues to pursue its strategy of expanding into the casual games market. Current casual game titles include *Bingo Showdown®* and *Solitaire Pets™ Adventure*. SciPlay currently plans to launch an additional casual game in 2022. SciPlay's social casino games typically include slots-style game play and occasionally include table games-style game play, while its casual games blend solitaire-style or bingo game play with adventure game features. All of SciPlay's games are offered and played across multiple platforms, including *Apple*, *Google*, *Facebook*, *Amazon*, and *Microsoft*. In addition to SciPlay's internally created game content, SciPlay's content library includes recognizable game content from Scientific Games. This content allows players who like playing land-based game content to enjoy some of those same titles in our free-to-play games. SciPlay has access to Scientific Games' library of more than 1,500 iconic casino titles, including titles and content from third-party licensed brands such as *MONOPOLY™, THE FLINTSTONES™, JAMES BOND™*, and *PLAYBOY™*. SciPlay's access to this content, coupled with our years of experience developing in-house content, uniquely positions SciPlay to create compelling social games.

A number of trends and opportunities are driving significant changes in digital gaming, which we believe are causing growth in the casual games market and providing opportunities for SciPlay to grow our social casino games and expand into other areas of the casual games market, such as:

- Digital gaming is an engaging form of entertainment;
- Mobile devices are a leading medium to consume content such as games;
- Increasing number of players with the emergence of casual games;
- Scale is increasingly strategic in order to succeed in mobile gaming;
- Social casino gaming is an attractive market within digital gaming; and
- Additional market opportunities within the broader mobile gaming landscape.

Competition

Our SciPlay business segment faces significant competition in all aspects of its business. SciPlay's primary social casino game competitors include Playtika, Playstudios, Product Madness/Big Fish Games (subsidiaries of Aristocrat), Zynga Inc., DoubleU Games/Double Down Interactive, GSN/Bash Gaming (subsidiaries of Scopley), AppLovin and Huuuge Games. SciPlay's competitors in the broader social game market include Activision Blizzard, Electronic Arts, Kabam, Take-Two Interactive, Rovio and Tencent Holdings. SciPlay also competes with platforms that host real money gambling, including those provided by our iGaming business segment. On the broadest scale, we compete for the leisure time, attention and discretionary spending of our players versus other forms of online entertainment, including social media and other video games on the basis of a number of factors, including quality of player experience, brand awareness and reputation and access to distribution channels.

iGaming Segment

Beginning in the third quarter of 2021, we renamed our Digital business segment to "iGaming", and the presentation was recast for all periods to exclude the Sports Betting business due to its pending sale, as described above and in Note 1. Our iGaming business segment provides a comprehensive suite of digital gaming content, including digital RMG, distribution platforms, content, products and services. We derive revenue from our content aggregation platforms, including Open Gaming

System, remote gaming servers and various other platforms, which can deliver a wide spectrum of internally developed and branded casino-style games and popular third-party provider casino-style games to gaming operators. We also provide the Open Platform System which offers a wide range of reporting and administrative functions and tools providing operators full control over all areas of digital gaming operations. Generally, we host the play of our game content on our centrally located servers that are integrated with the online casino operators' websites.

Competition

In our iGaming business, we compete for the discretionary spending of consumers with other digital gaming entertainment companies that offer real-money digital casino games. Our primary real-money digital casino games competitors include IGT, Playtech, Microgaming, Evolution Gaming, GAN and Bragg.

Discontinued Operations

Lottery Business

There are approximately 180 lotteries throughout the world, operated by U.S. and international governmental authorities and their licensees. Governments typically authorize lotteries as a means of generating revenues without imposing additional taxes. Many jurisdictions have come to rely on the proceeds from lottery game sales as a significant source of funding for programs for which net lottery proceeds are designed to fund. Although there are many types of lottery games worldwide, the two principal categories of products offered are draw lottery games and instant lottery products sold both at retail and through internet (iLottery). Currently, 48 U.S. jurisdictions offer instant product lotteries and/or draw lotteries. Lottery operations in international jurisdictions can vary widely depending on the number of new lotteries entering the market, the number of lottery licenses issued within each market and the discontinuance of lotteries and operating licenses.

An instant lottery product is typically played by removing a scratch-off protective coating from a preprinted ticket to reveal if it is a winner. Draw lottery games, such as *POWERBALL*® and *MEGA MILLIONS*®, are based on a random selection of a series of numbers, and prizes are generally based on the number of winners who share the prize pool, although set prizes are also offered. Draw lottery games are generally provided through a lottery system in which lottery terminals in retail outlets are continuously connected to a central computer system for the sale and validation of lottery games and related functions. A lottery system may also be used to activate, sell and validate instant lottery products to confirm that a ticket is a winner and prevent duplicate payments. In some jurisdictions, separate instant game validation systems may be installed. Digital versions of these games are also available in many global jurisdictions and sold through mobile/internet systems referred to as iLottery.

Lotteries may offer a range of other games including sports betting, high-frequency monitor games and casino-style games via retail and internet. In the U.S., a number of lotteries offer these high frequency monitor games such as keno, which is typically played every four to five minutes in restricted social settings, such as bars, and is usually offered as an extension of the lottery system.

Competition

The instant lottery products market segment is highly competitive and continues to be subject to intense price-based competition. Our principal instant products competitors in the U.S. are IGT and Pollard Banknote Limited. Internationally, a number of instant lottery product vendors compete with us including the competitors noted above and diversified printers in India, China and Latin America. Our principal competitors in the supply of lottery-related licensed games, promotional entertainment and loyalty or rewards programs are Alchemy3 LLC, IGT, Intralot S.A. and Pollard Banknote Limited.

The lottery systems business is also highly competitive and continues to be subject to intense price-based competition. Our principal competitors in this business are IGT and Intralot S.A. We also compete with various suppliers of lottery system components, such as terminals and computer systems, and lottery operators that internally develop their own systems.

As certain countries liberalize gaming regulations, lotteries may expand their scope by offering sports wagering, gaming machines, digital gaming or other forms of gaming, which may introduce new suppliers that compete with us for lottery customers. In some jurisdictions, the liberalization of gaming regulations has included the privatization or outsourcing of all or a portion of the lottery operations via a competitive bidding process to a lottery operator or a license holder. We believe Camelot Group plc, IGT, Intralot, S.A. and Allwyn Entertainment (previously known as "the Sazka Group") to be among those competitors operators who may also bid on such opportunities. These operators in most cases are customers we serve as a supplier and could also be partners or competitors when we participate as an operator.

Sports Betting Business

The Sports Betting business provides highly customizable software design, development, licensing, maintenance and support services from a comprehensive suite of technology solutions. The Sports Betting Business enables our customers to

operate sports books, including betting markets across both fixed-odds and pari-mutuel betting styles, a distribution platform, full gaming process support services and brand and player management.

Competition

The Sports Betting business competes for the discretionary spending of consumers with other sports wagering platform solutions. Our primary competitors in sports wagering platform solutions are other "first-party" solutions, including IGT, GAN, DraftKings, William Hill, Bet365 and Kambi.

Research and Development

We believe our ability to attract new Gaming, SciPlay and iGaming customers and retain existing customers depends in part on our ability to evolve and continue to develop our product lines and service offerings by continually developing differentiated products, hardware and systems technology and functionality to enhance player entertainment and/or customer profitability. Additionally, our ability to execute on our strategy (see above) is highly dependent on developing great game content and franchises across all three of our segments along with expanding the use of digital technologies to increase cross-platform play. Our gaming machines are usually designed and programmed by our internal engineering staff, and our game content is designed primarily by internal game development studios who consider market trends and customer feedback.

We have Gaming R&D personnel located in our Las Vegas, Nevada and Chicago, Illinois facilities. We have SciPlay personnel located primarily in Austin, Texas; Cedar Falls, Iowa; and Tel Aviv, Israel. We have iGaming R&D personnel based primarily in the United Kingdom, Greece and India. We also have game development studios in Las Vegas; Sydney, Australia; Manchester, England; India (including Bangalore and Chennai) and additional R&D staff in Reno, Nevada and Vienna, Austria and in various other smaller locations.

Intellectual Property

Many of our products use intellectual property rights, including trademarks, trade dress, copyrights, patents and trade secrets. We consider our intellectual property rights to be, in the aggregate, material to our business. We protect our investment in R&D by seeking intellectual property protection as appropriate for our technologies and content. We also acquire and license intellectual property from third parties.

The terms of our patents vary based on the type of patent and the date and jurisdiction of filing or grant. The term of U.S. design patents expires 15 years from the date of grant, and the term of utility patents generally expires 20 years from the date of filing of the first non-provisional patent application in a family of patents. The actual protection afforded by a patent depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the applicable country. Certain technologies, which are material to our businesses, are the subject of patents issued and patent applications currently pending in the U.S. and certain other countries. Our Gaming, SciPlay and iGaming businesses use our patented and patent-pending technologies in games and associated platforms and systems. In addition, under a patent cross-licensing agreement with IGT, we can offer games using patented game features from the patent portfolios of other members of IGT's slot game features program.

We market many of our products under trademarks and copyrights that provide product differentiation and recognition and promote our portfolio of product offerings. All of our games feature elements that are subject to copyright rights and protection. In addition, we generally obtain trademark protection and often seek to register trademarks for the names and designs under which we market and license our products and games. Protections for trademarks exist in many countries, including the U.S., for as long as the trademark is registered and/or used. Registrations are generally issued for fixed, but renewable terms, although trademark rights may exist whether or not a mark is registered and the duration of the registrations varies by country.

We believe that our use of both our own and third-party licensed brand names and related intellectual property contributes to the appeal and success of our products, and that our future ability to license, acquire or develop new brand names is important to our continued success. Therefore, we continue to invest in the recognition of our brands and brands that we license. Certain of our games are based on popular brands licensed from third parties, such as Hasbro International, Inc., Fremantle Media North America, CBS Studios Inc., Warner Bros. Consumer Products Inc., Playboy Enterprises International, Inc., Paramount Pictures Corporation, EON Productions Limited, Danjaq LLC, MGM Interactive Inc., MGM Consumer Products, and Mattel Inc. (a brand which is related to our Lottery business).

From time to time, we become aware of potential infringement of our intellectual property by competitors and other third parties and consider what action, if any, to take in that regard, including litigation where appropriate. We are also subject to threatened or actual intellectual property-related claims by third parties from time to time. See the risk factors captioned "Our business depends on the protection of our intellectual property and proprietary information", "We rely on the ability to use the

intellectual property rights of third parties", and "The intellectual property rights of others may prevent us from developing new products and services, entering new markets or may expose us to liability or costly litigation" under the heading "Risk Factors" in *Part I, Item 1A* of this Annual Report on Form 10-K for additional information.

Production Processes, Sources and Availability of Components

We currently produce substantially all of our gaming machines through a mix of our manufacturing facilities and contracted parties. We have finishing lines in Las Vegas; Sydney, Australia; Barcelona, Spain; Midrand, South Africa; and Manchester, England. These finishing lines allow for the completion and testing of our gaming machine assemblies from our facilities. We also refurbish used gaming machines primarily at our Las Vegas and Manchester facilities.

Manufacturing commitments are generally based on expected quarterly sales orders from customers. Due to uneven order flow from customers, component parts for gaming machines are purchased and assembled into partial products that are scheduled for just in time delivery to allow final assembly lead time to meet agreed customer delivery dates. Our gaming machine manufacturing processes generally consist of assembling component parts and sub-assemblies into a complete gaming machine. The level of completion and assembly varies by product platform and geographic region.

Shufflers are assembled in our Las Vegas facility and by third parties near Salzburg, Austria and Juarez, Mexico. The assembly of Shufflers includes various levels of sub-assemblies with completion and testing at one of our finishing lines described above.

Hardware and component parts associated with our CMSs are purchased directly from the contract manufacturers and flow through our Las Vegas facilities with some assembly and testing. These parts do not require a significant amount of assembly and are used primarily in systems implementations, which take place at customer locations.

We place advance orders for certain gaming components with long lead times based on projected customer demand.

As a result of the COVID-19 business disruptions (see Note 1) , we are experiencing some supply chain challenges that could impact our ability to meet demand for our products and delay the timing of fulfillment of these orders. We believe we currently have an adequate supply of component parts and raw materials used in the manufacturing of our gaming machines, shufflers and CMSs and that these supply chain challenges are temporary. We are continuously assessing the situation in order to meet customer demand.

Seasonality

Our results of operations can fluctuate due to seasonal trends and other factors. Sales of our gaming machines to casinos are generally strongest in the second half of the year and slowest in the first half of the year, while revenue from our Participation gaming machines is generally highest in the spring and summer. Player activity for SciPlay is generally slower in the second and third quarters of the year, particularly during the summer months. Player activity for our iGaming business, specifically digital casino operations, is generally slower in the third quarter during the summer months and is generally higher in the fourth quarter. Historical seasonality has been impacted by COVID-19 business disruptions and could continue to be impacted in future periods. See the risk factor captioned "Our results of operations fluctuate due to seasonality and other factors, and, therefore, our periodic operating results are not guarantees of future performance" under the heading "Risk Factors" in *Part I, Item 1A* of this Annual Report on Form 10-K for additional information.

Human Capital

Our global reach is made possible through the expertise, skill and dedicated efforts of our employees who serve customers in more than 100 countries on 6 continents.

As of December 31, 2021, in our continuing operations we employed approximately 5,600 persons worldwide, with approximately 2,500 employed domestically and 3,100 employed internationally.

As of December 31, 2021, our discontinued operations employed approximately 3,900 persons worldwide, with approximately 1,800 employed domestically and 2,100 employed internationally.

Diversity, Equity and Inclusion

Diversity, equity and inclusion are embedded in our core value of team spirit, by which we collaborate as one diverse and inclusive team with an upbeat, inventive passion for building great entertainment. In support of this core value, we have formulated a diversity, equity and inclusion strategic plan and established a Diversity, Equity and Inclusion Council and task force in 2020 to make key decisions, review progress, communicate results and identify areas that require further development. We have invested in analysis of our diversity, equity and inclusion data and continue to implement hiring, training, recruiting and retention initiatives across our workforce in line with our diversity, equity and inclusion strategic plan.

We are committed to creating an inclusive global gaming industry as a founding member of the All-In Diversity Project, a non-profit organization creating tools to advance the industry's diversity, inclusion and workplace equality. As a founding member, we work collaboratively with additional partners to determine diversity, equity and inclusion expectations and standards for the gaming industry, while driving a conversation to establish global standards.

We also help drive diversity across our industry by including minority, women, disabled, and/or veteran-owned businesses in our supply chain and by counting some small businesses and businesses in historically underutilized business zones among our suppliers. As one of the leading global suppliers of products and services to gaming operations and lotteries, we believe that diversity in our supplier base is good business. Our supplier diversity program encourages diverse businesses to provide materials and services that offer value and competitive pricing. We are proud to be a national corporate member of the National Minority Supplier Development Council.

Safety

The health and safety of our employees is a top priority of our leaders. In light of the COVID-19 pandemic, we have implemented work procedures that allow employees to work from home and collaborate remotely. We have also taken measures to keep our workforce safe by monitoring and reducing the impact of the outbreak, including putting in place a global crisis monitoring team, protocols for responding when employees are infected and enhanced cleaning procedures at all sites.

Compensation and Benefits

Scientific Games provides a competitive and comprehensive benefits program that is aligned with our business objectives and attempts to inspire employees to drive innovation and improve Company performance. In addition to cash compensation, Scientific Games offers medical, dental and vision plans; employee stock purchase plans; paid time off and paid holidays; company-paid disability; life insurance; 401(k) plans; flexible spending accounts; and employee assistance programs.

Government Regulation

General

Each of our business segments is generally subject to extensive and evolving regulation. For the Gaming business segment (and the Lottery business, included in our discontinued operations), regulation customarily includes some form of licensing or regulatory screening of operators, suppliers, manufacturers and distributors and their applicable affiliates, their major shareholders, officers, directors and key employees. In addition, certain of our gaming products and technologies must be certified or approved in certain jurisdictions in which we operate. Regulators review many facets of an applicant or holder of a license, including its financial stability, integrity and business experience. Any failure to receive a license or the loss of a license that we currently hold could have a material adverse effect on us or on our results of operations, cash flow or financial condition. Each of our business segments is subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the internet and over mobile networks, especially in relation to privacy and security. Furthermore, for the SciPlay business segment, there is also significant opposition in some jurisdictions to interactive social gaming, including social casino gaming. For our iGaming business segment, although some states are expanding the availability of digital gaming, there have also been various state and federal bills proposed recently in the U.S. to restrict or prohibit digital gaming and lottery sales. Significant resources are being devoted to supporting these efforts. Although these efforts have generally not been successful, we cannot assure that laws restricting digital gaming or lottery sales will not be passed at either the federal or state level.

While we believe that we are in compliance with all material laws and regulatory requirements applicable to us, we cannot assure that our activities or the activities of our customers will not become the subject of any regulatory or law enforcement proceeding or that any such proceeding would not have a material adverse impact on us or our results of operations, cash flow or financial condition.

We have developed and implemented a rigorous internal compliance program in an effort to ensure that we comply with legal requirements imposed in connection with our Gaming, SciPlay, and iGaming activities (along with Lottery and Sports Betting, both included in our discontinued operations) activities, and legal requirements generally applicable to all publicly traded companies. The compliance program is run on a day-to-day basis by our Chief Compliance Officer with legal advice provided by attorneys in our legal and compliance departments and outside experts. The compliance program is overseen by the Compliance Committee of our Board of Directors, which is comprised of employee and non-employee directors and a non-employee gaming law expert. While we are firmly committed to full compliance with all applicable laws, we cannot assure that our compliance program will prevent the violation of one or more laws or regulations, or that a violation by us or an employee will not result in the imposition of a monetary fine or suspension or revocation of one or more of our licenses.

In the EU, various judgments by the Court of Justice of the European Union ("CJEU") have addressed the approaches adopted by certain member states to restrict and/or regulate gaming. Topics addressed in those judgments include the ability of member states to grant, or to maintain, monopolies for gaming (and lottery) activities and the power of member states to limit access by gaming (and/or lottery) providers established elsewhere in the EU. In December 2017, the European Commission dropped all enforcement actions related to gambling in an effort to change the way it enforces EU law, leaving compliance with EU laws to national courts. Notwithstanding this development, the European Commission adopted a decision in April 2018 requesting the European Committee for Standardization (a group of EU regulators and industry bodies) to draft a European standard on reporting in support of supervision of online gambling services and there have been calls for the European Commission to ensure full enforcement of EU law.

While we believe that we have developed appropriate procedures and policies to comply with the requirements of these evolving laws and legal pronouncements, we cannot assure that our activities or the activities of our customers will not become the subject of law enforcement proceedings or that any such proceedings would not have a material adverse impact on us or our business plans. Furthermore, laws and regulations applicable to gaming (and lotteries) in U.S. and international jurisdictions are subject to change and the effect of such changes on our ongoing and potential operations cannot be predicted with certainty.

From time to time, we retain government affairs representatives in various U.S. and international jurisdictions to advise elected and appointed officials and the public concerning our views on gaming (and lottery-related) legislation, and to monitor such legislation and to advise us in our relations with gaming (and lottery) authorities.

Gaming

We provide our games, gaming machines, gaming systems, table products and related products and services in legal gaming jurisdictions worldwide. The manufacture, distribution, provision and operation of our gaming products and services is subject to regulation and approval by various city, county, state, provincial, federal, tribal and foreign agencies. The primary purposes of these rules are to (1) ensure the responsibility, financial stability and character of the parties involved in these activities through licensing and registration requirements, (2) ensure the integrity and compliance of our gaming products and services and (3) prohibit the use of gaming products and services at unauthorized locations or for the benefit of undesirable parties.

Typically, gaming regulations in the jurisdictions in which we operate are established by statute and are administered by a regulatory agency with broad authority to interpret gaming regulations and to regulate gaming activities. Among other things, gaming authorities in the various jurisdictions in which we are licensed:

- adopt additional rules and regulations under the implementing statutes;
- investigate violations of gaming regulations;
- enforce gaming regulations and impose disciplinary sanctions for violations of such laws, including fines, penalties and revocation of gaming licenses;
- review the character and fitness of manufacturers, distributors and operators of gaming products and services and make determinations regarding their suitability or qualification for licensure;
- grant licenses for the manufacture, distribution and operation of gaming products and services;
- review and approve transactions (such as acquisitions, material commercial transactions, securities offerings and debt transactions); and
- establish and collect related fees and/or taxes.

We believe we hold all of the licenses and permits necessary to conduct our business. We are authorized to sell, lease or operate our gaming products and services in approximately 464 jurisdictions worldwide (including jurisdictions that do not require licensing), including approximately 182 international gaming jurisdictions.

In addition, a number of U.S. states authorize wagering on VLTs at state regulated and licensed facilities. Although some states restrict VLTs to already existing wagering facilities, others permit these machines to be placed at venues such as bars, restaurants, truck stops and other specifically licensed gaming facilities. In addition, all of the Canadian provinces and various other international jurisdictions have authorized VLTs.

Regulatory requirements vary among jurisdictions, but the majority of jurisdictions require licenses, permits or findings of suitability for our company, individual officers, directors, major stockholders and key employees. Our gaming hardware and software also must be approved either by a gaming authority laboratory or a private laboratory authorized by the gaming authority.

SciPlay

SciPlay is subject to a number of foreign and domestic laws and regulations that affect companies operating online, including over the internet and mobile networks, many of which are still evolving and being interpreted. We are also subject to a number of federal, state, local and foreign laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information and other consumer data. The scope of data privacy and security regulations continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions.

There is also significant opposition in some jurisdictions to interactive social gaming, including social casino gaming. Some states or countries have anti-gaming groups that specifically target social casino games. Such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming or social casino gaming specifically. These could result in a prohibition on interactive social gaming or social casino gaming altogether, restrict our ability to advertise our games, or substantially increase our costs to comply with these regulations.

We continue to devote significant attention to monitoring these developments. However, we cannot predict the timing, scope or terms of any state, federal or foreign regulations relating to SciPlay.

iGaming

In the U.S., the Unlawful Internet Gambling Enforcement Act of 2006 ("UIGEA") prohibits among other things, the acceptance by a business of a wager by means of the internet where such wager is prohibited by any federal or state law where initiated, received or otherwise made. Under UIGEA severe criminal and civil sanctions may be imposed on the owners and operators of such systems and on financial institutions that process wagering transactions. The law contains a safe harbor for wagers placed within a single state (disregarding intermediate routing of the transmission) where the method of placing the bet and receiving the bet is authorized by that state's law, provided the underlying regulations establish appropriate age and location verification.

Until 2011, there was uncertainty as to whether the Federal Wire Act of 1961 (the "Wire Act") prohibited states from conducting intrastate lottery transactions via the internet if such transactions crossed state lines. In late 2011, the Office of Legal Counsel of the DOJ (the "OLC") issued an opinion which concluded that the prohibitions of the Wire Act were limited to sports gambling and thus did not apply to state lotteries at all (the "2011 DOJ opinion").

Following the issuance of the 2011 DOJ opinion, a number of states have adopted or are considering adopting legislation to specifically authorize online poker, online gambling and sports wagering. On May 14, 2018, the Supreme Court of the U.S. overturned the PASPA, a decision that opened up a path to legalization of sports wagering across the country. Following this ruling, at least 25 states have legalized sports wagering, with some of those states permitting online sports wagering. Other states are considering legislation that would permit legal sports wagering, both land based and online. Additionally, six state lotteries offer (and other lotteries are considering offering) internet instant game sales to in-state lottery customers, and a number of other states allow subscription sales of draw games over the internet. Pennsylvania's gaming expansion bill in October 2017, which authorized online casino and land based and online sports wagering, also authorized Pennsylvania's lottery to distribute lottery products, including instant ticket games, through numerous channels including web applications, mobile applications, mobile web, tablets and social media.

In 2018, at the request of the Criminal Division, the OLC reconsidered the 2011 DOJ opinion's conclusion that the Wire Act was limited to sports gambling. On January 14, 2019, the OLC published a legal opinion dated November 2, 2018 (the "2018 DOJ opinion"), which concluded that the 2011 DOJ opinion had incorrectly interpreted the Wire Act. In the 2018 DOJ opinion, the OLC concluded that the restrictions on the transmission in interstate or foreign commerce of bets and wagers in the Wire Act were not limited to sports gambling but instead applied to all bets and wagers. These restrictions therefore apply equally to our iGaming, iLottery, and sports betting solutions and services. The OLC also found that the enactment of the UIGEA described above did not modify the scope of the Wire Act. The DOJ later issued memoranda directing federal law enforcement agencies to refrain from enforcing the conclusions of the 2018 DOJ opinion for activities other than sports betting until June 30, 2020. No official extension of the forbearance period has been announced. On January 20, 2021, the U.S. Court of Appeals for the First Circuit issued an opinion that the Wire Act applies only to the interstate transmission of wire communications related to sports gambling and not to all bets and wagers. At this time, we are unable to determine whether the 2018 DOJ opinion will be upheld by other courts or what impact the 2018 DOJ opinion or the impact of any other challenge to the 2018 DOJ opinion will have on us or our customers.

Although some states are expanding the availability of digital gaming, there have also been various state and federal bills proposed recently in the U.S. to restrict or prohibit digital gaming and lottery sales, and significant resources are being devoted to supporting these efforts. Although these efforts have generally not been successful, we cannot assure that laws restricting digital gaming or lottery sales will not be passed at either the federal or state level. For instance, in May 2015, the

Minnesota legislature passed an amendment to the state's lottery law prohibiting the sale of instant win lottery tickets over the internet. Furthermore, changes in the executive branches of government at the state and federal level could affect federal and state policies on gaming as well.

On December 19, 2019, the U.K. Government confirmed the proposed review of the Gambling Act 2005. The review started on December 8, 2020 with the publication of terms of reference The call for evidence ran for 16 weeks and closed on March 31, 2021. The U.K. Government is currently considering submissions in advance of publishing a White Paper, which has reportedly been delayed until May 2022. Any legislative changes are unlikely to receive parliamentary scrutiny until late 2022 or 2023. To varying degrees, a number of European governments have taken steps to change the regulation of internet wagering (also known as online gambling) through the implementation of new or revised licensing and taxation regimes, with increasingly stringent requirements particularly on B2Cs in relation to responsible gambling and affordability checks. Also, some jurisdictions impose sanctions on unlicensed providers. Countries outside Europe and the U.S. have also begun evaluating digital gaming regulation and an increase in regulated markets outside of the U.S. and Europe is likely to continue. Some of our competitors may be more willing to provide internet wagering in countries where the relevant laws and regulations are unclear or not uniformly enforced, putting us at a competitive disadvantage if we do not provide services related to internet wagering in such countries.

We continue to devote significant attention to monitoring these developments. However, we cannot predict the timing, scope or terms of any state, federal or foreign regulations relating to digital gaming, sports betting and lottery sales.

Lottery and Sports Betting Businesses - Discontinued Operations

In regards to the Lottery business, currently, 48 U.S. jurisdictions offer instant game lotteries and/or draw lotteries. The operation of lotteries in the U.S. and internationally is subject to extensive regulation. Although certain features of a lottery, such as the percentage of gross revenues that must be paid back to players in prize money, are usually set by legislation, lottery regulatory authorities generally exercise significant discretion, including with respect to the determination of the types of games played, the price of each wager, the manner in which the lottery is marketed and the selection of suppliers of equipment, technology and services and retailers of lottery products.

To ensure the integrity of contract awards and lottery operations, most jurisdictions require detailed background disclosure on a continuous basis from, and conduct background investigations of, vendors and their officers, directors, subsidiaries, affiliates and principal stockholders. Background investigations of the vendors' employees who will be directly responsible for the operation of lottery systems are also generally conducted and most states reserve the right to require the removal of employees who they deem to be unsuitable or whose presence they believe may adversely affect the operational security or integrity of the lottery. Certain jurisdictions also require extensive personal and financial disclosure and background checks from persons and entities that hold a specified percentage (typically five percent or more) of a vendor's securities either legally, beneficially and/or through voting rights. The failure of such holders of our securities to submit to background checks and provide such disclosure could result in the imposition of penalties and could jeopardize the award of a lottery contract to us or provide grounds for termination of an existing lottery contract.

The award of lottery contracts and ongoing operations of lotteries in international jurisdictions are also extensively regulated, although international regulations typically vary from those prevailing in the U.S. Restrictions are frequently imposed on foreign companies seeking to do business in such jurisdictions and, as a consequence, we have in a number of instances allied ourselves with local companies when seeking international lottery contracts.

In regards to the Sports Betting business and further Lottery government regulation, see above iGaming discussion on 2011 DOJ Opinion and 2018 DOJ Opinion.

We continue to devote significant attention to monitoring these developments. However, we cannot predict the timing, scope or terms of any state, federal or foreign regulations relating to our businesses.

Additional Information Regarding Government Regulations

We are subject to specific gaming requirements in the different jurisdictions in which we operate. For additional information, we have filed a summary of the gaming regulations that govern our businesses as an exhibit to this Annual Report on Form 10-K. See Exhibit 99.5 "Gaming Regulations". In addition, see "*Risk Factors*" in *Part I, Item 1A* of this Annual Report on Form 10-K for a discussion of risk factors related to regulations to which we may be subject.

Executive Officers of the Company

Certain information regarding each of our executive officers is set forth below.

Name	Age	Position
Barry L. Cottle	60	President and Chief Executive Officer and Director
Constance P. James	40	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
James Sottile	61	Executive Vice President and Chief Legal Officer
Matthew Wilson	40	Executive Vice President and Group Chief Executive, Gaming
Patrick J. McHugh	57	Executive Vice President and Group Chief Executive, Lottery
Stephen E. Richardson	54	Senior Vice President, Chief Compliance Officer and Director of Corporate Security

Barry L. Cottle has served as President and Chief Executive Officer since June 2018. Mr. Cottle has also served as Executive Chairman of the Board of Directors of SciPlay since April 2019. Mr. Cottle joined SGC as Chief Executive, SG Interactive, in August 2015 to lead the strategy and growth plans of the Interactive group. Before joining SGC, 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.

Constance P. James has served as Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary for Scientific Games since October 2021. Prior to this role, Ms. James served as the Company's Chief Financial Officer, Gaming beginning in January 2020. Most recently, she served as a Corporate Vice President of Finance for Cargill, a global supplier of food, agriculture, nutrition and risk management. Previously, Ms. James was the CFO of the Global Land Based Gaming division at Aristocrat Leisure Ltd. ("Aristocrat"), one of the world's leading providers of gaming solutions.

James Sottile has served as Executive Vice President and Chief Legal Officer since September 2018. Prior to this role, Mr. Sottile was with Jones Day, where he was a partner in its New York office. Mr. Sottile was named a notable practitioner by Chambers USA: America's Leading Business Lawyers from 2005 to 2018 and was recognized in The Best Lawyers in America from 2011 to 2018.

Patrick J. McHugh has served as Executive Vice President and Group Chief Executive, Lottery since January 2019. Prior to this role, Mr. McHugh served as the Company's Senior Vice President, Global Lottery Systems from November 2015 to December 2018, and prior to that, Mr. McHugh served in various positions at the Company, including on the leadership executive team.

Matthew Wilson has served as Executive Vice President and Group Chief Executive, Gaming since March 2020. Mr. Wilson has over sixteen years of gaming industry experience. Prior to his role at Scientific Games, he was the Managing Director of the Americas at Aristocrat from February 2017 until August 2019. Mr. Wilson began his tenure at Aristocrat 2004 and held several significant positions in a variety of Aristocrat's markets during his time there, including serving as Senior Vice President Sales & Marketing Americas from September 2014 until October 2015. His other roles at Aristocrat include Regional Sales Manager and Vice President of Marketing for the Americas.

Stephen E. Richardson has served as Senior Vice President, Chief Compliance Officer and Director of Corporate Security since April 2018. Previously, Mr. Richardson served the Federal Bureau of Investigation over a 20-year decorated career, most recently as the Assistant Director of the FBI's Criminal Investigative Division in Washington, DC.

Access to Public Filings

We file annual reports, quarterly reports, current reports, proxy statements and other documents with the SEC under the Exchange Act. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

We make the following information, among others, available as soon as practically possible free of charge through the Investors link on our website at www.scientificgames.com/investors and we use our website as a means of disclosing material information to the public in a broad, non-exclusionary manner for purposes of the SEC's Regulation Fair Disclosure (Reg FD):

- our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they are filed electronically with or furnished to the SEC;

- Section 16 ownership reports filed by our executive officers, directors and 10% stockholders on Forms 3, 4 and 5 and amendments to those reports as soon as reasonably practicable after they are filed electronically with the SEC; and
- our Code of Business Conduct, which applies to all of our officers, directors and employees (which is also our required code of ethics applicable to our Chief Executive Officer, and Chief Financial Officer in keeping with the Sarbanes-Oxley Act of 2002).

The above details about our website and its content are only for information. The contents of our website are not, nor shall they be deemed to be, incorporated by reference in this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

The risks described below are not the only risks facing us. Please be aware that additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also materially and adversely affect our business operations. You should also refer to the other information contained in our periodic reports, including the Forward-Looking Statements section, our consolidated financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations for a further discussion of the risks, uncertainties and assumptions relating to our business. Except where the context otherwise indicates, references below to the "Company," "we," "our," "ours" and "us" include all of our subsidiaries.

Risk Factors Summary

The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor contained below.

Risks Relating to Economic and Current Conditions Impacting us and our Business

- The COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, continue to and, in the future, could significantly impact our operations and, should negative impacts such as significant player engagement develop, adversely affect and continue to adversely affect our operations, business, results of operations, cash flows and financial condition.
- We have signed definitive agreements to sell our Lottery and Sports Betting businesses, but there can be no assurance regarding the timing of completion of the Pending Divestitures, that the Pending Divestitures will yield additional value for our stockholders or that the Pending Divestitures will not adversely impact our business, financial results, results of operations, cash flows or stock price.
- Failure to successfully execute on our new strategy and impending rebranding initiative could negatively impact our results of operations, cash flows and financial information.
- Our future results of operations may be negatively impacted by slow growth or declines in the replacement cycle of gaming machines and by the slow growth of new gaming jurisdictions or slow addition of casinos in existing jurisdictions.
- We have foreign operations which expose us to business and legal risks, including compliance with anti-corruption laws, and a portion of our revenue and expenses are denominated in British Pounds Sterling, Australian Dollars and Euros, which subjects us to foreign currency exchange rate fluctuations and other risks.

Risks Relating to our Capital Structure

- Our level of indebtedness could adversely affect our results of operations, cash flows and financial condition.
- We may not have sufficient cash flows from operating activities to service all of our indebtedness and other obligations, and may be forced to take other actions to satisfy our obligations, which may not be successful.
- Agreements governing our indebtedness impose certain restrictions that may affect our ability to operate our business. Failure to comply with any of these restrictions could result in the acceleration of the maturity of our indebtedness and require us to make payments on our indebtedness. Were this to occur, we would not have sufficient cash to pay our accelerated indebtedness.
- We may not have sufficient cash flows from operating activities, cash on hand and available borrowings under our credit agreement to finance required capital expenditures under new contracts and meet our other cash needs or satisfy our minimum liquidity covenant. These obligations require a significant amount of cash, which would reduce our available liquidity.

Risks Relating to our Business and our Industries

- We operate in highly competitive industries, and our success depends on our ability to effectively compete with numerous domestic and foreign businesses.
- Our success depends upon our ability to adapt to, and offer products and services that keep pace with, changing technology and evolving industry standards.
- We invest significant resources in our R&D efforts, which may not lead to successful or commercially viable new technologies, services or products.
- Our success depends on our ability to produce new and innovative products and services that respond to customer demand and create strong and sustained player appeal.
- We may not achieve some or all of the anticipated benefits of SciPlay being a standalone public company, which could negatively impact our business, financial condition and results of operation.

Risks Relating to our Technology

- Our success depends on the security and integrity of the systems and products we offer, and security breaches or other disruptions could compromise our information or the information of our customers and expose us to liability, which would cause our business and reputation to suffer.
- Our business depends on the protection of our intellectual property and proprietary information.
- We rely on the ability to use the intellectual property rights of third parties.

Risks Relating to Legal, Political or Other Regulatory Factors

- We and our industries are subject to strict government regulations that may limit our existing operations, have an adverse impact on our ability to grow and affect our license eligibility or expose us to fines or other penalties.
- Legislative interpretation and enforcement of certain gaming could adversely affect financial performance and reputation.
- We may not be able to capitalize on the expansion of internet or other forms of digital gaming or other trends and changes in the gaming, social and digital gaming industries, including due to laws and regulations governing these industries.
- Changes in tax laws or tax rulings, or the examination of our tax positions could materially affect our financial condition and results of operations.

General Risks

- We have incurred, and may continue to incur, restructuring costs, the benefits of which are unpredictable and may not be achieved.
- We may incur additional impairment charges.
- We depend on our key employees and rely on skilled employees with creative and technical backgrounds.

Risks Relating to Discontinued Operations

- Unfavorable economic conditions, including those caused by the COVID-19 pandemic, have and could continue to significantly disrupt our Lottery and Sports Betting businesses.
- Within our Lottery business, we often enter into joint ventures or other business relationships in foreign jurisdictions, which presents additional risks, including not realizing the operating efficiencies, competitive advantages or financial results that we anticipate.
- Our Lottery business depends heavily on our ability to win, maintain and renew our long-term Lottery contracts, and we could lose substantial revenue if we are unable to renew such contracts on substantially similar terms or at all.

- The success of our Lottery and Sports Betting businesses depends on our ability to produce new and innovative products and services that respond to customer demand and create strong and sustained player appeal. If we fail to do so, we could lose business to our competitors.
- Our Lottery business depends on suppliers and contract manufacturers, and any failure of these parties to meet our performance and quality standards or requirements could cause us to incur additional costs or lose customers.

You should carefully consider the following risks and other information in this Annual Report on Form 10-K in evaluating us and our common stock. The risk factors generally are separated into seven groups: risks relating to economic and current conditions impacting us and our business, risks relating to our capital structure, risks relating to our business and our industries, risks relating to our technology, risks relating to legal, political and other regulatory factors, general risk factors and risks relating to discontinued operations.

Risks Relating to Economic and Current Conditions Impacting us and our Business

The COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, continue to and, in the future, could significantly impact our operations and, should negative impacts such as significant player engagement develop, adversely affect and continue to adversely affect our operations, business, results of operations, cash flows and financial condition.

The outbreak of a novel strain of coronavirus, COVID-19, and public perception thereof, have contributed to consumer unease and may continue to lead to decreased discretionary spending and consumer travel, which have had, and will continue to have, a negative effect on us, especially in our Gaming business. Other future health epidemics or contagious disease outbreaks or variants of COVID-19, such as Delta and Omicron, could do the same. We cannot predict the ultimate effects that the outbreak of COVID-19, any resulting unfavorable social, political and economic conditions and decrease in discretionary spending or travel would have on us, as they would be expected to impact our customers, suppliers and business partners in varied ways in different communities. In our Gaming business, especially our Participation gaming, SciPlay business segment and iGaming business segment, our revenue is largely driven by players' disposable incomes and level of gaming activity. The ongoing outbreak of COVID-19 has led to economic and financial uncertainty for many consumers and has reduced, and may continue to reduce or maintain at low amounts, the disposable incomes of players across all of our business units. This resulted in fewer patrons visiting casinos , whether land-based or online, and lower amounts spent per casino visit and may result in, reduced spend on online gambling activities, which negatively impact the results of operations, cash flows and financial condition of our casino customers, their ability to purchase or lease our products and services and revenues to our online casino partners and, therefore, our iGaming business revenue.

The outbreak of COVID-19 and the resulting unfavorable economic conditions have also impacted, and could continue to impact, the ability of our customers to make timely payments to us. These unfavorable conditions have caused, and could continue to or may cause, some of our Gaming customers to temporarily close gaming venues or declare bankruptcy, which would adversely affect our business. In prior years, our Gaming business has expanded the use of extended payment term financing for gaming machine purchases, and we expect to continue to provide a higher level of extended payment term financing in this business until demand from our customers for such financings abates or our business model changes. These arrangements may increase our collection risk, and if customers are not able to pay us, whether as a result of financial difficulties, bankruptcy or otherwise, we may incur provisions for bad debt related to our inability to collect certain receivables. In addition, both extended payment term financing and operating leases result in a delay in our receipt of cash, which reduces our cash balance, liquidity and financial flexibility to respond to changing economic events. In 2020, we saw a negative impact on future demand of certain Gaming products as a result of COVID-19, which has resulted and, depending on the evolving nature of the pandemic, has the potential to later result in material inventory charges, which could increase our cost of products and decrease our gross margin. During the year ended December 31, 2020, we recorded $48 million in charges related to inventory in our Gaming business segment. COVID-19 has also caused significant volatility in both the credit and equity markets, having led to an economic downturn and having the continued potential to lead to further economic downturn. The difficulty or inability of our customers to generate or obtain adequate levels of capital to finance their ongoing operations may reduce their ability to purchase our products and services. Suppliers to our iGaming business may suffer financial difficulties and may not be able to offer their services and products, which could restrict the provision of our services and negatively impact our operations, business, results of operations, cash flows or financial condition. We did not have any material charges related to inventory during the year ended December 31, 2021.

Various gambling regulators have implemented additional responsible and safer gambling measures relating to our iGaming casino business including the implementation of bet limits, spin speeds, deposit limits and bonusing, which could negatively impact our operations, business, results of operations, cash flows or financial condition, particularly if additional gambling regulators follow suit.

Furthermore, this outbreak of COVID-19 has caused, and may continue to cause us and certain of our suppliers, to implement temporary adjustment of work schemes allowing employees to work from home and collaborate remotely. In 2020, we took measures to monitor and reduce the impact of the outbreak, including putting in place a global crisis monitoring team, protocols for responding when employees are infected and enhanced cleaning procedures at all sites, but we cannot assure these will be sufficient to mitigate the risks faced by our and our partners' work forces. We also took measures to reduce operating costs and ensure liquidity given the uncertain impact of COVID-19 on revenue, deferred all non-critical capital expenditures, and implemented a number of employee-related actions. However, we experienced and may still experience lower work efficiency and productivity, which may adversely affect our service quality, and our business operations were and could again be disrupted if and/or when any of our employees has been or is suspected of infection, since this has and may cause our employees to be quarantined and/or our offices to be temporarily shut down. We may continue to incur some costs for our operations, and our revenues could be impacted again. As a result of some of the above developments, our business, results of operations, cash flows or financial condition for the full fiscal year of 2020 were adversely affected by the COVID-19 outbreak. The extent to which this outbreak further impacts our results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity and duration of this outbreak and the actions taken by governmental authorities and us to contain it or treat its impact. For more information on the impact of COVID-19 pandemic on each of our business segments and measures taken by us in response to COVID-19, see section captioned *"Business Overview – Highlights, including recent developments – Impacts of COVID-19 on Business Operations, Financial Results and Liquidity*" in *Item 7.* "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

There can be no assurance regarding the timing of completion of the Pending Divestitures, that the Pending Divestitures will yield additional value for our stockholders or that the Pending Divestitures will not adversely impact our business, financial results, results of operations, cash flows or stock price.

On June 29, 2021, we announced our intention to divest our Lottery and Sports Betting businesses. On September 27, 2021, we announced that we had entered into a definitive agreement to sell our Sports Betting business to Endeavor in a cash and stock transaction. Under the terms of the agreement, we will receive $1 billion in cash and approximately 7.6 million shares of Endeavor Class A common stock (valued at approximately $200 million as of the purchase agreement date), subject to customary purchase price closing adjustments. On October 27, 2021, we announced that we entered into a definitive agreement to sell our Lottery business to Brookfield for total consideration of $6.05 billion consisting of $5.825 billion in cash and an earn-out of up to $225 million based on the achievement of certain EBITDA targets in 2022 and 2023, subject to customary purchase price closing adjustments.

The Pending Divestitures expose us to a number of risks and uncertainties, including continued diversion of management's time to the processes; the incurrence of significant expenses associated with the review and pursuit of any transaction; increased difficulties in attracting, retaining or motivating key management personnel; the potential loss of key customers, suppliers, vendors and other key business partners; the need to provide transition services, which may result in additional costs and the diversion of resources and focus; a reduction of net investments in our international subsidiaries available for hedging, which could result in increased volatility in our operating results; and exposure to potential litigation. Any of these factors could disrupt our business and could have a material adverse effect on our business, financial condition, results of operations, cash flows or stock price.

Additionally, we may not be able to realize the anticipated operational, strategic or financial benefits from the Pending Divestitures including (i) our ability to transform and execute on our strategic vision to become the leading cross-platform global game company and (ii) any repayment, refinancing and/or restructuring of existing indebtedness on terms acceptable to us with net proceeds of the Pending Divestitures. There can be no assurance that any of these transactions and anticipated benefits will provide greater value to our stockholders than that reflected in our current stock price. The proposed transactions and anticipated benefits are dependent upon a number of factors that may be beyond our control, including among other factors, market conditions (including the impact of the COVID-19 pandemic), industry trends, regulatory developments, litigation and the interest of third parties in these businesses. See the section below captioned "Risks Relating to Discontinued Operations" for risk factors relating to our held-for-sale Lottery and Sports Betting businesses.

Failure to successfully execute on our new strategy and impending rebranding initiative could negatively impact our results of operations, cash flows and financial information.

We are executing a new strategy in becoming the leading, cross-platform global game company (more fully described in in *Part I, Item 1* above). Jointly with our new strategy, we also are in the process of rebranding our Company and operate under a new name and logo. Successful execution on our strategy may present unexpected challenges and uncertainties. We may incur integration and optimization expenses to execute and facilitate our strategies, including costs necessary to complete the Pending Divestitures.

Our new business strategy is to invest in great content and franchises across land-based, digital and mobile platforms, expand in high-growth markets, enable a seamless player experience with innovative platforms, deleverage and maximize cash flow to fuel investment and be driven by high-performing talent and culture. Our strategy is focused upon growth including growing our digital revenue mix and pursuit of acquisitions supportive of our strategic goals. For additional information on risks related to our acquisition strategy, see the risk factor captioned "Our inability to complete acquisitions and integrate those businesses successfully could limit our growth or disrupt our plans and operations." If we are not successful in accomplishing each component of our new business strategy, we may suffer negative impacts on our results of operations, cash flows and financial condition.

Additionally, the success of our new brand and name will be integral in allowing our new strategy and business focus to be successful. Developing and maintaining awareness of our Company and our brand is important to attracting new and existing customers to our products. The importance of brand recognition will increase as competition in our industry intensifies. Successful promotion of our brand will depend on the effectiveness of our marketing efforts. Although we plan to invest substantial resources to promote our brand, there is no guarantee that we will be able to achieve or maintain brand name recognition or status under the new brand that is comparable to the recognition and status previously enjoyed under our former brand. Even if our brand recognition and loyalty increases, this may not result in increased revenue and profitability. For these reasons, our rebranding initiative may not produce the benefits expected, could adversely affect our ability to retain and attract customers, and may have a material adverse effect on our results of operations, cash flows and financial condition.

Our future results of operations may be negatively impacted by slow growth or declines in the replacement cycle of gaming machines and by the slow growth of new gaming jurisdictions or slow addition of casinos in existing jurisdictions.

Demand for our Gaming products and services is driven by the replacement of existing gaming machines in existing casinos, the establishment of new jurisdictions, the opening of additional casinos in existing jurisdictions and the expansion of existing casinos. Slow growth or declines in the replacement cycle of gaming machines have reduced and will continue to reduce the demand for our products and negatively impact our results of operations, cash flows and financial condition, and have resulted and could continue to result in material inventory charges, which could increase our cost of products and decrease our gross margin. We recorded charges related to inventory of $48 million in the year ended December 31, 2020 in our Gaming business segment primarily due to the COVID-19 disruption impacting future demand combined with a reassessment of our Gaming product strategy. We did not have any material charges related to inventory during the year ended December 31, 2021.

The opening of new casinos, expansion of existing casinos and replacement of existing gaming machines in existing casinos fluctuate with demand, economic conditions, regulatory approvals and the availability of financing. Originally these had been negatively affected by the ongoing COVID-19 pandemic. While those negative effects have abated, there is still potential for negative effects if the pandemic worsens. In addition, the expansion of gaming into new jurisdictions can be a protracted process. In the U.S., U.K. and other international jurisdictions in which we operate, governments usually require a public referendum and legislative action before establishing or expanding gaming. Any of these factors could delay, restrict or prohibit the expansion of our business and negatively impact our results of operations, cash flows and financial condition.

We have foreign operations which expose us to business and legal risks, including compliance with anti-corruption laws, and a portion of our revenue and expenses are denominated in British Pounds Sterling, Australian Dollars and Euros, which subjects us to foreign currency exchange rate fluctuations and other risks.

We are a global business and derive a substantial portion of our revenue from operations outside of the U.S. For the year ended December 31, 2021, we derived approximately 28% of our revenue from sales to customers outside of the U.S.

Our consolidated financial results are affected by currency exchange rate fluctuations. We are exposed to currency exchange rate fluctuations because portions of our revenue and expenses are denominated in currencies other than the U.S. dollar, particularly the British Pound Sterling, the Australian dollar and the Euro. Such fluctuations may arise from inflation, government debt or other causes. Exchange rate fluctuations have in the past adversely affected our results of operations, cash flows and financial condition and may adversely affect our results of operations, cash flows and financial condition and the value of our assets outside the U.S. in the future. If a foreign currency is devalued in a jurisdiction in which we are paid in such currency, we may require our customers to pay higher amounts for our products, which they may be unable or unwilling to pay. In addition, a portion of our debt is denominated in Euros, and the re-introduction of individual currencies in one or more member states of the EU or, in extreme circumstances, the possible dissolution of the Euro entirely, could adversely affect the value of our Euro-denominated debt, and the treatment of debt obligations previously denominated in Euros would be uncertain. This uncertainty could have a material adverse effect on our foreign operations, including on our Euro-denominated debt. In addition, if such events occurred, the financial and capital markets within and outside Europe could constrict and negatively impact our ability to finance our business. Such events could also cause a substantial reduction in consumer confidence and spending that could negatively impact our customers and our business.

Our operations in foreign jurisdictions subject us to additional risks customarily associated with such operations, including: the complexity of foreign laws, regulations and markets; the uncertainty of enforcement of remedies in foreign jurisdictions; the impact of foreign labor laws and disputes; the ability to attract and retain key personnel in foreign jurisdictions; the economic, tax and regulatory policies of local governments; compliance with applicable anti-money laundering, anti-bribery and anti-corruption laws, including the Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption laws that generally prohibit us and our agents from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business; compliance with applicable sanctions regimes regarding dealings with certain persons or countries; import and export restrictions and other trade barriers, including imposition of tariffs; and increased trade tensions between countries or political and economic unions. Certain of these laws also contain provisions that require accurate record keeping and further require companies to devise and maintain an adequate system of internal accounting controls. Although we have policies and controls in place that are designed to ensure compliance with these laws, if those controls are ineffective or an employee or intermediary fails to comply with the applicable regulations, we may be subject to criminal and civil sanctions and other penalties. Any such violation could disrupt our business and adversely affect our reputation, results of operations, cash flows and financial condition.

In addition, our international business operations could be interrupted and negatively affected by terrorist activity, political unrest or other economic or political uncertainties. Further, U.S. and foreign jurisdictions could impose tariffs, quotas, trade barriers and other similar restrictions on our international sales.

For example, in 2018 the U.S. announced certain trade actions under Section 232, and Section 301 of the Trade Expansion Act of 1962, including tariff increases on several imported products. These U.S. tariffs, along with other U.S. trade actions, have triggered retaliatory actions by certain affected countries, such as the People's Republic of China ("PRC"). In January 2020, the United States and the PRC signed a limited trade deal in which the PRC agreed to purchase more products from the U.S. in exchange for a reduction in planned and existing tariffs. Given the uncertainty regarding the scope and duration of these trade actions by the U.S. and other countries, and trade negotiations between the U.S. and the PRC, we cannot predict whether, or to what extent, tariffs and other trade restrictions may be imposed on or otherwise become applicable to our product offerings or supply chain, and the impact of these trade actions on our business remains uncertain. While tariffs and other trade actions by the U.S. and other countries have not yet had a significant impact on our business and we are implementing measures to limit the impact of tariffs on our cost structure, we cannot predict further developments. Tariffs and other trade actions could result in increases in our cost of doing business and in the sale prices of certain of our products and could negatively impact demand for our products, which could materially adversely affect our results of operations, cash flows and financial conditions.

In addition, our ability to expand successfully in foreign jurisdictions involves other risks, including difficulties in integrating foreign operations, risks associated with entering jurisdictions in which we may have little experience and the day-to-day management of a growing and increasingly geographically diverse company.

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

Unfavorable U.S. and international economic conditions, or decreased discretionary spending or travel due to other factors such as terrorist activity or threat thereof, civil unrest, health epidemics, contagious disease outbreaks, or public perception thereof or other economic or political uncertainties, have adversely affected our business, results of operations, cash flows and financial condition.

Unfavorable economic conditions, including recession, economic slowdown, decreased liquidity in the financial markets, decreased availability of credit, relatively high rates of unemployment and inflation, have had, and may continue to have, a negative effect on our business. Socio-political factors such as terrorist activity or threat thereof, civil unrest or other economic or political uncertainties, or health epidemics, contagious disease outbreaks, or public perception thereof that contribute to consumer unease may also result in decreased discretionary spending or travel by consumers and have a negative effect on our businesses. We cannot fully predict the effects that unfavorable social, political and economic conditions, economic uncertainties and public health crises and any resulting decrease in discretionary spending or travel would have on us, as they would be expected to impact our customers, suppliers and business partners in varied ways. For a description of the impact of the COVID-19 pandemic and other public health crises, see the risk factor captioned "The COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, continue to and, in the future, could significantly impact our operations and, should negative impacts such as significant player engagement develop, continue to adversely affect our operations, business, results of operations, cash flows and financial condition." In our Gaming business, especially our Participation gaming business, our revenue is largely driven by players' disposable incomes and level of gaming activity which may be reduced by unfavorable economic conditions. A further or extended decline in disposable income may

result in reduced play levels on our Participation gaming machines, causing our results of operations and cash flows from these products to decline. Additionally, higher travel and other costs may adversely affect the number of players visiting our customers' casinos. Adverse changes in discretionary consumer spending or consumer preferences, resulting in fewer patrons visiting casinos and reduced play levels, could also be driven by factors such as an unstable job market, outbreaks of contagious diseases or public perception thereof or fears of terrorism or other violence. A decline in play levels has negatively impacted the results of operations, cash flows and financial condition of our casino customers and their ability to purchase or lease our products and services.

Unfavorable economic conditions have also impacted, and could continue to impact, the ability of our Gaming customers to make timely payments to us. These conditions, and the concentration of certain outstanding Gaming segment receivables, may increase our collection risks and materially impact our estimate of receivables allowance for credit losses. We increased our allowance for credit losses by $56 million for the year ended December 31, 2020. In addition, unfavorable economic conditions have caused, and may cause in the future, some of our Gaming customers to temporarily close gaming venues or ultimately declare bankruptcy, which adversely affects our business. Consistent with other suppliers in the gaming industry, our Gaming business has recently expanded the use of extended payment term financing for gaming machine purchases, and we expect to continue to provide a higher level of extended payment term financing in this business until demand from our customers for such financings abates or our business model changes. These financing arrangements may increase our collection risk, and if customers are not able to pay us, whether as a result of financial difficulties, bankruptcy or otherwise, we may incur provisions for bad debt related to our inability to collect certain receivables. In addition, both extended payment term financing and operating leases result in a delay in our receipt of cash, which reduces our cash balance, liquidity and financial flexibility to respond to changing economic events. Unfavorable economic conditions may also result in volatility in the credit and equity markets. The difficulty or inability of our customers to generate or obtain adequate levels of capital to finance their ongoing operations may reduce their ability to purchase our products and services. Refer to Note 7 for international locations with significant concentrations of our receivables with terms longer than one year.

In our iGaming business based on a Participation model, our revenue is largely driven by disposable incomes and level of player activity. Unfavorable economic conditions have previously reduced and may later reduce the disposable incomes of end users consuming the services, which could negatively impact revenues for the iGaming business. Suppliers to our iGaming business may suffer financial difficulties and may not be able to offer their services and products, which could restrict the provision of our services and negatively impact our revenues. Various gambling regulators have implemented additional responsible and safer gambling measures relating to our iGaming casino business as a result of the COVID-19 outbreak, including the implementation of bet limits, spin speeds, deposit limits and bonusing, which could negatively impact on our revenues, particularly if additional gambling regulators follow suit.

There are ongoing concerns regarding the debt burden of certain countries, particularly in Europe and South America, and their ability to meet their future financial obligations, which have resulted in downgrades of the debt ratings for these countries. We currently operate in, and our growth strategy may involve pursuing expansion or business opportunities in certain of these jurisdictions, such as Argentina, Brazil, Greece, Italy, Puerto Rico, Turkey and Ukraine among others. These sovereign debt concerns, whether real or perceived, could result in a recession, prolonged economic slowdown, or otherwise negatively impact the general health and stability of the economies in these countries or more broadly. In more severe cases, this could result in a limitation on the availability or flow of capital, thereby restricting our liquidity and negatively impacting our results of operations, cash flows and financial condition.

Risks Relating to our Capital Structure

Our level of indebtedness could adversely affect our results of operations, cash flows and financial condition.

We are a highly leveraged company. As of December 31, 2021, we had total indebtedness of $8,690 million, net of unamortized discounts and deferred financing costs, consisting primarily of borrowings under our credit agreement, and Senior Notes. As of December 31, 2021, our total available liquidity (excluding our SciPlay business segment, but including cash and cash equivalents totaling $44 million of the businesses held for sale) was $903 million, which included $638 million of undrawn availability under SGI's revolving credit facility.

Our level of indebtedness could affect our ability to obtain financing or refinance existing indebtedness; require us to dedicate a significant portion of our cash flow from operations to interest and principal payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate purposes; increase our vulnerability to adverse general economic, industry or competitive developments or conditions; and limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate or in pursuing our strategic objectives. In addition, we are exposed to the risk of higher interest rates as a significant portion of our borrowings are at variable rates of interest. If interest rates increase, the interest payment obligations under our non-hedged variable rate indebtedness would increase even if the amount borrowed remained the same, and our results of operations, cash flows and

financial condition would be negatively impacted. All of these factors became more severe given the unfavorable economic conditions and uncertainties and decrease in discretionary spending and consumer travel as a result of the outbreak of COVID-19 and could place us at a competitive disadvantage compared to competitors that may have less debt than we do.

Certain of our variable rate debt, including under certain of our debt agreements and the SciPlay Revolver, relies on LIBOR as a benchmark for establishing the interest rate. The U.K. Financial Conduct Authority mostly phased out LIBOR by the end of 2021, extending to the end of June 2023 for U.S. dollar LIBOR only. In addition, other regulators have suggested reforming or replacing other benchmark rates. In December 2021, the U.S. House of Representatives passed the Adjustable Interest Rate (LIBOR) Act of 2021 that substantially followed legislation proposed by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York establishing the SOFR as a commercially reasonable substitute for and commercially substantial equivalent to LIBOR. The discontinuation, reform or replacement of LIBOR, such as SOFR, or any other benchmark rates may have an unpredictable impact on contractual mechanics in the credit markets or cause disruption to the broader financial markets. Uncertainty as to the nature of such potential discontinuation, reform or replacement may negatively impact the cost of our variable rate debt. We may in the future pursue additional amendments to the agreements underlying this debt to provide for a transition mechanism or other reference rate in anticipation of LIBOR's discontinuation, but we may not be able to reach agreement with our lenders on any such amendments. As a result, additional financing to replace our LIBOR-based debt may be unavailable, more expensive or restricted by the terms of our outstanding indebtedness.

We may not have sufficient cash flows from operating activities, to service all of our indebtedness and other obligations, and may be forced to take other actions to satisfy our obligations, which may not be successful.

Our ability to make payments on and to refinance our indebtedness and other obligations depends on our results of operations, cash flows and financial condition, which in turn are subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness and our other obligations. Our results of operations and general economic and financial conditions have been negatively affected by the ongoing COVID-19 pandemic, which made it more difficult for us to meet our debt obligations from cash flows from operating activities.

We are required to make scheduled payments of principal on the term loans borrowed under our credit agreement, and our credit agreement requires that a portion of our excess cash flow be applied to prepay amounts borrowed under our credit agreement. We are also required to repay the entire principal amount of our Senior Notes at their maturity (see Note 15). We have also, from time to time, repurchased or otherwise retired or refinanced our debt, through our subsidiaries or otherwise and may continue to do so in the future. Such activities, if any, will depend on prevailing market conditions, contractual restrictions and other factors, and the amounts involved may or may not be material. If we need to refinance all or part of our indebtedness at or before maturity, we cannot assure that we will be able to obtain new financing or to refinance any of our indebtedness on commercially reasonable terms or at all, especially uncertainties as a result of the COVID-19 pandemic.

Our lenders, including the lenders participating in our revolving credit facility under our credit agreement or in the SciPlay Revolver, may become insolvent or tighten their lending standards, which could make it more difficult for us to borrow under our revolving credit facility or the SciPlay Revolver or to obtain other financing on favorable terms or at all. Our results of operations, cash flows and financial condition would be adversely affected if we were unable to draw funds under our revolving credit facility or the SciPlay Revolver because of a lender default or to obtain other cost-effective financing. Any default by a lender in its obligation to fund its commitment under our revolving credit facility or the SciPlay Revolver (or its participation in letters of credit) could limit our liquidity to the extent of the defaulting lender's commitment. If we are unable to generate sufficient cash flow in the future to meet our commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. We cannot assure that any of these actions could be completed on a timely basis or on satisfactory terms or at all, or that these actions would enable us to continue to satisfy our capital requirements. Moreover, our existing debt agreements contain, and our future debt agreements may contain, restrictive covenants that may prohibit us from adopting these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt.

Agreements governing our indebtedness impose certain restrictions that may affect our ability to operate our business. Failure to comply with any of these restrictions could result in the acceleration of the maturity of our indebtedness and require us to make payments on our indebtedness. Were this to occur, we would not have sufficient cash to pay our accelerated indebtedness.

Agreements governing our indebtedness, including our credit agreement and the SciPlay Revolver and the indentures governing our Senior Notes, impose, and future financing agreements are likely to impose, operating and financial restrictions

on our activities that may adversely affect our ability to finance future operations or capital needs or to engage in new business activities. Subject to certain exceptions, our credit facilities and/or indentures restrict our ability to, among other things:

- declare dividends or redeem or repurchase capital stock;
- prepay, redeem or purchase other debt;
- incur liens;
- make loans, guarantees, acquisitions and investments;
- incur additional indebtedness;
- engage in sale and leaseback transactions;
- amend or otherwise alter debt and other material agreements;
- engage in mergers, acquisitions or asset sales;
- engage in transactions with affiliates;
- enter into arrangements that would prohibit us from granting liens or restrict our subsidiaries' ability to pay dividends, make loans or transfer assets; and
- alter the business we conduct.

In addition, prior to the Credit Agreement Amendment and the Credit Agreement Extension Agreement, the SGI credit agreement contained a covenant that was tested at the end of each fiscal quarter and required us to not exceed a maximum consolidated net first lien leverage ratio of 5.00x Consolidated EBITDA (as defined in the credit agreement), with this ratio stepping down to 4.75x beginning with the fiscal quarter ended December 31, 2020 and 4.50x beginning with the fiscal quarter ending December 31, 2021. We amended the consolidated net first lien leverage ratio covenant in the credit agreement with the requisite lenders under SGI's revolving credit facility on May 8, 2020 (the "Credit Agreement Amendment") and subsequently extended the Credit Agreement Amendment on October 8, 2020 (the "Credit Agreement Extension Amendment") to implement a financial covenant relief period, which extends the relief period through the first quarter of 2022. As a result, (a) SGI is not required to maintain compliance with the consolidated net first lien leverage ratio covenant during the Covenant Relief Period, (b) the step down of the consolidated net first lien leverage ratio covenant following the Covenant Relief Period was revised, (c) SGI must maintain liquidity (excluding SciPlay) of at least $275 million during the Covenant Relief Period, (d) SGI is restricted in its ability to further incur indebtedness and liens, make restricted payments and investments and prepay junior indebtedness during the Covenant Relief Period, subject to certain exceptions and further subject, in some instances, to maintaining minimum liquidity (excluding SciPlay) of at least $400 million and (e) a LIBOR floor of 0.500% was established on borrowings under the revolving credit facility during the Covenant Relief Period.

The following table summarizes the revised consolidated net first lien leverage ratio and Consolidated EBITDA:

Revised Consolidated Net First Lien Leverage Ratio Covenant Calculation

Period ending	Revised Consolidated Net First Lien Leverage Ratio Covenant	Consolidated EBITDA multiplier[(1)]
3/31/2022	6.00x	4x Q1-2022
6/30/2022	6.00x	2x YTD Q2-2022
9/30/2022	5.75x	1.33x YTD Q3-2022
12/31/2022	5.75x	
3/31/2023	5.25x	
6/30/2023	5.25x	N/A - Calculated based on the previous 12 month
9/30/2023	4.75x	period including the quarter being tested
12/31/2023	4.75x	
3/31/2024 and thereafter	4.50x	

(1) Consolidated EBITDA is defined in the Credit Agreement Extension Amendment and is calculated as testing year-to-date period-end consolidated EBITDA times multiplier.

Additionally, the SciPlay Revolver requires that SciPlay maintain a maximum total net leverage ratio not to exceed 2.50x and maintain a minimum fixed charge coverage ratio of no less than 4.00x. Future financing arrangements may impose similar requirements.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants. The ongoing outbreak of COVID-19 has had, and may continue to have, a negative effect on us, especially in our Gaming business. Accordingly, we cannot assure that we will continue to maintain liquidity sufficient to satisfy our current obligations or comply with the minimum liquidity requirement set forth in SGC's credit agreement or return to compliance with the consolidated net first lien leverage ratio covenant following the Covenant Relief Period.

We also cannot assure that we will be granted waivers or amendments to the agreements governing our indebtedness if for any reason we are unable to comply with these obligations or that we will be able to refinance our debt on terms acceptable to us, or at all.

We may not have sufficient cash flows from operating activities, cash on hand and available borrowings under our credit agreement to finance required capital expenditures under new contracts and meet our other cash needs or satisfy our minimum liquidity covenant. These obligations require a significant amount of cash, which would reduce our available liquidity.

Our Gaming operations business generally requires significant upfront capital expenditures for gaming machine, software customization and implementation, systems and equipment installation and telecommunications configuration. In connection with a Gaming operations contract, our customers often obtain new gaming machines, which may require additional capital expenditures in order to fulfill the contract.

Historically, we have funded these upfront cash outflows through cash flows generated from operations, available cash on hand and borrowings under our credit agreement. Our ability to generate revenue and to continue to procure new contracts will depend on, among other things, our then present liquidity levels or our ability to obtain additional financing on commercially reasonable terms, which are negatively affected by the recent COVID-19 pandemic.

If we do not have adequate liquidity or are unable to obtain financing for these upfront cash outflows and other cash needs on favorable terms or at all, we may not be able to fulfill certain contracts, which could result in our losing business or restrict our ability to grow, which could have a material adverse effect on our results of operations, cash flows and financial condition. Moreover, we may not realize the return on investment that we anticipate on such contracts due to a variety of factors, including lower than anticipated retail sales or amounts wagered, higher than anticipated capital or operating expenses and unanticipated regulatory developments or litigation. We may not have adequate liquidity to pursue other aspects of our strategy, including bringing our products and services to new customers or new or underpenetrated geographies or pursuing strategic acquisitions. In the event we pursue significant acquisitions or other expansion opportunities, conduct significant repurchases of our outstanding securities, or refinance or repay existing debt, we may need to raise additional capital either through the public or private issuance of equity or debt securities or through additional borrowings under our existing financing arrangements, which sources of funds may not necessarily be available on terms acceptable to us, if at all, especially under the current unfavorable economic conditions and uncertainties as a result of the COVID-19 pandemic.

Under SGI's amended revolving credit facility we currently have a minimum liquidity requirement (excluding SciPlay) of at least $275 million during the Covenant Relief Period and have further restrictions on our ability to incur indebtedness and liens, make restricted payments and investments and prepay junior indebtedness during the Covenant Relief Period, subject to certain exceptions and further subject, in some instances, to maintaining minimum liquidity (excluding SciPlay) of at least $400 million. See Note 15 for details regarding the Credit Agreement Amendment and the Credit Agreement Extension Amendment. Therefore, even if we do have liquidity available to support our current cash needs, we may not be able to access that liquidity while still remaining in compliance with the minimum liquidity covenant. We cannot assure that we will be granted waivers or amendments to the minimum liquidity covenant, or will be able to obtain additional liquidity to cure such a violation, if for any reason we are unable to comply with that obligation.

Risks Relating to our Business and our Industries

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

Gaming

Our Gaming business faces significant competition, not only from traditional gaming suppliers, but also from a number of other domestic and foreign providers, some of which have substantially greater financial resources and/or experience than we do. In some cases, we compete against gaming operators, including illegal or unregulated operators. Additionally, we

face competition from smaller gaming companies that have established certain competitive products in recent years and are able to focus their resources on developing a smaller number of high-performing products.

We compete on the basis of the content, features, quality, functionality, accuracy, reliability, price and financing terms of our products and services, and the responsiveness of our services. If we do not consistently deliver popular, high-quality games in a timely manner, or if consumers prefer competing products, our business might suffer. Consumer preferences for games are usually cyclical and difficult to predict, and even the most successful content remains popular for only limited periods of time, unless refreshed with new content or otherwise enhanced. In order to remain competitive, we must continuously develop new products or enhancements to our existing products. These products or enhancements may not be well-received by consumers, even if well-reviewed and of high quality. Further, competitors may develop content that imitates or competes with our best-selling games, potentially taking sales away from them or reducing our ability to charge the same prices we have historically charged for our products. We have experienced pricing pressures in the past, including in 2020 and in 2021. These competing products may take a larger share of consumer spending than anticipated, which could cause product sales to fall below expectations. We also compete based on the extent of our sales, service, marketing and distribution channels. We on occasion provide extended payment term financing for product purchases, and we expect to continue to provide extended payment term financing until the impacts of COVID-19 and demand for such financing abate. We have also offered customers discounts and other offers and modified pricing and other contractual terms in connection with the sale or placement of our products and services. Our competitors may provide a greater amount of financing or better offers and terms than we do, and this may impact demand for our Gaming products and services. We cannot assure that competitive pressure will not cause us to increase the incentives that we offer to our customers or agree to modify contractual terms in ways that are unfavorable to us, which could adversely impact our results of operations, cash flows and financial condition.

We also compete to obtain space and favorable placement on casino gaming floors, and some of our product lines may compete against each other for this space. Consolidation of casino and other operators, increased competition among operators and reductions in capital expenditures by operators have significantly increased the level of competition among gaming suppliers and may do so in the future. Casino operators focus on performance, longevity, player appeal and price when making their purchasing decisions. Competitors with a larger installed base of gaming machines and more game themes than ours may have an advantage in obtaining and retaining placements in casinos. Our Shufflers also compete against hand shuffling, which remains the most competitive shuffling option for casino card games around the world.

We also face high levels of competition in the supply of products and services for newly legalized gaming jurisdictions and for openings of new or expanded casinos. Our success depends on our ability to successfully enter new markets and compete successfully for new business, especially in the face of declining demand and lengthened cycles for gaming machine replacements as a result of COVID-19 disruptions.

SciPlay

SciPlay, which includes social casino games and from which we derive substantially all of our SciPlay revenue, is a rapidly evolving industry with low barriers to entry. Businesses can easily launch online or on mobile platforms and applications at nominal cost by using commercially available software or partnering with various established companies in these markets. The market for our games is also characterized by rapid technological developments, frequent launches of new games and features, changes in player needs and behavior, disruption by innovative entrants and evolving business models and industry standards. As a result, our industry is constantly changing games and business models in order to adopt and optimize new technologies, increase cost efficiency and adapt to player preferences.

Successful execution of our strategy depends on our continuous ability to attract and retain players, adapt to the emergence of new mobile hardware or operating systems, expand the market for our games, maintain a technological edge and offer new capabilities to players. We also compete with social gaming companies, including those that offer social casino games such as Playtika, Product Madness/Big Fish Games (Aristocrat), Zynga Inc., DoubleU Games/Double Down Interactive, GSN/Bash Gaming and Huuuge games, some of which have no connection to regulated real money gaming, and many of those companies have a base of existing players that is larger than ours. In some cases, we compete against real money gaming operators who have expanded their games to include social casino games and have in the past leveraged their land-based gaming relationship with us to license social casino game content from us. In those cases, customers of such real money gaming operators may choose to play our content as it is offered by the operator and not as it is offered by our social casino games, detrimentally impacting our results.

Some of our current and potential competitors enjoy substantial competitive advantages, such as greater name recognition, longer operating histories, greater financial, technical, and other resources and, in some cases, the ability to rapidly combine online platforms with traditional staffing and contingent worker solutions. These companies may use these advantages to develop different platforms and services to compete with our games, spend more on advertising and brand marketing, invest more in research and development or respond more quickly and effectively than we do to new or changing opportunities,

technologies, standards, regulatory conditions or player preferences or requirements. As a result, our players may decide to stop playing our games or switch to our competitors' games.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others, including our current or future third-party suppliers. By doing so, these competitors may increase their ability to meet the needs of existing or prospective players. These developments could limit our ability to obtain revenue from existing and new buyers. If we are unable to compete effectively, successfully and at reasonable cost against our existing and future competitors, our results of operations, cash flows and financial condition could be adversely impacted.

We offer players regular free play and frequent discounts for purchases of virtual coins to extend play in connection with our social casino gaming business. We cannot assure that competitive pressure will not cause us to increase the incentives that we offer to our players, which could adversely impact our results of operations, cash flows and financial condition.

iGaming

Our iGaming business is also subject to significant competition. Our iGaming business focuses on the supply of game content to online casino operators, and there are a number of competitors in that industry, including from illegal or unregulated operators.

We cannot assure that we will be successful in offering our technology, content and services to digital gaming operators as we expect to face intense competition from our traditional competitors in the igaming industry and a number of other domestic and foreign providers (or, in some cases, the operators themselves), some of which have substantially greater financial resources and/or experience in this area than we do. In addition, there is a risk that the authorization of the provision of gaming offerings via interactive channels in a particular jurisdiction could, under certain circumstances, adversely impact our Gaming offerings through traditional channels in such jurisdiction. Any such adverse impact would be magnified to the extent we are not involved in, and generating revenue from, the provision of iGaming products or services in such jurisdiction.

In order to stay competitive in our iGaming business, we will need to continue to create, source and market game content that attracts players and invest in new and emerging technologies. Some of our competitors may be more willing to provide internet wagering in countries where the relevant laws and regulations are unclear or not uniformly enforced, putting us at a competitive disadvantage if we do not provide services related to internet wagering in such countries.

Our success depends upon our ability to adapt to, and offer products and services that keep pace with, changing technology and evolving industry standards.

Our ability to anticipate or respond to changing technology and evolving industry standards and to develop and introduce new and enhanced products and services, including, but not limited to, gaming content, gaming machines, CMSs, table products and digital gaming products and services, on a timely basis or at all is a significant factor affecting our ability to remain competitive, retain existing contracts or business and expand and attract new customers and players. We cannot assure that we will achieve the necessary technological advances or have the financial resources needed to introduce new products or services on a timely basis or at all.

Introducing new and innovative products and services requires us to adapt and refine our manufacturing, operations and delivery capabilities to meet the needs of our product innovation. If we cannot efficiently adapt our manufacturing infrastructure to meet the needs associated with our product innovations, or if we are unable to develop products or upgrade our production capacity in a timely manner, our business could be negatively impacted. In the past, we have experienced delays in launching new products and services due to the complex or innovative technologies embedded in our products and services. Such delays can adversely impact our results of operations, cash flows and financial condition.

We invest significant resources in our R&D efforts, which may not lead to successful or commercially viable new technologies, services or products.

We have invested, and intend to make future investments of, significant resources in R&D efforts. We invest in a number of areas, including product development for game and system-based hardware, software and game content. In addition, because of the sophistication of our newer products and the resources committed to their development, they are generally more expensive to produce and, for SciPlay and iGaming technologies, to maintain. If our new services and products do not gain market acceptance or the increase in the average selling price of these new products is not proportionate to the increase in production cost, in each case as compared to our prior products, or if the average cost of production does not go down over time, whether by reason of long-term customer acceptance, our ability to find greater efficiencies in the manufacturing process as we refine our production capabilities or a general decrease in the cost of the technology, our margins will suffer and could negatively impact our business, results of operations, cash flows and financial condition. We cannot assure that our investment

in R&D will lead to successful new technologies or products. If a new service or product is not successful, we may not recover our development, regulatory approval or promotion costs.

Our success depends on our ability to produce new and innovative products and services that respond to customer demand and create strong and sustained player appeal.

Our success depends upon our ability to respond to dynamic customer demand by producing new and innovative products and services. The process of developing new products and services is inherently complex and uncertain. If we fail to accurately anticipate customer needs and end user preferences through the development of new products and services, we could lose business to our competitors, which would adversely affect our results of operations, cash flows and financial condition.

Our businesses develop and source game content both internally and through third-party suppliers. We also seek to secure third-party brands for incorporation into our game content. We believe that creative and appealing game content produces more revenue for our gaming machine customers and provides them with a competitive advantage, which in turn enhances our revenue and our ability to attract new business and to retain existing business. We cannot assure that we will be able to sustain the success of our existing game content or effectively develop or obtain from third parties game content or licensed brands that will be widely accepted both by our customers and players.

Our success also depends on creating products and services with strong and sustained player appeal. We are under continuous pressure to anticipate player reactions to, and acceptance of, our new products, avoid declining play levels on our leased gaming machines and continue to provide successful products that generate a high level of play. In some cases, a new game or gaming machine will only be accepted by our casino or digital gaming customers if we can demonstrate that it is likely to produce more revenue and Net win and/or has more player appeal than our existing products and services or our competitors' products and services. WAP, premium and daily fee Participation gaming machines are replaced on short notice by casino operators if they do not meet and sustain revenue and profitability expectations. Customers may cancel pending orders with us if our products are not performing to expectations at other casinos.

In addition, the social gaming landscape is rapidly evolving and is characterized by major fluctuations in the popularity of social products and platforms, such as the dramatic increase in the popularity of mobile platforms. We may be unable to develop products at a rate necessary to respond to these changes, or at all, or that anticipate the interests of social players. Likewise, our SciPlay offerings operate largely through *Facebook, Google, Apple*, *Amazon* and *Microsoft* platforms. If alternative platforms increase in popularity, we could be adversely impacted if we fail to timely create compatible versions of our products.

Competition is intense in the digital and social gaming landscape. The increased importance of digital content delivery in our industry increases the potential competition in our SciPlay and iGaming businesses, as the minimum capital needed to produce and publish a digitally delivered game, particularly a new game for mobile platforms, may be significantly less than that needed to produce and publish one that is purchased through retail distribution. As more competitors enter the market, our operating results may be negatively impacted.

Our inability to complete multiple acquisitions and integrate those businesses successfully could limit our growth or disrupt our plans and operations.

Our growth strategy depends on our pursuit of strategic acquisitions. Our ability to succeed in implementing our acquisition strategy will depend to some degree upon our ability to identify and complete commercially viable acquisitions, including multiple acquisitions carried out simultaneously and in short time frames. We cannot assure that acquisition opportunities will be available on acceptable terms or at all, or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions.

We may not be able to successfully integrate any businesses that we acquire or do so within the intended timeframes. We could face significant challenges in managing and integrating our acquisitions and our combined operations, including acquired assets, operations and personnel. In addition, the expected cost synergies or any other anticipated benefits associated with such acquisitions may not be fully realized in the anticipated amounts or within the contemplated timeframes or cost expectations, which could result in increased costs and have an adverse effect on our prospects, results of operations, cash flows and financial condition. We expect to incur incremental costs and capital expenditures related to our contemplated integration activities.

Acquisition transactions may disrupt our ongoing business. The integration of acquisitions will require significant time and focus from management and may divert attention from the day-to-day operations of the combined business or delay the achievement of our strategic objectives.

We may not achieve some or all of the anticipated benefits of SciPlay being a standalone public company, which could negatively impact our business, financial condition and results of operation.

We may not be able to achieve all of the anticipated strategic benefits expected as a result of SciPlay being a standalone public company, or such benefits may be delayed or not occur at all. The anticipated benefits include the following:

- allowing investors to evaluate the distinct merits, performance and future prospects of the SciPlay business, independent of our other businesses;
- improving the SciPlay business's strategic and operational flexibility and increasing management focus as SciPlay continues to implement its strategic plan and allowing the SciPlay business to respond more effectively to different player needs and the competitive environment for its business;
- creating an independent equity structure that will facilitate the SciPlay business's ability to effect future acquisitions utilizing its capital stock; and
- facilitating incentive compensation arrangements for employees more directly tied to the performance of the SciPlay business, and enhancing employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives of the SciPlay business.

We may not achieve the anticipated benefits of SciPlay being a standalone public company for a variety of reasons, and it could adversely affect our operating results and financial condition.

The consummation of the SciPlay initial public offering ("IPO") in 2019 diluted our economic interest in the SciPlay business, and as a result we only benefit from a portion of any profits and growth of that business, and from any dividends and other distributions from that business, if any. We currently do not expect SciPlay to declare or pay any cash dividends, other than tax distributions and certain cash distributions related to the impact of taxes pursuant to the TRA, and therefore its operating cash flows are not available for our use other than within SciPlay. If SciPlay discontinues the payment of, or is unable to pay, such distributions to us, this will further reduce our available liquidity. For the year ended December 31, 2021, SciPlay generated 54% of our net cash provided by operating activities from continuing operations and 24% of our net cash provided by operating activities (including discontinued operations). Furthermore, the terms of any indebtedness incurred by SciPlay business may, and the terms of the SciPlay Revolver will, limit the ability of SciPlay business to pay dividends or make other distributions to us, or to amend the agreements between SciPlay and us and our other subsidiaries.

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

Our operating results could be adversely affected by an interruption or cessation in the supply of these items or a serious quality assurance lapse, including as a result of the insolvency of any of our key suppliers.

Similarly, the manufacture and maintenance of our gaming machines and gaming systems are dependent upon a regular and continuous supply of raw materials and components, many of which are manufactured or produced outside of the U.S. Certain of the components we use are customized for our products. The assembly of certain of our products and other hardware is performed by third parties. Any interruption or cessation in the supply of these items or services or any material quality assurance lapse with respect thereto could materially adversely affect our ability to fulfill customer orders, results of operations, cash flows and financial condition. We may be unable to find adequate replacements for our suppliers within a reasonable time frame, on favorable commercial terms or at all. The impact of the foregoing may be magnified as we continue to seek to streamline our gaming supply chain by reducing the number of our suppliers. Further, manufacturing costs may unexpectedly increase and we may not be able to successfully recover any or all of such cost increases. Additionally, in 2021, we experienced pressures on the supply chain related to parts sourcing, which contributed to approximately $5 million of inventory obsolescence charge. Because of the use of certain shared parts in some of our gaming machines in both old and new cabinets, supply chain pressures on availability of these parts may require us to re-allocate shared parts, rendering further units obsolete if such conditions sustain for an extended period of time.

In all of our businesses, we rely upon a number of significant third-party suppliers and vendors delivering parts, equipment and services on schedule in order for us to meet our contractual commitments. Furthermore, we outsource the manufacturing of certain of our sub-assemblies to third parties in the U.S., Europe, Central America and Asia. The willingness of such third parties to provide their services to us may be affected by various factors. Changes in law or regulation in any jurisdiction in which we operate may make the provision of key services to us unlawful in such jurisdictions. To the extent that third parties are unwilling or unable to provide services to us, this may have an adverse impact on our operations, financial performance and prospects. Failure of these third parties to meet their delivery commitments could result in us being in breach of, and subsequently losing, the affected customer orders, which loss could have a material adverse effect on our results of

operations, cash flows and financial condition. We rely on network and/or telecommunications services for certain of our products. For instance, any disruption to our network or telecommunications could impact our linked or networked games, which could reduce our revenue.

In our SciPlay and iGaming businesses, we often rely on third-party data center providers to, among other things, host our remote game servers. Our SciPlay and iGaming businesses could be adversely impacted by breaches of or disruptions to these third-party data centers, including through disruptions in our RMG business, potential service level penalties with respect to our customers, reputational harm, the disclosure of proprietary information or the information of our customers or the theft of our or our customers assets, and to the extent any such data center provider was unable or unwilling to continue to provide services to us.

In certain regions, we enter into agreements with local distributors for the distribution of our land-based gaming products to one or more customers. Changes to these distributor relationships, including modification or termination of our agreements or difficulties with any such distributor could prevent us from delivering products or services to our customers on a timely basis, or at all, and could negatively impact our business. Additionally, the outbreak of COVID-19 and any resulting unfavorable social, political and economic conditions have negatively impacted our suppliers and contract manufacturers in varied ways in different communities, which could lead to interruption or cessation of services provided to us. For more information on the impact of the outbreak of COVID-19, see the risk factor captioned "The COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, continue to and, in the future, could significantly impact our operations and, should negative impacts such as significant player engagement develop, adversely affect and continue to adversely affect our operations, business, results of operations, cash flows and financial condition."

Our SciPlay business largely depends upon our relationships with key third-party platform providers, who we rely on to make our games available to players and to collect revenue, and changes in those relationships could negatively impact our SciPlay business.

In our SciPlay business, our services operate largely through *Facebook*, *Google*, *Apple*, and *Amazon* platforms, with some games available on the *Microsoft* platform, which also serve as significant online distribution platforms for our games. Substantially all of our SciPlay revenue is generated by players using those platforms. Consequently, our expansion and prospects of our SciPlay offerings depend on our continued relationships with these providers, and any emerging platform providers that are widely adopted by our target player base. Our relationships with *Facebook*, *Google*, *Apple*, *Amazon* and *Microsoft* are not governed by contracts but rather by these platform providers' standard terms and conditions for application developers, which govern the promotion, distribution and operation of games and other applications on their platforms, and which the platform providers can change unilaterally on short or without notice. Version updates, such as Apple's iOS 14.5 update in April 2021 which included changes to its AppTracking Transparency policy and now requires user permission before developers can track a user across apps and websites owned by other companies or access a user's device's advertising identifier, which has reduced the quantity and quality of data available to us. These changes could, among other things, have a detrimental impact on our ability to conduct targeted advertising on platforms, increase the cost to obtain new users and impact the return on investment of advertising spend. Our SciPlay business will also be adversely impacted if we are unable to continue these relationships in the future or if the terms and conditions offered by these providers are altered to our disadvantage. For instance, if any of these providers were to increase their fees, our results of operations, cash flows and financial condition would suffer.

In addition, our SciPlay business would be harmed if:

- these platform providers discontinue or limit our access to their platforms;
- governments or private parties, such as internet providers, impose bandwidth restrictions or increase charges or restrict or prohibit access to those platforms;
- these platforms decline in popularity;
- these platforms modify their current discovery mechanisms, communication channels available to developers, respective terms of service or other policies, including fees;
- these platforms impose restrictions or make it more difficult for players to buy coins, chips and cards; or
- these platforms change how the personal information of players is made available to developers or develop their own competitive offerings.

If alternative platforms increase in popularity, we could be adversely impacted if we fail to create compatible versions of our games in a timely manner, or if we fail to establish a relationship with such alternative platforms. Likewise, if our platform providers alter their operating platforms, we could be adversely impacted as our offerings may not be compatible with

the altered platforms or may require significant and costly modifications in order to become compatible. If our platform providers were to develop competitive offerings, either on their own or in cooperation with one or more competitors, our growth prospects could be negatively impacted. If our platform providers do not perform these functions in accordance with our platform agreements, we could be adversely impacted.

In the past, some of these platform providers have been unavailable for short periods of time or experienced issues with their features that permit our players to purchase coins, chips and cards. For example, in the second and third quarters of 2018, we were negatively impacted by data privacy protection changes implemented by *Facebook*, which impaired our players' ability to access their previously acquired coins, chips and cards and purchase additional coins, chips and cards. If similar events recur on a prolonged basis or other similar issues arise that impact players' ability to download our games, access social features or purchase coins, chips and cards, it could have a material adverse effect on our revenue, operating results and brand.

Our future results of operations may be negatively impacted by ownership changes and consolidation in the gaming industry, including by casino operators.

As repeat customers represent a substantial part of our Gaming business revenue, our business, results of operations, cash flow and financial condition could be negatively affected if our casino customers are sold to or merge with other entities. Such entities may purchase more products and services from our competitors, reduce spending on our products or cause downward pricing pressures. Consolidation among casino operators could result in order cancellations or a slowing in the replacement cycle for existing gaming machines, or could require our current customers to purchase our competitors' products, any of which could negatively impact our Gaming business.

Our results of operations fluctuate due to seasonality and other factors and, therefore, our periodic operating results are not guarantees of future performance.

Our results of operations can fluctuate due to seasonal trends and other factors. Sales of our gaming machines to casinos are generally strongest in the spring and slowest in the summer, while revenue from our Participation gaming machines is generally strongest in the spring and summer. Player activity for our SciPlay business is generally slower in the second and third quarters of the year, particularly during the summer months. Certain other seasonal trends and factors that may cause our results to fluctuate include: the geographies where we operate; holiday and vacation seasons; climate; weather; economic and political conditions; timing of the release of new products; significant equipment sales or the introduction of gaming activities in new jurisdictions or to new customers; and other factors.

In light of the foregoing, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. We cannot assure that the seasonal trends and other factors that have impacted our historical results will repeat in future periods as we cannot influence or forecast many of these factors.

Risks Relating to our Technology

Our success depends on the security and integrity of the systems and products we offer, and security breaches or other disruptions could compromise our information or the information of our customers and expose us to liability, which would cause our business and reputation to suffer.

We believe that our success depends, in large part, on providing secure products, services and systems to our customers, and on our ability to avoid, detect, replicate and correct software and hardware anomalies and fraudulent manipulation of our products and services. Our businesses sometimes involve the storage, processing and transmission of players' proprietary, confidential and personal information. We also maintain certain other proprietary and confidential information relating to our business and personal information of our personnel. All of our products and services are designed with security features to prevent fraudulent activity. However, we cannot guarantee that these security features will effectively stop all fraudulent activities. Despite our security measures, our products, services and systems are vulnerable to attacks by hackers, customers, retailers, vendors or employees or breached due to malfeasance or other disruptions. Any security breach or incident that we experience could result in unauthorized access to, misuse of, or unauthorized acquisition of our or our players' data, the loss, corruption or alteration of this data, interruptions in our operations or damage to our computers or systems or those of our players or third-party platforms. Any of these could expose us to claims, litigation, fines and potential liability. Our ability to prevent anomalies and monitor and ensure the quality and integrity of our products and services is periodically reviewed and enhanced, but may not be sufficient to prevent future attacks, breaches or disruptions. Similarly, we regularly assess the adequacy of our security systems, including the security of our games and software, to protect against any material loss to any of our customers and our players, as well as the integrity of our products and services to end users and the integrity of our games to players. Expanded use of the internet and other interactive technologies may result in increased security risks for us and our customers. We cannot assure that our business or a business we acquire will not be or has not been affected by fraudulent activities or a security breach or lapse, which could have a material adverse impact on our results of operations, cash flows and financial condition.

Online transactions may be subject to sophisticated schemes to defraud, launder money or other illegal activities. There is a risk that our products or systems may be used for those purposes by our customers' players. There is also a risk that we will be subject to fraudulent activities by our employees. In addition, our gaming machines have experienced anomalies and fraudulent manipulation in the past. Games and gaming machines may be replaced by casinos and other gaming machine operators if they do not perform according to expectations, or they may be shut down by regulators. The occurrence of anomalies in, or fraudulent manipulation of, our gaming machines or our other products and services (including our SciPlay and iGaming products and services), may give rise to claims from players or customers, may lead to claims for lost revenue and profits and related litigation by our customers and may subject us to investigation or other action by regulatory authorities, including suspension or revocation of our licenses or other disciplinary action. Additionally, in the event of the occurrence of any such issues with our products and services, substantial engineering and marketing resources may be diverted from other projects to correct these issues, which may delay other projects and the achievement of our strategic objectives.

An increasing number of online services have disclosed security breaches, some of which have involved sophisticated and highly targeted attacks on portions of their services. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not foreseeable or recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any actual or perceived breach of our security, or the security of a business we acquire, occurs, public perception of the effectiveness of our security measures and brand, or the security measures and brand of a business we acquire, could be harmed, and we could lose players. Data security breaches and other data security incidents may also result from non-technical means, for example, actions by employees or contractors. Any compromise of our security, or the security of a business we acquire, could result in a violation of applicable privacy and other laws, regulatory or other governmental investigations, enforcement actions, and legal and financial exposure, including potential contractual liability that is not always limited to the amounts covered by our insurance. Any such compromise could also result in damage to our reputation and a loss of confidence in our security measures. Any of these effects could have a material adverse impact on our results of operations, cash flows and financial condition.

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

We believe that our success depends, in part, on protecting our intellectual property in the U.S. and in foreign countries. Our intellectual property includes certain patents, trademarks and copyrights relating to our products and services (including gaming machines, digital gaming products, table games, shufflers and accessories, and gaming systems), and proprietary or confidential information that is not subject to patent or similar protection. Our success may depend, in part, on our ability to obtain protection for the trademarks, trade dress, names, logos or symbols under which we market our products and to obtain copyright and patent protection for our proprietary technologies, designs, software and innovations. We cannot assure that we will be able to build and maintain consumer value in our trademarks, obtain patent, trademark or copyright protection or that any patent, trademark or copyright will provide us with competitive advantages. In particular, the U.S. Supreme Court recently tightened the standard for patent eligibility of software patents. Despite revised U.S. Patent and Trademark Office guidelines in 2019, similar decisions in the future may negatively impact the validity or enforceability of certain of our patents, our ability to protect our inventions, innovations and new technology and the value of our substantial patent portfolio. Under a patent cross-licensing agreement with IGT, which relates to technology that is used in substantially all of our gaming machines, we can offer games using patented game features from the patent portfolios of other members of IGT's slot game features program, and such members can likewise offer games using patented game features from our patent portfolio. This arrangement may diminish the competitive advantage our slot games may derive from our patents.

Our intellectual property protects the integrity of our games, systems, products and services. Competitors may independently develop similar or superior products, software or systems, which could negatively impact our results of operations, cash flows and financial condition. In cases where our technology or product is not protected by enforceable intellectual property rights, such independent development may result in a significant diminution in the value of such technology or product.

We also rely on trade secrets and proprietary knowledge. We enter into confidentiality agreements with our employees and independent contractors regarding our trade secrets and proprietary information, but we cannot assure that the obligation to maintain the confidentiality of our trade secrets and proprietary information will be honored.

We are currently making, and in the future may make, claims of infringement, invalidity or enforceability against third parties. For example, with the emergence of digital gaming, we have increased enforcement against parties that infringe our intellectual property.

This enforcement could:

- cause us to incur greater costs and expenses in the protection of our intellectual property;

- potentially negatively impact our intellectual property rights;
- cause one or more of our patents, trademarks, copyrights or other intellectual property interests to be ruled or rendered unenforceable or invalid; or
- divert management's attention and our resources.

We rely on the ability to use the intellectual property rights of third parties.

We rely on products, technologies and intellectual property that we license from third parties, including from our competitors, for use in our Gaming, SciPlay and iGaming businesses. Substantially all of our gaming machines and portions of our SciPlay and iGaming offerings and services use intellectual property licensed from third parties. The future success of our business may depend, in part, on our ability to obtain, retain and/or expand licenses for popular technologies and games in a competitive market. We cannot assure that these third-party licenses, or support for such licensed products and technologies, will continue to be available to us on commercially reasonable terms, if at all. In the event that we cannot renew and/or expand existing licenses, we may be required to discontinue or limit our use of the products that include or incorporate the licensed intellectual property.

Some of our license agreements contain minimum guaranteed royalty payments to the third party. If we are unable to generate sufficient revenue to offset the minimum guaranteed royalty payments, it could have a material adverse effect on our results of operations, cash flows and financial condition. Our license agreements typically contain restrictions on our ability to use or transfer the licensed rights in connection with certain strategic transactions. Certain of our license agreements grant the licensor rights to audit our use of the licensor's intellectual property. Disputes with licensors over uses or terms could result in the payment of additional royalties or penalties by us, cancellation or non-renewal of the underlying license or litigation.

The regulatory review process and licensing requirements also may preclude us from using technologies owned or developed by third parties if those parties are unwilling to subject themselves to regulatory review or do not meet regulatory requirements. Some gaming authorities require gaming manufacturers to obtain approval before engaging in certain transactions, such as acquisitions, mergers, reorganizations, financings, stock offerings and share repurchases. Obtaining such approvals can be costly and time consuming, and we cannot assure that such approvals will be granted or that the approval process will not result in delays or disruptions to our strategic objectives.

We rely on information technology and other systems, and any failures in our systems or errors, defects or disruptions in our products and services could diminish our brand and reputation, subject us to liability and have disrupted and could disrupt our business and adversely impact our results.

We rely on information technology systems that are important to the operation of our business, some of which are managed by third parties. These third parties are typically under no obligation to renew agreements and there is no guarantee that we will be able to renew these agreements on commercially reasonable terms, or at all. These systems are used to process, transmit and store electronic information, to manage and support our business operations and to maintain internal control over our financial reporting. In addition, we collect and store certain data, including proprietary business information, and may have access to confidential or personal information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. We could encounter difficulties in developing new systems, maintaining and upgrading current systems and preventing security breaches. Among other things, our systems are susceptible to damage, outages, disruptions or shutdowns due to fire, floods, power loss, break-ins, cyber-attacks, network penetration, denial of service attacks and similar events. While we have and will continue to implement network security measures and data protection safeguards, our servers and other computer systems are vulnerable to any number of threats, including viruses, malicious software, hacking, break-ins or theft, data privacy or security breaches, third-party security breaches, employee error or malfeasance and similar events. Failures in our systems or services or unauthorized access to or tampering with our systems and databases could have a material adverse effect on our business, reputation, results of operations, cash flows and financial condition. Any failures in our computer systems or telecommunications services could affect our ability to operate our linked games or otherwise conduct business.

A meaningful portion of our SciPlay and iGaming gaming traffic is hosted by third-party data centers, such as *Amazon Web Services*, or *AWS*, *Continent 8* and *Claranet*. Such third parties provide us with computing and storage capacity, and are under no obligation to renew the agreements related to these services with us on commercially reasonable terms or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities and we may incur significant costs and possible lengthy service interruptions in connection with doing so, potentially causing harm to our reputation. If a game is unavailable or operates more slowly than anticipated when a player attempts to access it, that player may stop playing the game and be less likely to return to the game.

Portions of our information technology infrastructure, including those operated by third parties, have and may again experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. We have no control over third parties that provide services to us and those parties could suffer problems or make decisions adverse to our business. We have contingency plans in place to prevent or mitigate the impact of these events. However, such disruptions could materially and adversely impact our ability to deliver products or services to customers and interrupt other processes. For example, in 2019, *Flash* was removed from the *Google Chrome* browser, resulting in player friction and disruptions in delivering our SciPlay and iGaming services to our customers. If our information systems do not allow us to transmit accurate information, even for a short period of time, to key decision makers, the ability to manage our business could be disrupted and our results of operations, cash flows and financial condition could be materially and adversely affected. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could materially and adversely affect our reputation, competitive position, results of operations, cash flows and financial condition.

Several of our products and services rely on data transferred over the internet. Access to the internet in a timely fashion is necessary to provide a satisfactory user experience to the consumers of our products. Third parties, such as telecommunications companies, could prevent access to the internet or limit the speed of our data transmissions, with or without reason, causing an adverse impact on our user experience that may materially and adversely affect our reputation, competitive position, results of operations, cash flows and financial condition. In addition, telecommunications companies may implement certain measures, such as increased cost or restrictions based on the type or amount of data transmitted, that would impact consumers' ability to access our products, which could materially and adversely affect our reputation, competitive position, results of operations, cash flows and financial condition. Furthermore, internet penetration may be adversely affected by difficult global economic conditions or the cancellation of government programs to expand broadband access.

If we or a company we acquire sustains cyber-attacks or other privacy or data security incidents that result in security breaches, we could suffer a loss of sales and increased costs, exposure to significant liability, reputational harm, regulatory fines or punishment and other negative consequences.

Our information technology systems and infrastructure are subject to cyber-attacks, viruses, malicious software, break-ins, theft, computer hacking, employee error or malfeasance or other security breaches. Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks. Threats to our information technology systems and infrastructure include:

- experienced computer programmers and hackers who are able to penetrate our security controls and misappropriate or compromise sensitive personal, proprietary or confidential information, create system disruptions or cause shutdowns or who are able to develop and deploy malicious software programs that attack our systems or otherwise exploit any security vulnerabilities;
- security incidents, acts of vandalism or theft, coordinated attacks by activist entities, misplaced or lost data, human errors or other similar events that could negatively affect our systems and the data stored on those systems, and the data of our business partners;
- third parties, such as hosted solution providers, that provide services to us, are also a source of security risk in the event of a failure of their own security systems and infrastructure.

The costs to eliminate or address the foregoing security threats and vulnerabilities before or after a cyber incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service, and loss of existing or potential suppliers or customers. In addition, breaches of our security measures and the unauthorized dissemination of sensitive personal, proprietary or confidential information about us, our business partners or other third parties could expose us to significant potential liability and reputational harm. As threats related to cyber-attacks develop and grow, we may also find it necessary to make further investments to protect our data and infrastructure, which may impact our results of operations. Although we have insurance coverage for protecting against damages resulting from cyber-attacks, it may not be sufficient to cover all possible claims, and we may suffer losses that could have a material adverse effect on our business. Our insurance coverage for protecting against damages resulting from cyber-attacks does not cover incidents which occur at companies we acquire after such cyber-attack. As a global enterprise, we could also be negatively impacted by existing and proposed U.S. and non- U.S. laws and regulations, and government policies and practices related to cybersecurity, data privacy, data localization and data protection. In addition, our customers may encourage, or require, compliance with certain security standards, such as the voluntary cybersecurity framework released by the National Institute of Standards and Technology (NIST), which consists of controls designed to identify and manage cyber-security risks, and we could be negatively impacted to the extent we are unable to comply with such standards.

The intellectual property rights of others may prevent us from developing new products and services, entering new markets or may expose us to liability or costly litigation.

Our success depends in part on our ability to continually adapt our products and systems to incorporate new technologies and to expand into markets that may be created by new technologies. If technologies are protected by the intellectual property rights of others, including our competitors, we may be prevented from introducing products based on these technologies or expanding into markets created by these technologies. If the intellectual property rights of others prevent us from taking advantage of innovative technologies, our prospects, results of operations, cash flows and financial condition may be adversely affected.

We cannot assure that our business activities, games, products, services and systems will not infringe upon the proprietary rights of others, or that other parties will not assert infringement claims against us. In addition to infringement claims, third parties may allege claims of invalidity or unenforceability against us or against our licensees or manufacturers in connection with their use of our technology. A successful challenge to, or invalidation of, one of our intellectual property interests, a successful claim of infringement by a third party against us, our products or services, or one of our licensees in connection with the use of our technologies, or an unsuccessful claim of infringement made by us against a third party or its products or services could adversely affect our business or cause us financial harm. Any such claim and any resulting litigation, should it occur, could:

- be expensive and time consuming to defend or require us to pay significant amounts in damages;
- invalidate our proprietary rights;
- cause us to cease making, licensing or using products or services that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products or services or limit our ability to bring new products and services to the market in the future;
- require us to enter into costly or burdensome royalty, licensing or settlement agreements in order to obtain the right to use a product, process or component;
- impact the commercial viability of the products and services that are the subject of the claim during the pendency of such claim; and/or
- require us by way of injunction to remove products or services on lease or stop selling or leasing new products or services.

Failure of our technological blocking systems could result in violations of laws or regulations and have a material adverse effect on our operations, financial performance and prospects.

There is no guarantee that the technical blocks we implement and which our customers implement will be effective. These systems and controls are intended to ensure that our customers do not accept bets from end-users located in those jurisdictions where we have made a decision not to offer all or certain of our products and services. Any failure of such systems and controls may result in violations of applicable laws or regulations. Any claims in respect of any such violations could have cost, resource, and, in particular if successful, reputational implications, and implications on our ability to retain, renew or expand our portfolio of licenses, and so have a material adverse effect on our operations, financial performance and prospects.

Moreover, there is an additional, ongoing risk that the current list of jurisdictions from which our customers and the Company must block access is enlarged, as there is a possibility that regulators who grant licenses to customers and/or the Company will require the blocking of specific additional jurisdictions. Similarly, jurisdictions may update their laws or regulations in such a way as to render the supply of gaming services into that jurisdiction legally or commercially unsustainable. In all such circumstances, additional blocking activity may have a detrimental effect on our financial position.

If we are unable to successfully implement our global enterprise resource planning system conversion, it could disrupt our business or have a material adverse effect on our results of operations, cash flows and financial condition.

We are engaged in a multi-year conversion from certain legacy ERP systems to our primary global ERP system. The ERP system is designed to accurately maintain our books and records and provide information on our operations to management. Our ERP system migration will continue to require significant investment of human and financial resources. There are inherent risks associated with upgrading or changing systems, including inaccurate data or reporting. The process of upgrading and standardizing our ERP system is complex, time-consuming and expensive. Although we believe we are taking appropriate action to mitigate these risks through, among other things, testing, training and staging implementations, we cannot assure that we will not experience data loss, disruptions, delays or negative business impacts from the upgrades. Any

operational disruptions during the course of this process and any delays or deficiencies in the design and implementation of the new ERP system or in the performance of our legacy systems could materially and adversely affect our ability to operate our businesses. Additionally, while we have spent considerable efforts to plan and budget for the implementation of the new ERP system, changes in scope, timeline or cost could have a material adverse effect on our results of operations, cash flows and financial condition.

Risks Relating to Legal, Political or Other Regulatory Risks

The provisions of our bylaws requiring exclusive forum in the Eighth Judicial District Court of Clark County, Nevada for certain types of lawsuits may have the effect of discouraging lawsuits against our directors and officers.

Our bylaws provide that, to the fullest extent permitted by law, and unless we consent in writing to the selection of an alternative forum, the Eighth Judicial District Court of Clark County, Nevada, will be the sole and exclusive forum for any actions, suits or proceedings, whether civil, administrative or investigative or that assert any claim or counterclaim (i) brought in our name or right or on our behalf, (ii) asserting a claim for breach of any fiduciary duty owed by any of our directors, officers, employees or agents to us or our stockholders, (iii) arising or asserting a claim arising pursuant to any provision of Nevada Revised Statutes ("NRS"), Chapters 78 or 92A or any provision of our articles of incorporation or our bylaws or (iv) asserting a claim governed by the internal affairs doctrine. Our bylaws further provide that, in the event that the Eighth Judicial District Court of Clark County, Nevada does not have jurisdiction over any such action, suit or proceeding, then any other state district court located in the State of Nevada will be the sole and exclusive forum therefor and in the event that no state district court in the State of Nevada has jurisdiction over any such action, suit or proceeding, then a federal court located within the State of Nevada will be the sole and exclusive forum therefor. Application of the choice of forum provisions may be limited in some instances by law. Section 27 of the Exchange Act establishes exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. In addition, Section 22 of the Securities Act provides that federal and state courts have concurrent jurisdiction over lawsuits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. To the extent our bylaws restrict the courts in which claims arising under the federal securities laws may be brought, there is uncertainty as to whether a court would enforce such a provision and we note that our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Although we believe these provisions benefit us by providing increased consistency in the application of Nevada law in the types of lawsuits to which they apply, these provisions may have the effect of increasing the costs to bring a claim, and limiting a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors and officers. This may discourage lawsuits against us or our directors and officers. The enforceability of similar choice of forum provisions in other companies' articles of incorporation and bylaws has been challenged in legal proceedings, and it is possible that, in connection with any applicable action brought against us, a court could find the choice of forum provisions contained in our bylaws to be inapplicable or unenforceable in such action. If a court were to find the choice of forum provisions contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business, financial condition, or results of operations.

We and our industries are subject to strict government regulations that may limit our existing operations, have an adverse impact on our ability to grow and affect our license eligibility or expose us to fines or other penalties.

In the U.S. and many other countries, the provision of Gaming, SciPlay and iGaming products and services is subject to extensive and evolving regulation. These regulatory requirements vary from jurisdiction to jurisdiction. Therefore, we are subject to a wide range of complex laws and regulations in the jurisdictions in which we are licensed or operate. Most jurisdictions require that we be licensed, that our key personnel and certain of our security holders be found suitable or be licensed, and that our products be reviewed and approved before placement. Licenses, approvals or findings of suitability may be revoked, suspended or conditioned. If a license, approval or finding of suitability is required by a regulatory authority and we fail to seek or do not receive the necessary approval, license or finding of suitability, or if it is granted and subsequently revoked, then we may be prohibited from providing our products or services for use in the particular jurisdiction. In addition, the loss of a license in one jurisdiction could trigger the loss of a license, or affect our eligibility for a license, in other jurisdictions. We may also become subject to regulation in any new jurisdictions in which we decide to operate in the future, including due to expansion of a customer's operations. Gaming authorities have levied and may levy fines against us or seize certain of our assets if we violate gaming regulations. We cannot assure that we will be able to obtain or maintain the necessary licenses or approvals or that the licensing process will not result in delays or adversely affect our operations. The failure to obtain or retain a required license or approval in any jurisdiction would decrease the geographic areas where we are permitted to operate and generate revenue, may limit our ability to obtain a license in other jurisdictions and may put us at a disadvantage relative to our competitors.

We cannot assure that authorities will not seek to restrict our business in their jurisdictions or institute enforcement proceedings against us. We cannot assure that any instituted enforcement proceedings will be favorably resolved, or that such proceedings will not have a material adverse impact on our ability to retain and renew existing licenses or to obtain new licenses in other jurisdictions. Our reputation may also be damaged by any legal or regulatory investigation, regardless of whether or not we are ultimately accused of, or found to have committed, any violation.

Often, our games, Gaming product hardware and software and our iGaming RMG must be approved in the jurisdictions in which they are operated, and we cannot assure you that such products or services will be approved in any jurisdiction. Our networked gaming technology requires regulatory approval in gaming jurisdictions prior to the shipment or implementation of any gaming machines, products or services and, although we have received approvals from the jurisdictions in which we currently operate this technology, we cannot assure that we will receive the approvals necessary to offer it in additional gaming jurisdictions. Many of our customers are required to be licensed, and delays in approvals of our customers' operations or expansions may adversely affect our results of operations, cash flows and financial condition. In addition, current regulations in a number of jurisdictions where our customers operate, such as Macau SAR and Singapore, limit the amount of space allocated to our products or limit the amount of new product available to operators to an amount that has been pre-approved by regulators. Substantial changes in any such regulations could adversely affect demand for our products.

A substantial portion of our U.K. Gaming reporting unit revenue is concentrated with Ladbrokes Coral Group (which was acquired by Entain (formerly GVC Holdings PLC) in March 2018), which operates LBOs in the U.K. Effective as of April 1, 2019, fixed-odds betting terminals maximum stakes limit was required to be reduced from £100 to £2. As a result of this change, a number of LBO operators commenced a rationalization of their retail operations, which among other measures has included closure of certain LBO shops. The rationalization is likely to continue for the foreseeable future.

Effective as of April 14, 2020, the U.K. Gambling Commission banned gambling businesses from allowing consumers in Great Britain to use credit cards to gamble in all online and offline gambling products, with the exception of non-remote lotteries. The U.K. Gambling Commission announced changes to license conditions, effective as of March 31, 2020, which required all online gambling operators to participate in a multi-operator self-exclusion scheme, GAMSTOP, which allowed consumers to self-exclude from online operators with one request. We will continue to monitor the impact of the ban and the changes to license conditions on our iGaming and Gaming business segments and overall business, but believe the impact will continue to be immaterial. The U.K. government's review of the U.K.'s Gambling Act 2005 and anticipated increased regulatory scrutiny as a result could negatively affect our ability to operate in the U.K.

We and certain of our affiliates, major stockholders (generally persons and entities beneficially owning a specified percentage (typically 5% or more) of our equity securities), directors, officers and key employees are subject to extensive background investigations and suitability standards in our businesses. For additional details regarding the background investigations, the risk of failure of any such individuals or entities to submit to such background investigations, the significant approval and licensing discretion of regulatory authorities, and the authority granted to these regulatory authorities, see "*Government Regulation*" in *Part I, Item 1* of this Annual Report on Form 10-K and Exhibit 99.5 "Gaming Regulations." Our failure, or the failure of any of our major stockholders, directors, officers, key employees, products or technology, to obtain or retain a required license or approval in one jurisdiction could negatively impact our ability (or the ability of any of our major stockholders, directors, officers, key employees, products or technology) to obtain or retain required licenses and approvals in other jurisdictions.

In light of these regulations and the potential impact on our business, our amended and restated articles of incorporation and amended and restated bylaws allow for the restriction of stock ownership by persons or entities who fail to comply with informational or other regulatory requirements under applicable gaming laws, who are found unsuitable to hold our stock by gaming authorities, whose stock ownership adversely affects our ability to obtain, maintain, renew or qualify for a license, contract, franchise or other regulatory approval from a gaming authority or a purported transferee of a stockholder who acquires shares made invalid pursuant to our amended and restated articles of incorporation and amended and restated bylaws. The licensing procedures and background investigations of the authorities that regulate our businesses and the restriction in our amended and restated articles of incorporation and amended and restated bylaws may inhibit potential investors from becoming significant stockholders or inhibit existing stockholders from retaining or increasing their ownership.

There are instances where a state in which a Native American tribe conducts Class III gaming activities disagrees with such tribe regarding the regulation of gaming, including the regulation of gaming suppliers. In those instances, we make every effort to comply with both state and tribal regulation and fulfill our contractual obligations. However, there may be and have been situations where any such disagreement impedes or creates uncertainty with respect to our ability to supply gaming products and services to such tribal customer or otherwise negatively impacts our relationship with such customer or gaming regulators. There are additional complexities that may impact disputes or other interactions with Native American tribe customers. For example, Native American tribes generally enjoy sovereign immunity from lawsuits, similar to the sovereign immunity enjoyed by the individual states and the U.S. In addition, certain commercial agreements with Native American tribes

are subject to review by regulatory authorities such as the National Indian Gaming Commission, and, among other things, any such review could require substantial modifications to any such agreement we enter into with a Native American tribe customer.

Our customers are required to comply with all applicable laws. In addition, we maintain and update a list of jurisdictions where we believe there is legal or regulatory risk associated with remote gaming and require that our customers contractually agree not to offer our games or accept wagers from end users in such jurisdictions. Despite our efforts, we cannot assure you that our customers will remain in compliance with laws or with the terms of their contracts with us or that a breach of any of the foregoing will be identified or cured in a timely manner.

We have developed and implemented an internal compliance program in an effort to ensure that we comply with legal requirements imposed in connection with our Gaming, SciPlay and iGaming activities and legal requirements generally applicable to all publicly traded companies. Refer to "*Government Regulation - General*" in *Part I, Item 1* of this Annual Report on Form 10-K, for additional details about the compliance program. We cannot assure that such steps will prevent the violation of one or more laws or regulations, or that a violation by us or an employee will not result in the imposition of a monetary fine, suspension or revocation of one or more of our licenses or other penalties.

Laws and regulations relating to our SciPlay and iGaming businesses are evolving. For additional discussion regarding risks associated with the evolving regulatory landscape for digital gaming, see the risk factors captioned "*We may not be able to capitalize on the expansion of internet or other forms of digital gaming or other trends and changes in the gaming, lottery, social, and iGaming industries, including due to laws and regulations governing these industries*"; "*Legislative interpretation and enforcement of certain gaming activities could adversely affect financial performance and reputation*"; "*Regulators and investors may perceive gaming suppliers and operators similarly, and consider their respective regulatory risk to be similar*"; "*Failure of our technological blocking systems could result in violations of laws or regulations and have a material adverse effect on our operations, financial performance and prospects*"; "*Expectations of a shift to regulated digital gaming may not come to fruition*"; "*We may incur additional impairment charges*"; and "*We rely on the ability to use the intellectual property rights of third parties*"; and "*Government Regulation*" in *Part I, Item 1* of this Annual Report on Form 10-K.

See Exhibit 99.5 "Gaming Regulations" for additional information regarding certain of the regulations that govern our Gaming, SciPlay and iGaming businesses.

Legislative interpretation and enforcement of certain gaming activities could adversely affect financial performance and reputation.

Some jurisdictions are seeking to regulate gaming; others are seeking to prohibit it. We generate a portion of our operating results through licensing our proprietary software technology and games to enable gaming operators to provide gaming services to customers where such services are dependent on that software and the functionality it provides. Laws and regulations relating to the supply of such services are complex, inconsistent and evolving, and we may be subject to such laws either directly through explicit service provision or indirectly insofar as we have assisted the supply to customers who are themselves subject to such laws. For example, where supply by the Company to the customer is critical to the gaming transaction, there is a risk that a regulator could take direct enforcement action against us.

Many jurisdictions have not updated their laws to address the supply of remote gaming, which by its nature is a multi-jurisdictional activity. Moreover, the legality of such activities and related services is subject to uncertainties arising from differing approaches by legislatures, regulators and enforcement agents including in relation to determining in which jurisdiction the gaming takes place and therefore which law applies and in relation to regulations being interpreted in unfavorable or unanticipated ways.

We monitor legal and regulatory developments in all of our material gaming markets and generally seek to keep abreast of legal and regulatory developments affecting our industries. However, we do not necessarily monitor, on a continuous basis, the laws and regulations in every jurisdiction where we or our customers do business and, therefore, we or our customers may operate in jurisdictions where we may be unaware of the full extent of the legal or regulatory risk.

Sometimes we are able to take the additional precautionary step of blocking wagers from jurisdictions where we are aware of material legal or regulatory risk associated with remote gaming. In addition, the Company protects itself through contractual mechanisms with our customers explicitly allowing us to suspend or terminate services if such customers offer our games or accept wagers from end users in certain jurisdictions.

Despite the monitoring we have undertaken and the other precautions we take, it is possible that, due to the above factors, such measures are not sufficient and that criminal or regulatory actions could be brought against us or our employees or directors, any or all of which could have a detrimental effect on the our financial performance and reputation. Furthermore,

actions brought against our customers could also have a detrimental effect on our financial performance or reputation, including if such actions prevent or delay the receipt of revenue from such customers.

We may not be able to capitalize on the expansion of internet or other forms of digital gaming or other trends and changes in the industries in which we operate, including due to laws and regulations governing these industries.

We participate in the new and evolving digital gaming industries through our SciPlay and iGaming offerings. Part of our strategy is to take advantage of the liberalization of digital gaming, both within the U.S. and internationally. These industries involve significant risks and uncertainties, including legal, business and financial risks. The success of these industries and of our digital gaming products and services may be affected by future developments in social networks, including *Facebook*, mobile platforms, regulatory developments, data privacy laws and other factors that we are unable to predict and are beyond our control. This fast-changing environment can make it difficult to plan strategically and can provide opportunities for competitors to grow their businesses at our expense. Consequently, our future results of operations, cash flows and financial condition relating to our products and services are difficult to predict and may not grow at the rates we expect, and we cannot assure that these products and services will be successful in the long term.

There are still significant forces working to limit or prohibit digital gaming in the U.S. For additional information regarding proposed laws at the federal or state level, see “Government Regulation - iGaming” in Part I, Item 1 of this Annual Report on Form 10-K. The enactment of digital gaming legislation that federalizes significant aspects of the regulation of digital gaming and/or limits the forms of internet wagering that are permissible at the state or federal level could have an adverse impact on our ability to pursue our digital gaming strategy in the U.S.

Internationally, laws relating to digital gaming are evolving, particularly in Europe. For additional information, including steps taken by European governments, the European Commission dropping enforcement actions, and regulatory developments in countries outside Europe and the U.S., regarding how laws relating to digital gaming are evolving internationally, see “Government Regulation - iGaming” in Part I, Item 1 of this Annual Report on Form 10-K. We cannot predict the timing, scope or terms of any such state, federal or foreign laws and regulations, or the extent to which any such laws and regulations will facilitate or hinder our interactive strategy.

Our business is subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the internet, and laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information and other consumer data. The scope of data privacy and security regulations continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions. Our SciPlay and iGaming businesses are subject to evolving regulations, and the status of any particular jurisdiction may change at any time. The regulatory structure surrounding certain aspects of these businesses is currently in flux in some jurisdictions. See the risk factor captioned “Gaming opponents persist in their efforts to curtail the expansion of legalized gaming, which, if successful, could limit the growth of our operations” and “Government Regulation - SciPlay” and “Government Regulation - iGaming” in Part I, Item 1 of this Annual Report on Form 10-K for additional information on evolving regulations applicable to our SciPlay and iGaming businesses.

Know-your-customer and geo-location programs and technologies supplied by third parties are an important aspect of certain internet and mobile gaming products and services because they confirm certain information with respect to players and prospective players, such as age, identity and location. Payment processing programs and technologies, typically provided by third parties, are also a necessary feature of interactive wagering products and services. These programs and technologies are costly and may have an adverse impact on our results of operations, cash flows and financial condition. Additionally, we cannot assure that products containing these programs and technologies will be available to us on commercially reasonable terms, if at all, or that they will perform accurately or otherwise in accordance with our required specifications. See the SciPlay and iGaming sections in the risk factor captioned “We operate in highly competitive industries, and our success depends on our ability to effectively compete with numerous domestic and foreign businesses” for additional information on risks regarding internet and mobile gaming products and services.

Changes in tax laws or tax rulings, or the examination of our tax positions, could materially affect our financial condition and results of operations.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. Our existing corporate structure and intercompany arrangements have been implemented in a manner that we believe is in compliance with current prevailing tax laws. However, the tax benefits that we intend to eventually derive could be undermined due to changing tax laws. In addition, the taxing authorities in the U.S. and other jurisdictions where we do business regularly examine our income and other tax returns and we expect that they may examine our income and other tax returns. The ultimate outcome of these examinations cannot be predicted with certainty.

Certain of our U.S. federal, state, and foreign tax attributes may be subject to annual limitations under Internal Revenue Code Section 382 ("Section 382") (or comparable provisions of state or foreign law) in the event that certain changes in ownership were to occur. Tax attributes that exceed the Section 382 limitation in any year continue to be allowed as carry forwards until they expire and can be used to offset taxable income for years within the carryover period subject to the limitation in each year. Given the Company's significant U.S. tax attributes, we continuously monitor potential ownership changes under Section 382. In the fourth quarter of 2020, we experienced an ownership change, triggering the application of Section 382. We do not expect any resulting Section 382 limitations to have a significant impact on the use of our tax attributes.

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

There is significant debate over, and opposition to, land-based and interactive RMG. We cannot assure that this opposition will not succeed in preventing the legalization of gaming in jurisdictions where it is presently prohibited, prohibiting or limiting the expansion of gaming where it is currently permitted or causing the repeal of legalized gaming in any jurisdiction. Any successful effort to curtail the expansion of, or limit or prohibit, legalized gaming could have an adverse effect on our results of operations, cash flows and financial condition.

In addition, there is significant opposition in some jurisdictions to interactive social and digital gaming, including social casino gaming. Some states or countries have anti-gaming groups that specifically target social casino games. Such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming, social casino games specifically. These could result in a prohibition on interactive social gaming, or social casino gaming altogether, restrict our ability to advertise our games, or substantially increase our costs to comply with these regulations, all of which could have an adverse effect on our results of operations, cash flows and financial condition. We continue to devote significant attention to monitoring these developments. However, we cannot predict the likelihood, timing, scope or terms of any state, federal or foreign legislation or regulations relating to our SciPlay and iGaming businesses or the extent to which they may affect our SciPlay and iGaming businesses.

Expectations of a shift to regulated digital gaming may not come to fruition.

Our business strategy includes a gradual shift into new, regulated digital gaming markets. We expect there to be an opportunity to grow revenue by being among the first systems providers to obtain a license to operate digital gaming systems in markets where end-users historically have been reliant on unregulated digital gaming. However, there is no guarantee that end users who are currently engaging in unregulated digital gaming (in the U.S. or elsewhere) will transition away from unregulated gaming to regulated gaming in the wake of regulation, which is itself uncertain as to timing and scope and varies on a jurisdiction by jurisdiction basis. Our ability to influence end-user tastes and habits is limited, and if the introduction of regulation fails to result in a migration of end-users from unregulated gaming to regulated gaming (from which we currently derive and are expected to derive revenue through revenue sharing and fixed fees arrangements with our sports wagering customers), this may have an adverse impact on our operations, financial performance and prospects.

Data privacy and security laws and regulations in the jurisdictions in which we do business could increase the cost of our operations and subject us to possible sanctions and other penalties

We collect, process, store, use and share data, some of which contains personal information. Our businesses are therefore subject to a number of federal, state, local and foreign laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission, sharing and protection of personal information and other consumer and employee data. Such laws and regulations may be inconsistent among countries or conflict with other rules. In particular, the EU has adopted strict data privacy and security regulations. Following certain developments in the EU, including the EU's GDPR and proposed Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation"), data privacy and security compliance in the EU are increasingly complex and challenging. The GDPR created new compliance obligations applicable to our business and some of our players and it also imposes increased financial penalties for noncompliance (including possible fines of up to four percent of global annual revenue for the preceding financial year or €20 million (whichever is higher) for the most serious violations). Compliance with the GDPR and similar regulations increases our operational costs and can impact operational efficiencies.

The scope of data privacy and security regulations worldwide continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions. For example, the California Consumer Privacy Act, or CCPA, went into effect on January 1, 2020. This law, among other things, requires new disclosures to California consumers, imposes new rules for collecting or using information about minors, and affords consumers new abilities to opt out of certain disclosures of personal information. It is unclear how courts will interpret the CCPA. The U.S. Congress may also pass a law to preempt all or part of the CCPA. Further, California recently passed the California Privacy Rights Act, or CPRA, which amends the CCPA to provide more comprehensive privacy protections to consumers once it becomes effective in January 2023. The effects of the CCPA and CPRA may be significant, and the CCPA required us to

update our policies to include CCPA-specific clauses and procedures. A number of other proposals related to data privacy or security are pending before federal, state, and foreign legislative and regulatory bodies. For example, the European Union is contemplating the adoption of the ePrivacy Regulation, expected in 2021, that would govern data privacy and the protection of personal data in electronic communications, in particular for direct marketing purposes. Efforts to comply with these and other data privacy and security restrictions that may be enacted could require us to modify our data processing practices and policies and increase the cost of our operations. Failure to comply with such restrictions could subject us to criminal and civil sanctions and other penalties. In part due to the uncertainty of the legal climate, complying with regulations, and any applicable rules or guidance from self-regulatory organizations relating to privacy, data protection, information security and consumer protection, may result in substantial costs and may necessitate changes to our businesses practices, which may compromise our growth strategy, adversely affect our ability to attract or retain players, and otherwise adversely affect our businesses, financial condition and operating results.

Any failure or perceived failure by us to comply with our posted privacy policies, our privacy-related obligations to players or other third parties, or any other legal obligations or regulatory requirements relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our players to lose trust in us, and otherwise materially and adversely affect our reputation and businesses. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to us may limit the adoption and use of, and reduce the overall demand for, our games. Additionally, if third parties we work with violate applicable laws, regulations, or agreements, such violations may put our players' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our players to lose trust in us and otherwise materially and adversely affect our reputation and businesses. Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to our businesses, industry or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

General Risk Factors

We have incurred, and may continue to incur, restructuring costs, the benefits of which are unpredictable and may not be achieved.

In the past, we have implemented various business improvement, optimization and restructuring initiatives in an effort to streamline our organization, leverage our resources more efficiently, and reduce our operating costs. These initiatives encompassed a combination of headcount reductions, facilities streamlining, and reductions in other operating costs. Most recently, we have incurred and expect to incur additional restructuring costs related to the divestitures of our Lottery and Sports Betting businesses. We have engaged, and may continue to engage, in similar or additional future restructuring initiatives. Because we are not able to predict with certainty when we will reorganize portions of our business, we cannot predict the extent, timing and magnitude of additional restructuring charges. We may also not realize the anticipated reduction in operating costs.

We may incur additional impairment charges.

We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill assets for impairment at least annually. Factors that may indicate a change in circumstances, such that the carrying value of our goodwill, amortizable intangible assets or other non-amortizing assets may not be recoverable, include a decline in our stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in industry segments in which we participate. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined, which would negatively affect our results of operations. In light of the COVID-19 pandemic and the resulting unfavorable social, political, economic and financial conditions, during the first quarter of 2020 we performed an interim goodwill impairment assessment, which resulted in a $54 million goodwill impairment charge for our U.K. Gaming reporting unit further discussed below. Our annual goodwill impairment test as of October 1, 2021 for our U.K. Gaming reporting unit indicated that its fair value was substantially in excess (greater than 20%) of the carrying value and for all other reporting units, we concluded that it is more likely than not that the fair values of each of our reporting units exceeded their respective carrying values. However, this could change in the future depending on prevailing conditions that could result in additional impairment charges. For more information on the assessment and the goodwill impairment charge, see section captioned *"Business Overview – Highlights, including recent developments – Impacts of COVID-19 on Business Operations, Financial Results and Liquidity*" in *Item 7*. "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and Note 11.

As discussed above and further detailed in Note 11, the COVID-19 disruptions resulted in the widespread closures of LBO shops across the U.K., which, along with global economic uncertainty, contributed to further deterioration in business

conditions from our 2019 annual goodwill test date, which resulted in a goodwill impairment charge of $54 million during the first quarter of 2020. While our annual goodwill impairment test as of October 1, 2021 indicated that the carrying value of our U.K. Gaming reporting is not in excess than that of its estimated fair value, future adverse changes to our projections, could negatively impact the recoverability of the remaining carrying value of our goodwill and other assets for our U.K. Gaming reporting unit, which might result in additional material impairment charges. The remaining goodwill balance for our U.K. Gaming reporting unit as of December 31, 2021 was $127 million.

Moreover, application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. We cannot predict the occurrence of impairments, and we cannot assure that we will not have to record additional impairment charges in the future.

During the fourth quarter of 2021 and as a result of corporate-wide rebranding, we determined that useful life for certain of our indefinite-lived and finite-lived trade names in our Gaming business segment warrant a change. We first performed an impairment assessment, which indicated that carrying values of these trade names are recoverable (or for our indefinite-lived assets, the estimated fair value was more likely than not in-excess of the carrying value). The change in useful life determination was treated as a change in estimate with a $109 million carrying value of these legacy trade names being amortized on a straight-line basis over a twenty-month period beginning in the fourth quarter of 2021, which materially approximates the expected pattern of use over their remaining useful lives and periods over which these legacy trade names will contribute to the future cash flows of the respective asset groups. The incremental expense of this change for the year ended December 31, 2021 was $10 million and is recorded in D&A. However, this could change in the future depending on prevailing conditions that could result in impairment charges. Such charges could materially adversely affect our businesses, financial condition and operating results.

We depend on our key employees and rely on skilled employees with creative and technical backgrounds.

We depend on the continued performance of our executive officers and key personnel, including Barry Cottle, our President and Chief Executive Officer. Our ability to retain certain key employees and skilled technical workers has been and may continue to be impaired due to the COVID-19 pandemic. If we lose the services of any of our executive officers or key personnel and cannot find suitable replacements for such persons in a timely manner, it could have an adverse impact on our business. Our ability to expand is dependent on our ability to recruit and retain talented employees in the U.S. and internationally who are capable of leading our employees to achieve our strategic objectives.

We also rely on our highly skilled, technically trained and creative employees to develop new technologies and create innovative products. Such employees, particularly game designers, engineers and project managers with desirable skill sets are in high demand, and we devote significant resources to identifying, hiring, training, successfully integrating and retaining these employees. 2021, in particular, was marked by a labor shortage that made, and continues to make, hiring and retaining skilled employees to support our products highly competitive. A lack of skilled technical workers could delay or negatively impact our business plans, ability to compete, results of operations, cash flows and financial condition.

If we are not able to maintain adequate internal control over our financial reporting, it could adversely affect our reputation and business.

We are responsible for establishing and maintaining adequate internal control over financial reporting. If we cannot maintain and execute adequate internal control over financial reporting or when necessary implement new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we may suffer harm to our reputation, fail to meet our public reporting requirements on a timely basis or be unable to properly report on our business and our results of operations, cash flows and financial condition. Additionally, the inherent limitations of internal controls over financial reporting may not prevent or detect all misstatements or fraud, regardless of the adequacy of those controls. We are currently undertaking an ERP system implementation in our largest business segment. In addition, the adoption of any new accounting standards may require us to add new or change existing internal controls, which may not be successful. Each of the preceding changes could materially impact our internal control over financial reporting. As of December 31, 2021, we have concluded that our internal control over financial reporting was effective based on criteria outlined in *Part II, Item 9A* “*Controls and Procedures*” of this Annual Report on Form 10-K, however, we cannot assure that material weaknesses will not be identified in the future.

Our results of operations, cash flows and financial condition could be affected by severe weather and other geological events in the locations where we or our customers, suppliers or regulators operate.

We may be impacted by severe weather and other geological events, including hurricanes, earthquakes, floods or tsunamis, that could disrupt our operations or the operations of our customers, suppliers, data service providers and regulators. Natural disasters or other disruptions at any of our facilities or our suppliers’ facilities, such as *Amazon Web Services*, *Apple*,

Google, *Facebook*, *Amazon* and *Microsoft* may impair or delay the operation, development, provisions or delivery of our products and services. Additionally, disruptions experienced by our regulators due to natural disasters or otherwise could delay our introduction of new products or entry into new jurisdictions where regulatory approval is necessary. While we insure against certain business interruption risks, we cannot assure that such insurance will compensate us for any losses incurred as a result of natural or other disasters. Any serious disruption to our operations, or those of our customers, our suppliers, data service providers, or our regulators, could have a material adverse effect on our results of operations, cash flows and financial condition.

We are subject to risks related to corporate and social responsibility and reputation.

Many factors influence our reputation, including the perception held by our customers, business partners and other key stakeholders. Our business faces increasing scrutiny related to environmental, social and governance activities. We risk damage to our reputation if we fail to act responsibly in a number of areas, such as diversity and inclusion, sustainability and social responsibility. Any harm to our reputation could impact employee engagement and retention, our corporate culture and the willingness of customers and our partners to do business with us, which could have a material adverse effect on our business, results of operations and cash flows.

We could incur costs in the event of violations of, or liabilities under, environmental laws, which may adversely affect our business and our results of operations, cash flows and financial condition.

Our operations and real property are subject to U.S. and foreign environmental laws and regulations, including those relating to air emissions, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We could incur costs, including cleanup costs, fines or penalties, and third-party claims as a result of violations of, or liabilities under, environmental laws, which could negatively impact our business and our results of operations, cash flows and financial condition. Some of our operations require environmental permits and controls to prevent or reduce environmental pollution, and these permits are subject to review, renewal and modification by issuing authorities.

Litigation may adversely affect our business and our results of operations, cash flows and financial condition.

We are and may become subject to litigation claims in the operation of our business, including, but not limited to, with respect to employee matters, alleged product and system malfunctions, alleged intellectual property infringement and claims relating to our contracts, licenses and strategic investments. We have incurred and may incur significant expense defending or settling any such litigation. Additionally, adverse judgments that have been and may be decided against us resulted and could result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business and our results of operations, cash flows and financial condition. For example, as as described more fully in Note 20 below, on April 17, 2018, a plaintiff, Sheryl Fife, filed a putative class action complaint, Fife v. Scientific Games Corporation, against SGC in the United States District Court for the Western District of Washington. On November 23, 2021, we entered into an agreement in principle to settle the lawsuit for the amount of $24.5 million. On January 18, 2022, the parties executed a settlement agreement, and plaintiff filed an unopposed motion for preliminary approval of the parties' proposed settlement. On January 19, 2022, the district court granted preliminary approval to the parties' proposed settlement, and scheduled a hearing for final approval of the settlement on June 23, 2022. Although the case was brought against Scientific Games, pursuant to the Intercompany Services Agreement, we expect SciPlay to cover or contribute to the settlement amount due to the matter arising as a result of our business. But if SciPlay is unable to cover or contribute to the settlement amount, we may incur the full expense of the settlement amount. For additional information regarding our litigation, see Note 20.

Failure to perform under our contracts may result in substantial monetary liquidated damages and contract termination.

Our contracts, including our Gaming contracts relating to the provision of VLTs, typically permit a counterparty to terminate the contract at any time for a material failure to perform, other specified reasons and, in many cases, for no reason at all. Upon such a termination or failure to perform, we may be required to refund fees paid to us for services performed or allow our customers to return our products to us for a full refund. In the past, we have paid or incurred liquidated damages and have been required to allow the return of VLTs for a full refund under our contracts, and material amounts of liquidated damages could be imposed on us in the future, which could, if imposed, have a material adverse effect on our business prospects, results of operations, cash flows and financial condition.

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

Our products could be defective, fail to perform as designed or otherwise cause harm to our customers, their equipment or their products. If any of our products are defective, we may be required to recall the products and/or repair or replace them, which could result in substantial expenses and affect our profitability. Any problem with the performance of our products, such as a false jackpot or other prize, could harm our reputation, which could result in a loss of sales to customers and/or potential customers. In addition, the occurrence of errors in, or fraudulent manipulation of, our products or software may

give rise to claims by our customers or by our customers' patrons, including claims by our customers for lost revenues and related litigation that could result in significant liability. Any claims brought against us by customers may result in diversion of management's time and attention, expenditure of large amounts of cash on legal fees and payment of damages, lower demand for our products or services, or injury to our reputation. Our insurance may not sufficiently cover a judgment against us or a settlement payment and is subject to customary deductibles, limits and exclusions. In addition, a judgment against us or a settlement could make it difficult for us to obtain insurance in the coverage amounts necessary to adequately insure our businesses, or at all, and could materially increase our insurance premiums and deductibles. In addition, software bugs or malfunctions, errors in distribution or installation of our software, failure of our products to perform as approved by the appropriate regulatory bodies or other errors or malfunctions, may subject us to investigation or other action by gaming regulatory authorities, including fines.

Labor disputes and union organizing activities may have an adverse effect on our operations.

Certain of our employees are represented by unions or works councils, including employees in Europe, South America and Canada. In particular, the majority of our employees at our printing facilities in the U.K., Chile and Quebec, the majority of our employees in Austria and Germany, and a small number of employees in the U.S. are represented by unions or work councils. While we believe our relations with our employees are satisfactory, we cannot predict whether we will be successful in negotiating new collective bargaining agreements without any disruptions in our operations or higher labor costs.

We cannot assure that we will not encounter conflicts or strikes with any labor unions that represent our employees or union organizing activities at our non-unionized facilities. Any of the foregoing could adversely impact our results of operations, cash flows and financial condition or our customers' operations, could cause us to lose customers, or could increase our labor costs.

Risks Relating to Discontinued Operations

Unfavorable economic conditions, including those caused by the COVID-19 pandemic, have and could continue to significantly disrupt our Lottery and Sports Betting businesses.

Unfavorable economic conditions, including those caused by the COVID-19 pandemic, have caused, and could continue to cause, some of our Lottery customers to temporarily close lottery operations, decrease spending on marketing of or purchases of Lottery products or declare bankruptcy, which would adversely affect our business. In our Lottery business, we believe that difficult economic conditions have contributed, or may contribute, to reductions in spending on marketing by our customers and, in certain instances, less favorable terms under our contracts, as many of our customers face budget shortfalls and seek to cut costs.

The COVID-19 pandemic also resulted, and could continue to result, in the suspension or cancellation of some sporting events which has and could continue to negatively impact the financial condition of our sportsbook customers, their ability to purchase development and other services, their risk of payment default, or their spending levels as they seek to reduce costs, each of which could negatively impact our Sports Betting business revenue.

Within our Lottery business, we often enter into joint ventures or other business relationships in foreign jurisdictions, which presents additional risks, including not realizing the operating efficiencies, competitive advantages or financial results that we anticipate.

Our investment in foreign jurisdictions within the Lottery segment often entails entering into joint ventures or other business relationships with locally based entities, which can involve additional risks arising from our lack of sole decision-making authority, our reliance on a partner's financial condition, inconsistency between our business interests or goals and those of our partners and disputes between us and our partners, see the risk factor above captioned "We may not succeed in realizing the anticipated benefits of our strategic equity investments and relationships."

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

We may not have sufficient cash flows from operating activities, cash on hand and available borrowings under our credit agreement to finance required capital expenditures under new contracts and meet our other cash needs or satisfy our minimum liquidity covenant. These obligations require a significant amount of cash, which would reduce our available liquidity.

Our Lottery business generally requires significant upfront capital expenditures for lottery terminal assembly, software customization and implementation, systems and equipment installation and telecommunications configuration. In connection with a renewal or bid of a Lottery systems contract, a customer may seek to obtain new equipment or impose new service

requirements, which may require additional capital expenditures in order to retain or win the contract. In connection with the renewal of Lotterie Nazionali S.r.l.'s ("LNS") exclusive concession to operate the Italian instant games lottery, we paid our pro rata share, or €160 million (€10 million paid in 2017 and the remaining €150 million paid in 2018), of the €800 million payment LNS was required to make to obtain the concession.

Historically, we have funded these upfront costs through cash flows generated from operations, available cash on hand and borrowings under our credit agreement. In addition, we have seen an increase in lottery requests for proposal, some involving PMAs, which include economic terms that expose us to increased risk, such as requiring the guarantee of specific income thresholds or significant upfront payments. In addition, to the extent we are compensated under any of our contractual arrangements based on a share of our customers' revenue rather than payment for our expenses and services, we may incur upfront costs (which may be significant) prior to receipt of any revenue under such arrangements. Our ability to generate revenue and to continue to procure new contracts will depend on, among other things, our then present liquidity levels or our ability to obtain additional financing on commercially reasonable terms, which are negatively affected by the recent COVID-19 pandemic. See the similarly titled risk factor above captioned in the "Risks Relating to our Capital Structure" section.

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

Lottery

Our Lottery business faces competition from a number of domestic and foreign businesses, some of which have substantially greater financial resources than we do, which impacts our ability to win new contracts and renew existing contracts. In addition, the U.S. lottery industry has matured with 48 U.S. jurisdictions offering instant game lotteries and/or draw lotteries. As some jurisdictions seek to privatize or outsource lottery operations (including partial privatizations through PMAs or otherwise), we face competition from both traditional and new competitors with respect to these opportunities. In some cases, we may find it necessary or desirable to enter into strategic relationships with third parties, including competitors, and may be required to commit significant sums of money in order to pursue these opportunities.

We continue to operate in an industry of intense price-based competition, which has affected and could continue to affect the number and the profitability of the lottery contracts we win. We believe our principal competitors in the instant lottery product business have increased, and are expected to continue to increase, their production capacity, resulting in pricing pressures in the instant lottery product business. This may adversely affect our ability to win or renew instant lottery product contracts or may reduce the profitability of instant lottery product contracts that we do win. We also compete in the international instant lottery product business with low-price printers whose quality we believe is lower than ours in regulated environments where laws are being reinterpreted to create competition from non-traditional lottery vendors and products. Our U.S. instant lottery product business could be adversely affected if additional foreign competitors operating in Canada export their lottery products to the U.S. or if other foreign competitors establish printing facilities in the U.S. or Canada to supply the U.S.

We face increased price competition in our Lottery systems business from our two principal competitors in that business. This may adversely affect our ability to win or renew lottery systems contracts or reduce the profitability of lottery systems contracts that we do win. We routinely bid against IGT and Intralot in lottery systems bids. Since 2016, we have taken away several of their incumbent supplier contracts including Arizona lottery systems (IGT), Kansas lottery systems (IGT), Turkey sports betting system (Intralot), and Turkey national lottery systems (IGT).

Any future success of our Lottery business will also depend, in part, on the success of the lottery industry in attracting and retaining players in the face of increased competition for these players' entertainment dollars, and our own success in developing innovative products and systems to achieve this goal. Our failure to achieve this goal could reduce our revenue from our Lottery operations. Additionally, pressure on state and other government budgets could lead to other forms of gaming being legalized, which could adversely impact our Lottery business.

Sports Betting

Our Sports Betting business is also subject to significant competition. Our Sports Betting business focuses on the supply of wagering solutions to operators, and there are a number of competitors in that industry, including from current customers who may desire to provide their own wagering platforms.

In jurisdictions that authorize sports betting, we cannot assure that we will be successful in offering our technology, content and services to sports betting operators as we expect to face intense competition from our traditional competitors in the gaming and lottery industries and a number of other domestic and foreign providers (or, in some cases, the operators themselves), some of which have substantially greater financial resources and/or experience in this area than we do. In addition, there is a risk that the authorization of the sale of gaming and lottery offerings via digital channels in a particular jurisdiction could, under certain circumstances, adversely impact our Gaming and Lottery offerings through traditional channels in such

jurisdiction. Any such adverse impact would be magnified to the extent we are not involved in, and generating revenue from, the provision of digital gaming and lottery products or services in such jurisdiction.

In order to stay competitive in our Sports Betting business, we will need to continue to create and market sports betting solutions that attract players and invest in new and emerging technologies. Some of our competitors may be more willing to provide sports wagering in countries where the relevant laws and regulations are unclear or not uniformly enforced, putting us at a competitive disadvantage if we do not provide services related to including sports wagering in such countries.

Recently, there has been additional significant competition in the sports wagering market as a result of the legislative changes that have encouraged new market participants. Refer to "*Government Regulation - iGaming*" in *Part I, Item 1* of this Annual Report on Form 10-K for a discussion of such legislative changes.

We offer and have in the past offered customers discounts and free trials in connection with our Sports Betting business. We cannot assure that competitive pressure will not cause us to increase the incentives that we offer to our customers, which could adversely impact our results of operations, cash flows and financial condition.

We heavily depend on our ability to win, maintain and renew our customer contracts, including our long-term Lottery contracts, and we could lose substantial revenue if we are unable to renew certain of our contracts on substantially similar terms or at all.

Generally, our Lottery contracts contain initial multi-year terms, with optional renewal periods at the discretion of the customer. Upon the expiration of any such contract, including any extensions thereof, a new contract may be awarded through a competitive bidding process. Conversely, in some instances, Lottery customers are authorized to extend contracts beyond the term initially agreed in the applicable contract without subjecting the contract to competitive bidding, thereby eliminating the possibility of obtaining that new business.

We cannot assure that our current contracts will be extended or that we will be awarded new contracts as a result of competitive bidding processes or otherwise in the future. In addition, it is common for competitors to protest the award of Lottery contracts to us. Such protests could delay or prevent our ability to enter into a new contract. In addition, the recent outbreak of COVID-19 has caused some lotteries to delay the competitive bidding process, which in turn has delayed awards of new contracts. The termination, expiration or failure to renew one or more of our contracts could cause us to lose substantial revenue, which could have an adverse effect on our ability to win or renew other contracts or pursue growth initiatives. We cannot assure that new or renewed contracts will contain terms that are as favorable as our current terms or will contemplate the same scope of products and services as our current contracts, and any less favorable contract terms or diminution in scope could negatively impact our results of operations, cash flows and financial condition.

We are also required by certain of our customers to provide surety or performance bonds in connection with our contracts. As of December 31, 2021, we had $272 million of outstanding performance bonds. We cannot assure that we will continue to be able to obtain surety or performance bonds on commercially reasonable terms or at all. Our inability to provide such bonds would materially and adversely affect our ability to renew existing or obtain new Lottery contracts.

Given the increased competition in the sports wagering landscape in the U.S., it is crucial that we remain innovative in this field in order to preserve our first-mover advantage, maintain current contracts and gain new contracts.

The success of our Lottery and Sports Betting businesses depends on our ability to produce new and innovative products and services that respond to customer demand and create strong and sustained player appeal. If we fail to do so, we could lose business to our competitors.

Our success depends upon our ability to respond to dynamic customer demand by producing new and innovative products and services. The process of developing new products and services is inherently complex and uncertain. If we fail to accurately anticipate customer needs and end user preferences through the development of new products and services, we could lose business to our competitors, which would adversely affect our results of operations, cash flows and financial condition.

In our Lottery business, we believe that innovative game concepts and game content, such as multiplier games and game content that incorporates licensed brands, can enhance the revenue of our lottery customers and distinguish us from our competitors. We cannot assure that we will be able to sustain the success of our existing game content or effectively develop or obtain from third parties game content or licensed brands that will be widely accepted both by our customers and players.

Our Lottery business depends on suppliers and contract manufacturers, and any failure of these parties to meet our performance and quality standards or requirements could cause us to incur additional costs or lose customers.

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

these items or a serious quality assurance lapse, including as a result of the insolvency of any of our key suppliers. Similarly, the operation of our instant ticket printing presses and the manufacture and maintenance of our lottery systems are dependent upon a regular and continuous supply of raw materials and components, many of which are manufactured or produced outside of the U.S. Certain of the components we use are customized for our products. Additionally, in 2021, we experienced pressures on the supply chain related to parts sourcing. See the above risk factor captioned "We depend on our suppliers and contract manufacturers, and any failure of these parties to meet our performance and quality standards or requirements could cause us to incur additional costs or lose customers".

Our results of operations for our Sports Betting business fluctuate due to unpredictability and long sales cycles and, therefore, our periodic operating results with regards to our Sports Betting business are not guarantees of future performance.

The results of operations for our Sports Betting business can fluctuate due a variety of factors. It is difficult for us to forecast the timing of revenue from sports wagering in our Sports Betting business because our sports wagering customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase our solutions. Typically, the larger the potential sale, the more time, money and other resources will be invested by customers. Our sports wagering sales cycles also vary depending on the products and technology our prospective customers are looking to license. As a result, it may take many months after our first contact with a customer before a sale can actually be completed. In addition, we rely on our technology team to integrate our sports wagering software with that of the customer's, and therefore, our sales efforts are vulnerable to delays at both the customer level and the integration level. During these long sales cycles, events may occur that affect the size or timing of the launch, or even cause it to be cancelled, including: purchasing decisions may be postponed during periods of economic uncertainty; we or our competitors may announce or introduce new solutions; our competitors may offer lower prices; technology problems of customers may arise to slow deadlines or launch targets; or budget and purchasing priorities of customers may change. If any of these events were to occur, sales of our sports wagering solutions or services may be cancelled or delayed, which would reduce our revenue and income.

In light of the foregoing, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. We cannot assure that the seasonal trends and other factors that have impacted our historical results will repeat in future periods as we cannot influence or forecast many of these factors.

Regulators and investors may perceive gaming or sports wagering suppliers and operators similarly, and consider their respective regulatory risk to be similar.

While operators that directly provide sports wagering services to their customers are generally perceived to be exposed to a greater degree of enforcement risk than their suppliers, in some jurisdictions laws extend to directly impact such suppliers. Furthermore, a supplier's nexus with a particular jurisdiction may expose it to specific enforcement risks, irrespective of whether there has been an attempt to bring proceedings against any supported operator. In some circumstances, enforcement proceedings brought against an operator may result in action being taken against a supplier (and even brought in the absence of the former).

Ultimately, the market may view, or in the future may view, the regulatory risk associated with the business of supplying software and services to sports wagering operators as being comparable with the regulatory risk attaching to operators themselves. In such circumstances, there is an associated risk that investors may apply valuation methods to any such supplier that are the same as the valuation methods used to value operators, and which build in the same regulatory risk even though, in many territories, such suppliers would be considered sufficiently removed from the transactional activity to warrant the application of a discrete risk analysis. If suppliers to our sports wagering operators suffer financial difficulties from realized regulatory risk, they may not be able to offer their services and products, which could restrict the provision of our services and negatively impact our revenues.

Expectations of a shift to regulated digital sports wagering may not come to fruition.

Our business strategy includes a gradual shift into new, regulated digital gaming markets. We expect there to be an opportunity to grow revenue by being among the first systems providers to obtain a license to operate digital gaming systems in markets where end-users historically have been reliant on unregulated digital gaming. However, there is no guarantee that end users who are currently engaging in unregulated digital gaming (in the U.S. or elsewhere) will transition away from unregulated gaming to regulated gaming in the wake of regulation, which is itself uncertain as to timing and scope and varies on a jurisdiction by jurisdiction basis. Our ability to influence end-user tastes and habits is limited, and if the introduction of regulation fails to result in a migration of end-users from unregulated gaming to regulated gaming (from which we currently derive and are expected to derive revenue through revenue sharing and fixed fees arrangements with our sports wagering customers), this may have an adverse impact on our operations, financial performance and prospects.

On May 14, 2018, the Supreme Court of the U.S. overturned the PASPA, a decision that opened up a path to legalization of sports wagering across the country. Following this ruling, at least 30 states and the District of Columbia have legalized sports wagering with some of those states permitting online sports wagering. Other states are considering legislation that would permit legal sports wagering, both land based and online. As a result of the change in regulations, we expanded, and expect to further expand, our sports wagering business. Our ability to expand our digital gaming and sports wagering operations depends on adoption of regulations permitting sports wagering in the U.S. We cannot assure when, or if, such regulations will be adopted, or the terms of such regulations, in certain of the jurisdictions in which we operate.

We may not succeed in realizing the anticipated benefits of our strategic equity investments and relationships in our Lottery business.

Under certain circumstances we pursue growth through strategic equity investments, including joint ventures, as a means to, among other things, gain access to new and important geographies, business opportunities and technical expertise, while simultaneously offering the potential for reducing capital requirements.

Our strategic equity relationships include investments in LNS, Northstar New Jersey Lottery Group LLC ("Northstar New Jersey"), Hellenic Lotteries S.A., Beijing Guard Libang Technology Co. Ltd., and Beijing CITIC Scientific Games Technology Co.

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

Furthermore, our strategic equity investments and other strategic relationships pose risks arising from our reliance on our partners and our lack of sole decision-making authority, which may give rise to disputes between us and our partners. For instance, our investments in LNS and Northstar New Jersey are minority investments in ventures whose largest equity holder is Lottomatica and Gtech Corporation (now known as IGT), respectively, and, although certain corporate actions require our prior consent, we do not unilaterally control decisions relating to the governance of these entities.

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our continuing operations occupy approximately 718,000 square feet of space in the U.S and approximately 622,000 square feet of space Internationally. Our discontinued operations occupy approximately 1,167,000 square feet of space in the U.S and approximately 715,000 square feet of space internationally. We believe that these facilities are adequate for our business as presently conducted. Set forth below is an overview of the principal owned and leased real estate properties that support our corporate headquarters and Gaming, SciPlay and iGaming segments.

Location	Sq. Ft.	Supports	Tenancy
Las Vegas, Nevada	426,986	Corporate Headquarters, Gaming and iGaming	Lease/Own[(1)]
India (Bangalore and Chennai)	143,604	Gaming, SciPlay and iGaming	Lease

(1) Lease 274,986 sq. ft. and own 152,000 sq. ft.

Our owned Las Vegas facilities listed above are encumbered by mortgages securing indebtedness under our credit agreement and Secured Notes. In addition to those listed above, we own and lease a number of additional less significant properties in the U.S. and internationally that also support our operations.

ITEM 3. LEGAL PROCEEDINGS

For discussion of our legal proceedings, see Note 20, which is incorporated by reference into this *Item 3* of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for our Common Stock

Our outstanding common stock is listed for trading on the Nasdaq Global Select Market under the symbol "SGMS."

On February 24, 2022, the closing sale price for our common stock on the Nasdaq Global Select Market was $60.82 per share. There were 599 holders of record of our common stock as of February 24, 2022. This does not include the number of stockholders who hold shares of our common stock through banks, brokers or other financial institutions.

Dividend Policy

We have never paid any cash dividends on our common stock and do not presently intend to pay cash dividends on common stock in the foreseeable future. Further, under the terms of certain of our debt agreements, we are limited in our ability to pay cash dividends or make certain other restricted payments (other than stock dividends) on our common stock.

Stockholder Return Performance Graph

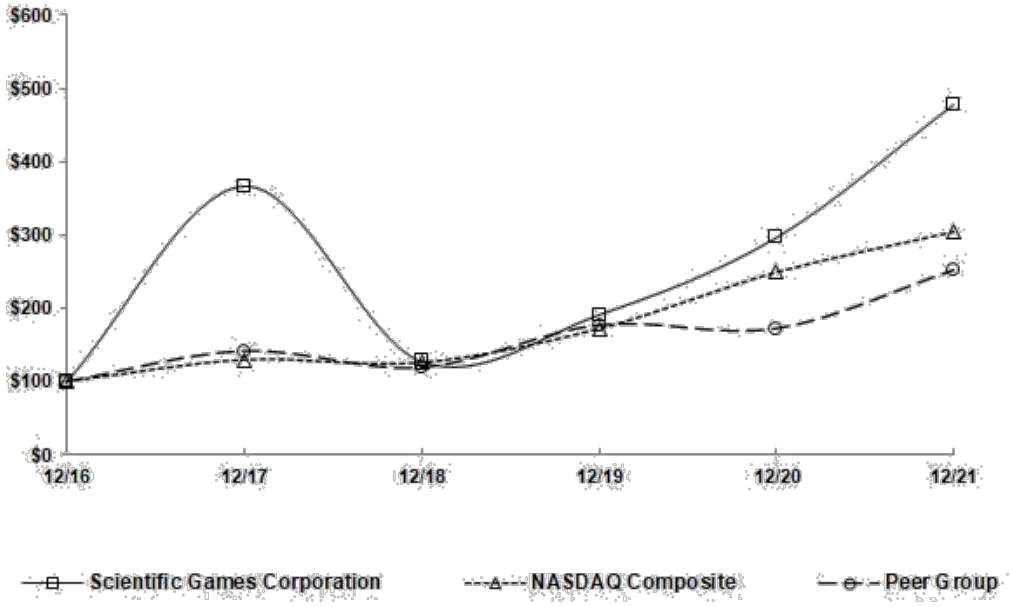
The following graph compares the cumulative total stockholder return over the five-year period ended December 31, 2021 of our then outstanding common stock, the Nasdaq Composite Index and indices of our peer group companies that operate in industries or lines of business similar to ours.

Our peer group companies consist of Aristocrat (Australian Securities Exchange: ALL), IGT (New York Stock Exchange: IGT), Intralot, S.A. (Athens Stock Exchange: IRLTY), Pollard Banknote Limited (Toronto Stock Exchange: PBL.UN-TO) and Everi Holdings Inc. (New York Stock Exchange: EVRI).

The companies in our peer group have been weighted based on their relative market capitalization each year. The graph assumes that $100 was invested in our then outstanding common stock, the Nasdaq Composite Index and the peer group indices at the beginning of the five-year period and that all dividends were reinvested. The comparisons are not intended to be indicative of future performance of our common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Scientific Games Corporation, the NASDAQ Composite Index, and a Peer Group



*$100 invested on 12/31/16 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	12/16	12/17	12/18	12/19	12/20	12/21
Scientific Games Corporation	$ 100.00	$ 366.43	$ 127.71	$ 191.29	$ 296.36	$ 477.36
NASDAQ Composite	$ 100.00	$ 129.64	$ 125.96	$ 172.17	$ 249.51	$ 304.85
Peer Group	$ 100.00	$ 141.64	$ 119.10	$ 177.04	$ 172.28	$ 251.90

ITEM 6. [RESERVED]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to enhance the reader's understanding of our operations and current business environment and should be read in conjunction with the description of our business (see *Part I, Item 1* of this Annual Report on Form 10-K) and our Consolidated Financial Statements and Notes (see *Part IV, Item 15* of this Annual Report on Form 10-K).

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under "*Forward-Looking Statements*" and "*Risk Factors*" at the beginning and in *Part I, Item 1A*, respectively, of this Annual Report on Form 10-K. As used in this MD&A, the terms "we," "us," "our" and the "Company" mean SGC together with its consolidated subsidiaries.

On September 27, 2021, we entered into a definitive agreement to sell our Sports Betting business to Endeavor in a cash and stock transaction. On October 27, 2021, we entered into a definitive agreement to sell our Lottery business to Brookfield.

We have reflected the financial results of our Lottery and Sports Betting businesses as discontinued operations in our consolidated statements of operations and reflected the assets and liabilities of these businesses as held for sale in our consolidated balance sheets, for all periods presented. Accordingly, retrospective reclassifications have been made to prior period financial statements and disclosures to present the Lottery and Sports Betting businesses as discontinued operations. See Note 1 and Note 2 for additional information.

We report our results of continuing operations in three business segments—Gaming, SciPlay and iGaming (former Digital business segment excluding Sports Betting)—representing the different products and services we expect to continue to provide post-divestitures. As a result of our strategic changes and Pending Divestitures, our Chief Operating Decision Maker re-assessed how he evaluates the operating results and performance of our Gaming business segment that resulted in an immaterial change to the Gaming business Segment AEBITDA calculation, which is our primary measure of the Gaming business segment performance measure of profit or loss. The Gaming business segment AEBITDA, has been recast for all periods presented herein to exclude EBITDA from equity investments to align with this new view. See Note 3 for additional information.

Unless otherwise noted, amounts, percentages and discussion for all periods included below reflect the results of operations and financial condition from our continuing operations.

BUSINESS OVERVIEW

We are 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 in our continuing operations primarily includes supplying game content and gaming machines, CMSs and table game products and services to licensed gaming entities; providing social casino and other mobile games to retail customers; and providing a comprehensive suite of digital RMG, distribution platforms, content, products and services to various gaming entities. Our portfolio of revenue-generating activities in the discontinued operations primarily includes providing instant and draw-based lottery products, lottery systems and lottery content and services to lottery operators along with providing sports wagering solutions to various gaming entities. We also gain access to technologies and pursue global expansion through strategic acquisitions and equity investments.

We are incorporated in Nevada. For more information on our corporate history, please see the General introduction to *Part I, Item 1* "*Business*" of this Annual Report on Form 10-K above.

Highlights, including recent developments

Strategic Review Update

On June 29, 2021, we announced that the Company (1) with the support of its Board of Directors, completed its strategic review, which reaffirmed our strategy to become a content-led growth company with a focus on content and digital markets; and (2) intended to divest the Lottery and Sports Betting businesses creating the path to significantly de-lever and position the Company for enhanced growth. In September and October of 2021, we signed definitive agreements to divest these businesses. The divestiture of the Lottery business is now expected to close by the end of March 2022 while the sale of the Sports Betting business is on track to be completed in the second quarter of 2022, both subject to applicable regulatory approvals and customary conditions. These businesses held for sale are included in our covenant compliance requirements until disposed of and all of their related cash flows are available to the Company without restriction.

On July 15, 2021, we submitted a proposal to SciPlay's board of directors to acquire all the outstanding equity interests in SciPlay not already owned by us (approximately 19%). Under our proposal, all SciPlay shareholders (other than SGC and our subsidiaries) would have received 0.250 shares of our common stock for each share of SciPlay Class A common stock they own. On December 22, 2021, we withdrew our July 15, 2021 offer. As of December 31, 2021, we continue to own 81% economic interest and 98% voting interest in SciPlay.

On March 1, 2022, we announced our intention to formally change our name to Light & Wonder, Inc. and that we would immediately begin doing business as Light & Wonder, Inc. The legal name Scientific Games Corporation is expected to be legally changed to Light & Wonder, Inc. during the second quarter of 2022, upon satisfying all applicable legal requirements in the state of Nevada, where the Company is incorporated.

In connection therewith, the ticker symbol for the Company's common stock will be changed from SGMS to LNW, at the time of the legal name change. The Company's common stock will continue to be listed on The NASDAQ Stock Market.

Impacts of COVID-19 on Business Operations, Financial Results and Liquidity

As also described in the "Description of the Business and Summary of Significant Accounting Policies - Impact of COVID-19" in Note 1, COVID-19 disruptions continue to impact our results of operations and particularly certain aspects of our Gaming business segment operations due to the widespread closures of gaming operation establishments and restricted reopening of a substantial number of gaming operation establishments coupled with global economic uncertainty. While most gaming establishments have reopened globally and have begun to operate at full capacity, there is a continued risk of future COVID-related developments including new virus variants, such as the Delta or Omicron variants, that might impact Gaming business segment results. During the second half of 2021, we noted that the U.S. and U.K. markets have rebounded which has had a notable impact on our Gaming operations primarily due to the lifting of restrictions and further elevated by consumer pent up demand from prior periods resulting in higher gross gaming revenues. Our 2021 Gaming operations revenue also benefited from the FOBT recovery as described in the Consolidated Results section below.

We continue to see fluctuations in infection rates and regulations for various regions along with ongoing domestic and international travel restrictions or warnings, social distancing measures, reduced operating capacity and an overall economic and general uncertainty regarding the magnitude and length of time that these disruptions will continue. These circumstances may change in the future and such changes could be material. We continue to assess the situation jurisdiction by jurisdiction, actively managing our cash flows and continuing to evaluate additional measures that may reduce operating costs and conserve cash to preserve liquidity as we execute on our strategic initiatives. For more information on the effects that COVID-19 has had on each of our business segments, refer to the individual business segment sections below.

Our only financial maintenance covenant (excluding SciPlay's Revolver) is contained in SGI's credit agreement. As of December 31, 2021, our total available liquidity (excluding our SciPlay business segment, but including cash and cash equivalents totaling $44 million of the businesses held for sale as those are still available for our general use until a divestiture occurs) was $903 million, which included $638 million of undrawn availability under SGI's revolving credit facility. During 2021, we made voluntary payments on SGI's revolving credit facility totaling $595 million, leaving the entire revolving credit facility undrawn and available as of December 31, 2021. See Note 15 for additional details regarding SGI's credit agreement.

Acquisitions

During 2021, we acquired several businesses to expand the portfolio and content for each of our three continuing business segments and businesses held for sale, as noted below (see Note 10 for additional information).

Acquisitions Related to Continuing Operations

- In July of 2021, SciPlay acquired privately-held Koukoi.
- In August of 2021, we acquired privately-held Lightning Box, which has been included in our iGaming business segment.
- In October of 2021, we acquired ACS's table game solution PlayOn™, subsequently renamed to AToM™, which has been included in our Gaming business segment.
- In November of 2021, we acquired Authentic Gaming, a premium provider of live casino solutions, which has been included in our iGaming business segment.
- In December of 2021, we acquired ELK Studios, a leading European games developer, which has been included in our iGaming business segment.

- In March of 2022, SciPlay acquired privately held Alictus Yazilim Anonim Şirketi ("Alictus"), a Turkey-based hyper-casual game studio. Acquisitions Related to Discontinued Operations

- In May of 2021, we acquired SportCast, which has been included in the Sports Betting business.
- In September of 2021, we acquired Sideplay, which has been included in the Lottery business.

On February 25, 2022, our Board of Directors approved a share repurchase program under which the Company is authorized to repurchase, from time to time through February 25, 2025, up to an aggregate amount of $750 million of our outstanding common stock over a three-year period. Repurchases may be made at the discretion of the Transaction Committee of the Board of Directors through one or more open market transactions, privately negotiated transactions, accelerated share repurchases, issuer tender offers or other derivative contracts or instruments, or a combination of the foregoing.

Trends and Uncertainties

We have a number of trends and uncertainties that have impacted and may continue to impact our business and results of operations. Such impacts have in some cases been material and could be material in the future should they continue.

Our ability to execute on our new strategic initiatives. The Company recently completed a comprehensive strategic review and is in the process of executing on the new strategy in becoming the leading, cross-platform global game company (more fully described in in Part I, Item 1 above). Successful execution on our strategy might present unexpected challenges and uncertainties, including actions that will result in increased restructuring charges as we incur integration and optimization expenses to execute and facilitate our strategies including costs necessary to complete the Pending Divestitures.

COVID-19. See above *"Business Overview – Highlights, including recent developments – Impacts of COVID-19 on Business Operations, Financial Results and Liquidity"* for uncertainties regarding the pandemic that significantly impacted our business and result of operations during 2020 and, to a lesser extent, continue to impact our business and results of operations during 2021.

Our high amount of leverage. We are currently a highly leveraged company which presents several challenges, including the dedication of a significant portion of our cash flow from operations to service interest and principal payments on our indebtedness.

International operations and foreign currency. We face challenges related to expanding our footprint within international markets and the related process of obtaining regulatory approvals to provide services and products within these new and emerging markets. Our LATAM customers operate in a difficult macroeconomic environment that (combined with political instability in the region and further compounded by COVID-19) has historically resulted in (a) a material reduction in revenue, (b) a reduction in the cash we have collected from these customers on previous sales and (c) charges for estimated credit losses, primarily during 2020.

Additionally, our international operations provide a significant portion of our total revenue and expenses. Many of these revenue and expenses are denominated in currencies other than the U.S. Dollar. We also have foreign currency exposure related to certain of our equity investments, cross-currency interest rate swaps, and Euro-denominated debt. As a result, changes in foreign exchange rates may significantly affect our results of operations.

A high level of competition, with competitor expansion. Our major competitors are expanding their product and service offerings with integrated products and solutions that compete directly with ours. For example, competition in our Gaming business segment is highly competitive and is characterized by the continuous introduction of new games, gaming machines and related technologies. Our iGaming business segment is facing challenges related to expanding our market share within new and emerging markets, while our SciPlay business segment continues to be highly competitive with low barriers to entry, rapid evolution, fragmented market and subject to changing technology, shifting needs and frequent introductions of new games, development platforms and services. See *Part I, Item 1* of this Annual Report on Form 10-K and *Business Segment Results* below describing competition and factors impacting each of our business segments.

Seasonality. Our results of operations fluctuate due to seasonal trends and other factors impacting all of our business segments, particularly Gaming and SciPlay businesses. See *Part I, Item 1 - Seasonality* of this Annual Report on Form 10-K.

For additional trends and uncertainties impacting our business segments, refer below to *Business Segment Results*, specifically the *Current Year Update* section for each business segment.

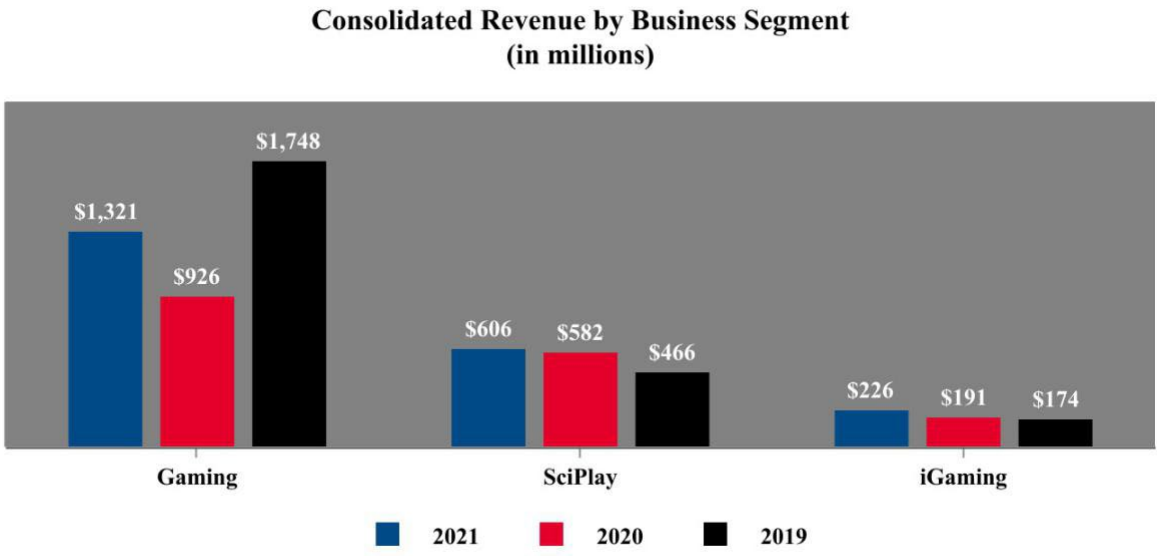
Reportable Segments

We report our operations in three business segments — Gaming, SciPlay and iGaming — representing our different products and services. See Notes 3 and 4 for additional business segments information.

CONSOLIDATED RESULTS

(in millions)	Year Ended December 31,			Variance			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Total revenue	$ 2,153	$ 1,699	$ 2,388	$ 454	27 %	$ (689)	(29)%
Total operating expenses	2,043	1,944	2,098	99	5 %	(154)	(7)%
Operating income (loss)	110	(245)	290	355	(145)%	(535)	(184)%
Net loss from continuing operations before income taxes	(294)	(804)	(377)	510	63 %	(427)	(113)%
Net income (loss) from continuing operations	24	(801)	(330)	825	103 %	(471)	(143)%
Net income from discontinued operations, net of tax	366	253	212	113	45 %	41	19 %
Net income (loss) attributable to SGC	371	(569)	(130)	940	165 %	(439)	(338)%

Revenue



Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

As described in the *"Business Overview – Highlights, including recent developments – Impacts of COVID-19 on Business Operations, Financial Results and Liquidity"* section above, our total revenue, and primarily revenues for the Gaming business segment, was significantly impacted in the prior period. Although these business disruptions continued to adversely impact certain aspects of our Gaming revenue in the first half of 2021, the re-opening of venues, lifting of restrictions, increased travel, and distribution of vaccines along with pent up consumer demand have caused the Gaming business segment to see more activity and thereby have helped drive 2021 revenue. Particularly, our Gaming operations revenue demonstrated strong growth driven by strong performance and increased market share. Machine and table product revenue continue to be impacted by reduced capital expenditures of casino operators coupled with ongoing COVID-19 restrictions impacting casino operating capacity. Additionally, Gaming operations revenue benefited from $44 million U.K. FOBT recovery received from certain U.K. customers related to a 2020 U.K. court ruling associated with overcharging of value-added tax for gaming operators that consequently reduced our net gaming revenues in those affected prior periods related to these customers and arrangements.

SciPlay revenue increased by $24 million or 4% primarily due to elevated player engagement from continued COVID-19 prevention measures during the first half of 2021 in addition to the introduction of new content and features resulting in increased paying player interaction.

iGaming revenue increased by $35 million or 18% primarily due to continuing growth in the U.S. market as iGaming is live in six U.S. states with a 25% market share.

Our 2021 consolidated revenues were impacted by $28 million of favorable F/X impact compared to $4 million of favorable impact in the prior year.

Operating expenses

(in millions)	Year Ended December 31, 2021	2020	Variance 2021 vs. 2020	
Operating expenses:				
Cost of services[1]	$ 365	$ 338	$ 27	8 %
Cost of product sales[1]	244	272	(28)	(10)%
SG&A	679	627	52	8 %
R&D	190	148	42	28 %
D&A	398	449	(51)	(11)%
Goodwill impairment	—	54	(54)	nm
Restructuring and other	167	56	111	198 %
Total operating expenses	$ 2,043	$ 1,944	$ 99	5 %

nm = not meaningful.
(1) Excludes D&A.

Cost of revenue

Cost of revenue for the year ended December 31, 2021 remained relatively flat as a result of higher revenue due to the global economy beginning to recover as the easing of COVID-19 restrictions continues, which was offset by the prior year period including approximately $48 million in Gaming cost of product inventory valuation charges for excess and obsolete inventory.

SG&A

SG&A increased primarily due to higher salaries, wages and other compensation of $39 million as a result of the prior year experiencing temporary austerity measures implemented to reduce costs during the COVID-19 disruptions, along with higher stock-based compensation expenses of $57 million driven by the acceleration of the expense as a result of attainment of certain targets for some of our directors coupled with the new equity awards issued at a higher fair value given the increase in our stock price compared to the prior period, and overall higher bonus incentive reflective of meeting and exceeding current year targets, of which portion will be paid in equity. This increase was partially offset by the prior period inclusion of $54 million allowance for credit loss charges reflecting the credit deterioration and credit weakness in our Gaming segment's Latin America receivables primarily due to the COVID-19 disruptions.

R&D

R&D increased primarily due to higher salaries and benefits reflective of our increased investment in development and growth coupled with the prior period reflecting lower operating costs as a result of the company-wide austerity measures implemented to reduce costs during the COVID-19 disruptions.

D&A

D&A decreased primarily due to certain gaming equipment, intangible assets and software primarily associated with historical acquisitions becoming fully depreciated and amortized in the prior year period, which was partially offset by approximately $10 million related to accelerated amortization related to certain of our legacy trade names triggered by ongoing corporate wide re-branding (see Note 11 for additional details). The impact of accelerated amortization expense related to these legacy trade names is expected to continue over the next six quarters in the quarterly amount of approximately $16 million, however this estimate is subject to change and could accelerate or decelerate depending on the facts and circumstances related to our re-branding initiatives.

Goodwill impairment

Goodwill impairment recorded in the prior year was related to our U.K. Gaming reporting unit, which was recorded during the first quarter of 2020. See Note 11 for additional details on Goodwill impairment charge.

Restructuring and other

The increase in R&O is primarily due to charges related to the announced sales of the Lottery and Sports Betting businesses, and to a lesser extent business integration and optimization initiatives implementation costs primarily associated with efficiency programs coupled with the legal settlement charge of $25 million associated with the Washington State Matter (see Note 20), which were partially offset by higher COVID-19 business disruption charges in the prior year. See Note 5 for additional details.

Other Factors Affecting Net Income (Loss) Attributable to SGC Comparability

(in millions)	Year Ended December 31,		Factors Affecting Net Income (Loss)
	2021	2020	2021 vs. 2020
Gain (loss) on remeasurement of debt	$ 41	$ (51)	Gains and (losses) are attributable to remeasurement of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes and reflect changes in the Euro vs. the U.S. Dollar foreign exchange rates between the periods. Approximately 69% of our Euro Notes were not treated as a net investment hedge in 2021 compared to 81% in 2020.
Other income (expense), net	33	(4)	The increase is primarily due to higher impact of foreign currency exchange rates coupled with a $16 million gain on sale of certain assets and as a result of acquisitions included in the current year.
Income tax benefit	318	3	The increase is primarily due to the release of the valuation allowance in 2021 primarily related to the Pending Divestitures (see Note 19).

Foreign exchange (F/X)

Our results are impacted by changes in foreign currency exchange rates used in the translation of foreign functional currencies into USD and the re-measurement of foreign currency transactions or balances. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. Our exposure to foreign currency volatility on revenue is as follows:

(in millions)	Year Ended December 31,					
	2021			2020		
	Revenue	% Consolidated Revenue	F/X Impact on Revenue	Revenue	% Consolidated Revenue	F/X Impact on Revenue
Foreign Currency:						
British Pound Sterling	$ 175	8 %	$ 14	$ 143	8 %	$ 2
Euro	129	6 %	7	133	8 %	—

Discontinued operations

The $132 million or 13% increase in 2021 revenue is primarily due to higher Lottery instant products and systems revenue due to the impact of COVID-19 on the prior year results coupled with the large lottery jackpots in the first half of 2021 driving both instant products sales and system increases, coupled with higher revenue from the Sports Betting business due to continued growth and expansion in the U.S. sports-betting market. These increases in revenue primarily drove the increase in net income from discontinued operations, net of tax by $113 million or 45%.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

As described in the "*Business Overview – Highlights, including recent developments – Impacts of COVID-19 on Business Operations, Financial Results and Liquidity*" section above, our 2020 total revenue, specifically revenues for the Gaming business segment, was adversely impacted by COVID-19 disruptions. Gaming business segment 2020 revenue also reflects $36 million lower system revenues due to completion of certain Canadian systems launches that we benefited from in the prior year comparable period.

SciPlay revenue increased by $116 million or 25% primarily due to continued growth in our mobile platform business and increased player engagement as a result of the stay at home measures across North America and other countries coupled with the ongoing popularity of *Jackpot Party® Casino*, *Gold Fish® Casino*, *Quick Hit® Slots*, and *MONOPOLY® Slots.*

iGaming revenue increased by $17 million or 10% primarily due to increased iGaming activity that benefited from increased free time and stay at home measures as a result of COVID-19 disruptions coupled with growth in the U.S. market.

Our 2020 consolidated revenues were impacted by $4 million of favorable F/X impact compared to $22 million of unfavorable impact in the prior year.

Operating expenses

(in millions)	Year Ended December 31, 2020	2019	Variance 2020 vs. 2019	
Operating expenses:				
Cost of services[1]	$ 338	$ 356	$ (18)	(5)%
Cost of product sales[1]	272	390	(118)	(30)%
SG&A	627	619	8	1 %
R&D	148	166	(18)	(11)%
D&A	449	542	(93)	(17)%
Goodwill impairment	54	—	54	nm
Restructuring and other	56	25	31	124 %
Total operating expenses	$ 1,944	$ 2,098	$ (154)	(7)%

nm = not meaningful.
(1) Excludes D&A.

Cost of revenue

Cost of revenue for the year ended December 31, 2020 decreased primarily due to the COVID-19 disruptions described above resulting in Gaming machine sales revenue decreasing by 49% or $297 million. Additionally, the year ended December 31, 2020 Cost of product sales included approximately $48 million, in Gaming segment inventory valuation charges, due to a decrease in demand for certain platforms as we believe that our customers will continue to extend replacement cycles to preserve their liquidity following their return to full operations combined with a reassessment of our Gaming product strategy, which was implemented during the year (see Note 8).

SG&A

SG&A increased primarily due to an increase of $54 million in the Gaming business segment allowance for credit losses, that reflect forecasted credit deterioration due to the COVID-19 disruptions generally and credit weakness in our Latin America receivables portfolio specifically (see Note 7). The SG&A increase was partially offset by company-wide austerity measures implemented in response to the COVID-19 disruptions described above, which resulted in lower SG&A compensation and benefit expenses of $45 million for 2020.

R&D

R&D decreased primarily due to company-wide austerity measures in response to the COVID-19 disruptions described above resulting in lower R&D compensation and benefit expenses of $18 million for 2020.

D&A

D&A decreased primarily due to certain Gaming intangible assets and software becoming fully amortized in the prior year. *Goodwill impairment*

Goodwill impairment increase was related to our U.K. Gaming reporting unit, which was recorded during the first quarter of 2020. See Note 11 for additional details on Goodwill impairment charge.

Restructuring and other

The increase is primarily due to severance and related charges associated with COVID-19 disruptions. See Note 5 for additional details on Restructuring and other charges.

Other Factors Affecting Net Loss Attributable to SGC Comparability

(in millions)	Year Ended December 31,		Factors Affecting Net Loss
	2020	2019	2020 vs. 2019
Interest expense	$ (503)	$ (589)	The decrease in interest expense for the year ended December 31, 2020 reflects the favorable impact of 2019 refinancing activities resulting in lower interest costs (refinancing activities for 2020 are further discussed in "Liquidity, Capital Resources and Working Capital" and for both periods in Note 15).
Loss on debt financing transactions	(1)	(100)	Loss on debt financing transactions consummated during 2019 includes $80 million in premium charges associated with redemptions of the 2022 Unsecured Notes (see Note 15) in the second and fourth quarters of 2019.
(Loss) gain on remeasurement of debt	(51)	9	(Losses) and gains are attributable to remeasurement of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes and primarily reflect changes in the Euro vs. the U.S. Dollar foreign exchange rates between the periods. In 2019 the USD strengthened vs. the Euro by 3% and in 2020 the USD weakened by 9%.
Income tax benefit	3	47	The decrease is primarily due to 2019 reflecting a $50 million income tax benefit as a result of the exception provision within ASC 740-20-45-7 (see Note 19 for additional information).

Foreign exchange (F/X)

Our results are impacted by changes in foreign currency exchange rates used in the translation of foreign functional currencies into USD and the re-measurement of foreign currency transactions or balances. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. Our exposure to foreign currency volatility on revenue is as follows:

(in millions)	Year Ended December 31,					
	2020			2019		
	Revenue	% Consolidated Revenue	F/X Impact on Revenue	Revenue	% Consolidated Revenue	F/X Impact on Revenue
Foreign Currency:						
British Pound Sterling	$ 143	8 %	$ 2	$ 154	6 %	$ (8)
Euro	133	8 %	—	189	8 %	(9)

Discontinued operations

The $13 million or 1% increase in revenue for the period is primarily due to higher Lottery systems revenue, coupled with growth in the Sports Betting business due to higher license revenue from key customer renewals and growth in the U.S. market. Net income from discontinued operations, net of tax increased by $41 million or 19% due to 2019 reflecting $50 million in higher tax expense as a result of the exception provision within ASC 740-20-45-7 (see Note 19) coupled with the higher revenues as described above.

See "Business Segments Results" below for a more detailed explanation of the significant changes in our components of revenue within the individual segment results of operations.

BUSINESS SEGMENT RESULTS

The types of products and services from which our segments derive their revenues are further discussed in Notes 3 and 4. Certain financial information relating to our segments, including segment revenue, AEBITDA and total assets and certain financial information relating to our revenue derived from and assets located in the U.S. and other geographic areas is included in Note 3.

GAMING

Our Gaming business segment designs, develops, manufactures, markets and distributes a comprehensive portfolio of gaming content, products and services. We provide our Gaming portfolio of products and services to commercial casinos, Native American casinos, wide-area gaming operators such as LBOs, arcade and bingo operators in the U.K. and continental Europe, and government agencies and their affiliated operators.

The following table summarizes the primary business activities included in our Gaming business segment.

	Services	Product sales
Gaming operations	Service revenues from gaming operations are derived from WAP, premium and daily-fee Participation gaming machines and other leased gaming machines (including VLTs and ETSs) and licensing arrangements.	N/A
Gaming machine sales	N/A	Sale of new and used gaming machines, ETSs and VLTs, conversion game kits and spare parts.
Gaming systems	We provide services which include installation and support of CMSs, including ongoing hardware maintenance and ongoing software maintenance and upgrade services of customer CMSs.	We offer CMSs that help our customers improve communication with players, add excitement to the gaming floor and enhance operating efficiencies.
Table products	Revenue is generated from supplied table products and services (including Shufflers).	Sale of table products (including Shufflers) and PTG licensing.

Gaming Operations

Our services revenue includes revenue earned from Participation games, other gaming machine services and table product service arrangements. We categorize our Participation gaming machines as (1) U.S. and Canada units and (2) International units. The following are different types of Participation games from which we derive our revenue:

- *WAP Participation games:* WAP Participation games are electronically linked gaming machines that are located across multiple casinos within both single and multiple gaming jurisdictions or across Native American gaming jurisdictions. Players across linked gaming machines contribute to and compete for system-wide progressive jackpots that are designed to increase gaming machine play for participating casinos by giving the players the opportunity to win a larger jackpot than on a non-WAP gaming machine. We are responsible for funding WAP jackpots. We create WAP games using our proprietary brands and also using licensed brands. We operate our WAP systems in five states throughout the U.S. and in certain Native American casinos.
- *Premium and daily fee Participation games:* We offer two categories of non-WAP premium and daily fee Participation games: LAP and standalone. LAP games are gaming machines that are located within a single casino and are electronically linked to a progressive jackpot for that specific casino. Our LAP gaming machines feature games including those offered as WAP and our proprietary brands such as *Ultimate Fire Link®, Dragon Spin®, Ultra Hot Mega Link®, 88 Fortunes®, Invaders from the Planet Moolah®, 5 Treasures®, Cash Spin® and Dancing Drums Explosion®*. Our LAP products leverage both exclusive brand names and game play intellectual property, and typically offer players the chance to win multiple progressive jackpots, all of which tend to result in higher play volumes. We also provide certain standalone Participation games that are not linked to other gaming machines. Our standalone games feature titles under both licensed brands and our proprietary brands. Our standalone Participation gaming machines generally feature larger, more elaborate top-boxes and provide game play experiences not possible on a single screen game or on gaming machines that we sell.
- *Server-based gaming*: We provide wide-area gaming operators, such as LBOs, bingo halls and arcades, a comprehensive package of server-based products and services under long term contracts that typically include gaming machines, remote management of game content and management information, central computer systems, secure data communication and field support services. We are typically paid a fee based on the Net win generated by these gaming machines (subject to certain adjustments as may be specified in a particular contract, including adjustments for taxes and other fees). Our business in this category is primarily based in the U.K.
- *VLTs*: For certain customers, we provide our multi-game and single-game VLTs, which include video gaming machines, mechanical reel gaming machines and video poker games. Our VLTs may be operated as standalone units or may interface with central monitoring systems operated by government agencies. Our VLTs are typically located in places where casino-style gaming is not the only attraction, such as racetracks, bars and restaurants.
- *Class II and centrally determined systems:* We offer video and mechanical-reel gaming machines and VLTs for Class II and certain VLT jurisdictions where the game outcome is determined by a central server system that we provide. These Class II and centrally determined systems primarily operate in Native American casinos in Washington, Florida, Alabama and Oklahoma. We receive either a fixed daily fee or a percentage of the Net win generated by the gaming

machines or VLTs connected to the central determination system and a small daily fee for the central determination system. *Gaming Machine Sales*

The majority of our product sales are derived from sales of gaming machines and VLTs that use a combination of advanced graphics, mechanical reels, digital music and sounds and secondary bonus games. We also sell ETSs to either meet the needs of particular locations where live tables are not allowed or as productivity-enhancing solutions for other jurisdictions.

Gaming Systems

Our comprehensive suite of technology solutions provides gaming operations of every size with a wide range of marketing, data management and analysis, accounting, player tracking, security and other applications and tools to more effectively manage their operations. Gaming systems products include the *iVIEW*® touch screen display, which facilitates the player experience, bonus features, customer service, and employee functions. Gaming systems revenues related to core system solutions are highly dependent on new installations. Gaming system revenues are also generated through ongoing hardware and software maintenance services and upgrades.

Table Products

Our table product sales are generated primarily from the sale of products designed to enhance table game speed, productivity, profitability and security. Our product offerings include various models of Shufflers to suit specific games.

We also offer Shuffler products under month-to-month arrangements that primarily contain fixed monthly rates or to a lesser extent Participation rates. These arrangements include service of the product with back-up and replacement products available at the customer's request.

We license our PTG content to commercial, tribal and governmental casino operators typically under month to month arrangements based on fixed monthly rates or subscription arrangements to our PTG content library. PTGs, which are designed to enhance operators' table-game operations, include our internally developed and acquired PTGs, side bets, add-ons and progressive features. Our proprietary content and features are also added to public domain games such as poker, baccarat, pai gow poker, craps and blackjack table games and to electronic platforms.

Current year update

See the "*Business Overview – Highlights, including recent developments – Impacts of COVID-19 on Business Operations, Financial Results and Liquidity*" section above for a description of the COVID-19 impact on our Gaming business segment, which had an adverse effect on our results of operations and cash flows in 2020 and, to a lesser extent, continuing into 2021. Our results of operations and cash flows are recovering as social distancing measures (including reduced floor capacities, table play customer limitations and reduction of slot machines available for play) have generally been rolled back, however some measures have been extended or reimposed as infections increase due to the new virus variants. We are starting to see an increase in the demand for our Gaming products as the easing of restrictions continues and gaming operators are beginning to return to pre-COVID levels. Particularly, we are seeing strong demand and orders, however we are experiencing some supply chain challenges that could impact our ability to meet demand for our products and delay the timing of fulfillment of these orders and consequently the timing of revenue recognition. Additionally, we noted that the U.S. and U.K. markets have rebounded which has had a notable impact on our Gaming operations primarily due to the lifting of restrictions and further elevated by consumer pent up demand from prior periods resulting in higher gross gaming revenues.

Our Gaming operations installed base at period end increased for U.S. and Canada from 30,105 in 2020 to 30,514 in 2021 as a result of COVID-19 disruptions in the prior year and current year recovery. Alternatively, International ending installed base units decreased from 32,061 in 2020 to 29,375 in 2021 due to the closure of certain LBOs in the U.K. that haven't yet recovered from the pandemic along with the reduction of some underperforming units in Greece and Latin America.

Our Gaming business segment leadership team has developed and implemented a strategy to reverse the declining install base trend in prior periods, which is starting to show positive results, but a meaningful reversal of this trend is expected to take longer than a year. Gaming operations generated 45%, 36% and 34% of total Gaming segment revenues for 2021, 2020 and 2019, respectively.

Additionally, our 2021 Gaming revenues benefited $44 million from a court ruling associated with overcharging of value-added tax for gaming operators in prior periods that consequently reduced our net gaming revenues related to these customers and arrangements.

In October of 2021, we acquired ACS's table game solution PlayOn™, a cashless product line that provides players with a debit solution at live table games. PlayOn™ was subsequently renamed AToM™ (see Note 10).

Results of Operations and Key Performance Indicators

1 - The year ended December 31, 2019 includes $10 million in IP charges paid by the SciPlay business segment, which are no longer being paid as of May 7, 2019 in connection with the IP License Agreement.

2 - We made an immaterial change to the prior period Gaming business segment AEBITDA calculation, which is our primary measure of the Gaming business segment performance measure of profit or loss. Prior period Gaming business segment AEBITDA has been recast to exclude EBITDA from equity investments to align with this new view. This change decreased Gaming business segment AEBITDA by $7 million and $9 million for the years ended December 31, 2020 and 2019, respectively. See Note 3 for additional information.

(in millions)	Year Ended December 31,			Variance			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Revenue:							
Gaming operations	$ 601	$ 332	$ 597	$ 269	81 %	$ (265)	(44)%
Gaming machine sales	360	312	609	48	15 %	(297)	(49)%
Gaming systems	204	171	295	33	19 %	(124)	(42)%
Table products	156	111	247	45	41 %	(136)	(55)%
Total revenue	$ 1,321	$ 926	$ 1,748	$ 395	43 %	$ (822)	(47)%
F/X impact on revenue	$ 15	$ 3	$ (14)	$ 12	(400)%	$ 17	(121)%
KPIs:							
U.S. and Canada units:							
Installed base at period end	30,514	30,105	31,486	409	1 %	(1,381)	(4)%
Average daily revenue per unit	$ 41.72	$ 23.57	$ 38.67	$ 18.15	77 %	$ (15.10)	(39)%
International units(1):							
Installed base at period end	29,375	32,061	34,370	(2,686)	(8)%	(2,309)	(7)%
Average daily revenue per unit	$ 9.34	$ 5.07	$ 10.57	$ 4.27	84 %	$ (5.50)	(52)%
Gaming machine sales:							
U.S. and Canada new unit shipments	11,876	9,987	19,512	1,889	19 %	(9,525)	(49)%
International new unit shipments	6,327	12,591	10,810	(6,264)	(50)%	1,781	16 %
Total new unit shipments	18,203	22,578	30,322	(4,375)	(19)%	(7,744)	(26)%
Average sales price per new unit	$ 16,833	$ 12,178	$ 17,343	$ 4,655	38 %	$ (5,165)	(30)%

(1) Excludes the impact of game content licensing revenue.

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

As noted above, Gaming revenue was adversely affected in 2020 which continued to a lesser extent into 2021, but is recovering as social distancing measures are being rolled back, although some measures continue to be enforced in certain jurisdictions, as noted above. While the restrictions continue to be eased and removed in some geographies, certain mitigation measures have been reintroduced as a result of new virus variants and are expected to continue for an indeterminate amount of time, which will continue to affect consumer behavior, and thus, we continue to see some impact on our Gaming segment.

Gaming Operations

Gaming operations revenue increased primarily due to the significant impact of COVID-19 disruptions on the prior year period, as described in the Consolidated Results – Revenue section above, coupled with strong growth, which approached 2019 levels as a result of strong product performance and increased market share. Gaming operations had a 409-unit increase in the U.S. and Canada installed base along with increases in average daily revenue per unit of $18.15 for the U.S. and Canada units and $4.27 for the International units, respectively, which were all primarily caused by the COVID-19 disruptions in the prior year and current year recovery. Additionally, International ending installed base units decreased by 2,686-units primarily due to the closure of certain LBOs in the U.K. that haven't yet recovered from the pandemic along with the reduction of some underperforming units in Latin America and reducing our footprint for certain low yield operations in Greece. Additionally, Gaming operations revenue for the year ended December 31, 2021 benefited from FOBT recovery in the U.K. as described in the Consolidated Results - Revenue section above.

Gaming Machine Sales

Gaming machine sales revenue increased primarily due to higher sales of replacement units in the U.S and Canada along with a higher average sales price per new unit. Additionally, the impact of COVID-19 on the prior year period as described above, resulted in lower unit shipments in the prior year period.

The following table summarizes Gaming machine sales changes:

	Year Ended December 31,		Variance	
	2021	2020	2021 vs. 2020	
U.S. and Canada unit shipments:				
Replacement units	10,385	5,957	4,428	74 %
Casino opening and expansion units	1,491	4,030	(2,539)	(63)%
Total unit shipments	11,876	9,987	1,889	19 %
International unit shipments:				
Replacement units	3,930	12,010	(8,080)	(67)%
Casino opening and expansion units	2,397	581	1,816	313 %
Total unit shipments	6,327	12,591	(6,264)	(50)%

Gaming Systems

Gaming systems revenue increased primarily due to the COVID-19 disruptions in the prior year which resulted in fewer installations of new CMSs on fewer casino openings and expansions and lower hardware sales, systems maintenance revenue, and *iVIEW*® installations.

Operating Expenses

The decrease in operating expenses is primarily due to a number of charges in the prior year period, which did not recur in 2021. The prior period included (1) a $54 million in goodwill impairment charge related to our U.K. Gaming reporting unit, which was recorded during the first quarter of 2020; (2) $54 million in higher allowance for credit loss charges; and (3) $48 million in inventory valuation charges to cost of products. *AEBITDA*

AEBITDA increased by $419 million or 175% primarily due to increased revenues coupled with $102 million in lower charges to allowance for credit losses and inventory during the year ended 2021 described above. AEBITDA margin for the year ended 2021 increased by 24 percentage points to 50%.

Year Ended December 31, 2020 Compared to Year Ended

December 31, 2019 *Revenue*

All of our 2020 Gaming revenue was negatively impacted by the COVID-19 disruptions that resulted in temporary closures and/or reduced operating capacity of a substantial number of gaming operations establishments in various jurisdictions globally, as described in the "*Business Overview – Highlights, including recent developments – Impacts of COVID-19 on Business Operations, Financial Results and Liquidity*" section above. As gaming establishments began to reopen in June and openings have continued through the year, demand has steadily increased. The continuation of social distancing measures that were implemented and still being enforced in many jurisdictions (including substantial reductions of maximum floor capacities, table play customer limitations and reduction of slot machines available for play) have had a negative impact on our Gaming revenue.

Gaming Operations

Gaming operations revenue decreased compared to the prior year primarily due to the COVID-19 disruptions (including fixed fee arrangement concessions granted) described above which was the driving factor in a 1,381-unit decrease in the U.S. and Canada ending installed base and a 2,309-unit decrease in the International ending installed base and both domestic and International average daily revenues per unit.

Gaming Machine Sales

Gaming machine sales revenue decreased compared to the prior year primarily due to the impact of COVID-19 as described above driving lower unit shipments primarily in replacement unit sales, coupled with decreases in the average sales price per unit reflecting a less favorable mix of Gaming machine sales.

The following table summarizes Gaming machine sales changes:

	Year Ended December 31,		Variance	
	2020	2019	2020 vs. 2019	
U.S. and Canada unit shipments:				
Replacement units	5,957	14,290	(8,333)	(58)%
Casino opening and expansion units	4,030	5,222	(1,192)	(23)%
Total unit shipments	9,987	19,512	(9,525)	(49)%
International unit shipments:				
Replacement units	12,010	10,616	1,394	13 %
Casino opening and expansion units	581	194	387	199 %
Total unit shipments	12,591	10,810	1,781	16 %

Gaming Systems

Gaming systems revenue decreased primarily due to the COVID-19 disruptions described above resulting in fewer installations of new CMSs on fewer casino openings and expansions, lower hardware sales, lower systems maintenance revenue reflective of customer concessions granted during the COVID-19 shutdowns, and lower *iVIEW*® installations due to certain Canadian contracts that were completed in the prior year.

Operating Expenses

The decrease in operating expenses is primarily due to lower cost of revenue correlated with the decrease in total revenue (as described above), which was partially offset by: (1) a $48 million increase of inventory valuation charges to Cost of product sales, (as described above and in Note 8), and (2) $20 million increase in Restructuring and other charges. Additionally, the year ended December 31, 2020 includes a $54 million in goodwill impairment charge and a $54 million charge related to allowance for credit losses, which reflects actual and forecasted credit deterioration primarily due to the COVID-19 disruptions coupled with the impacts of foreign exchange and the worsening of the expected credit position in our Latin America receivables portfolio specifically (see Note 7).

AEBITDA

AEBITDA decreased by $616 million or 72% primarily due to lower revenues as a result of COVID-19 disruptions, coupled with charges to allowance for credit losses and inventory during the year ended 2020 described above. AEBITDA margin for the year ended 2020 comparable period decreased by 23 percentage points to 26%.

SCIPLAY

Our SciPlay business segment is a leading developer and publisher of digital games on mobile and web platforms. SciPlay operates in the social gaming market, which is characterized by gameplay online, on mobile phones or on tablets that are social and competitive, and self-directed in pace and session length. SciPlay generates substantially all of their revenue from in-app purchases in the form of coins, chips and cards, which players can use to play slot games, table games or bingo games. Players who install SciPlay's games receive free coins, chips or cards upon the initial launch of the game and additional free coins, chips or cards at specific time intervals. Players may exhaust the coins, chips or cards that they receive for free and may choose to purchase additional coins, chips or cards in order to extend their time of game play. Once obtained, coins, chips and cards (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play within SciPlay's apps. SciPlay distributes their games through various global social web and mobile platforms such as *Facebook*, *Apple*, *Google*, *Amazon*, and *Microsoft*.

SciPlay currently offers a variety of social casino games, including *Jackpot Party® Casino*, *Gold Fish® Casino*, *Quick Hit® Slots*, *88 Fortunes® Slots, MONOPOLY® Slots* and *Hot Shot Casino®*. Our SciPlay business segment continues to pursue its strategy of expanding into the casual games market. Current casual game titles include *Bingo Showdown®* and *Solitaire Pets™ Adventure*. SciPlay currently plans to launch an additional casual game in 2022. SciPlay's social casino games typically include slots-style game play and occasionally include table games-style game play, while our casual games blend solitaire-style or bingo game play with adventure game features. All of SciPlay's games are offered and played across multiple platforms, including *Apple*, *Google*, *Facebook*, *Amazon*, and *Microsoft*. In addition to SciPlay's internally created game content, SciPlay's content library includes recognizable, game content from Scientific Games. This content allows players who like playing land-based slot machines to enjoy some of those same titles in our free-to-play games. SciPlay has access to Scientific Games' library of more than 1,500 iconic casino titles, including titles and content from third-party licensed brands such as *MONOPOLY™, THE FLINTSTONES™, JAMES BOND™*, and *PLAYBOY™*. SciPlay's access to this content, coupled with our years of experience developing in-house content, uniquely positions SciPlay to create compelling social games.

Current year update

As described in the *"Business Overview – Highlights, including recent developments – Impacts of COVID-19 on Business Operations, Financial Results and Liquidity"* section above, COVID-19 impacted our business in various ways. While many of SciPlay's current and potential players may have had significantly more free time to play SciPlay's games during the earlier stages of the pandemic, they may have also experienced sustained consumer unease and lower discretionary income. While the increased player engagement SciPlay experienced during the first half of 2020 as a result of the stay-at-home measures across the U.S. receded, SciPlay is still seeing higher player engagement as compared to the pre-COVID-19 time period. SciPlay is not able to predict and quantify the ultimate impact of further COVID-19 developments on their results of operations in future periods.

Throughout 2021, SciPlay deployed significant updates across a number of their portfolio games, and it expects to deploy further updates to games in future years. While SciPlay has continued testing in certain international markets, it has not yet achieved the anticipated international market share growth. SciPlay plans to continue to explore opportunities and increase their investments in the expansion of international markets throughout 2022 and in future years.

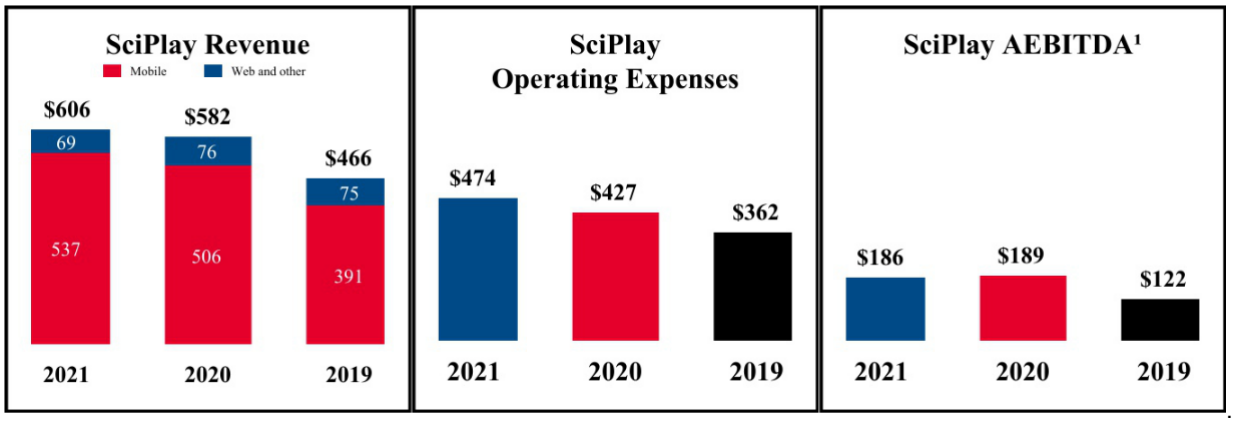
Despite a challenging 2020 comparable that heavily benefited from global stay-at-home measures, 2021 was another record year for total revenue. SciPlay's year over year total revenue growth of 4% was below the overall industry growth. This result is primarily attributable to the previously disclosed event isolated in *Jackpot Party® Casino* during the third quarter and a delayed release of the third version of *Quick Hit® Slots*. SciPlay's fourth quarter of 2021 compared to the third quarter of 2021 total revenue growth of 5% is above overall industry growth, showing a strong rebound from the above noted factors impacting *Jackpot Party® Casino* and *Quick Hit® Slots*. We believe that there is an opportunity for continued improvement of operating results in 2022 and beyond, as SciPlay continues to execute on their strategic game updates, enhanced analytics, international expansion, and an upcoming new game release.

In July 2021, SciPlay acquired privately held Koukoi, a Finland-based developer and operator of casual mobile games which allows us to expand our casual games portfolio (see Note 10).

In March 2022, SciPlay acquired Alictus, a privately held Turkey-based hyper-casual game studio. Alictus has developed and published a number of games that have achieved #1 free game status in the iOS U.S. App Store, including Candy

Challenge 3D, Rob Master 3D, Deep Clean Inc., Oh God!, Money Buster!, and Collect Cubes. The Alictus acquisition allows SciPlay to further scale in the casual market while diversifying revenue streams (see Note 10).

Results of Operations and Key Performance Indicators



1 - The year ended December 31, 2019 includes charges of $10 million for intellectual property royalties paid to the Gaming business segment, which are no longer being paid as of May 7, 2019 in connection with the IP License Agreement.

(in millions, except ARPDAU)	Year Ended December 31,			Variance			
	2021	2020	2019	2021 vs. 2020		2020 vs. 2019	
Revenue:							
Mobile	$ 537	$ 506	$ 391	$ 31	6 %	$ 115	29 %
Web and other	69	76	75	(7)	(9)%	1	1 %
Total	$ 606	$ 582	$ 466	$ 24	4 %	$ 116	25 %
KPIs:							
Mobile Penetration[(1)]	89 %	87 %	83 %	2 pp	nm	4 pp	nm
Average MAU[(2)]	6.2	7.4	8.0	(1.2)	(16)%	(0.6)	(8)%
Average DAU[(3)]	2.3	2.7	2.7	(0.4)	(15)%	—	— %
ARPDAU[(4)]	$ 0.71	$ 0.60	$ 0.48	$ 0.11	18 %	$ 0.12	25 %
Average MPUs[(5)]	0.5	0.5	0.5	—	— %	—	— %
AMRPPU[(6)]	$ 95.26	$ 92.75	$ 82.19	$ 2.51	3 %	$ 10.56	13 %
Payer Conversion Rate[(7)]	8.5 %	7.1 %	6.0 %	1.4 pp	nm	1.1 pp	nm

nm = not meaningful.
pp = percentage points.
(1) Mobile penetration is defined as the percentage of business to consumer SciPlay revenue generated from mobile platforms.
(2) MAU = Monthly Active Users is a count of visitors to our sites during a month. An individual who plays multiple games or from multiple devices may, in certain circumstances, be counted more than once. However, we use third-party data to limit the occurrence of multiple counting.
(3) DAU = Daily Active Users is a count of visitors to our sites during a day. An individual who plays multiple games or from multiple devices may, in certain circumstances, be counted more than once. However, we use third-party data to limit the occurrence of multiple counting.
(4) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period.
(5) MPU = Monthly Paying Users is the number of individual users who made an in-game purchase during a particular month.
(6) AMRPPU = Average Monthly Revenue Per Paying User is calculated by dividing average monthly revenue by average MPUs for the applicable time period.
(7) Payer conversion rate is calculated by dividing average MPU for the period by the average MAU for the same period.

Year Ended December 31, 2021 Compared to Year Ended

***December 31, 2020** Revenue*

Mobile platform revenue increased $31 million or 6 percent primarily due to elevated player engagement from continued COVID-19 prevention measures during the first quarter of 2021 compared to limited COVID-19-prevention measures for most of the first quarter of 2020 in addition to the introduction of new content and features resulting in increased paying player interaction.

The increase in mobile penetration percentage primarily reflects a continued trend of players migrating from web to mobile platforms to play our games.

Average MAU and average DAU decreased due to the turnover in users. Consequently, ARPDAU increased as a function of lower average DAU. AMRPPU increased while Average MPU was consistent with prior year due to introduction of new content and features resulting in increased paying player interaction.

All-time high payer conversion rate was due to the growing popularity of SciPlay's games while focusing on live operations to enhance game play and engagement

Operating Expenses

Operating expenses increased by $48 million primarily due to a $25 million legal settlement charge associated with the Washington State Matter (see Note 20), higher compensation and benefit costs related to increases in headcount, and an increase in D&A.

AEBITDA

AEBITDA decreased by $3 million or 2 percent primarily due to an increase in salaries and benefits, as described above, which was partially offset by an increase in revenue. AEBITDA margin decreased by 2.0 percentage points to 30.6%.

Year Ended December 31, 2020 Compared to Year Ended

December 31, 2019 *Revenue*

Mobile platform revenue increased $115 million or 29% primarily due to increased player engagement as a result of the stay at home measures across North America and other regions and ongoing popularity of *Jackpot Party® Casino*, *Gold Fish® Casino*, *Quick Hit® Slots*, and *MONOPOLY® Slots*.

The increase in mobile penetration percentage primarily reflects a continued trend of players migrating from web to mobile platforms to play SciPlay's games.

Average MAU decreased and average DAU stayed relatively flat due to the turnover in users while paying users stayed consistent. Consequently, ARPDAU increased due to stay at home measures across North America and other regions, introduction of new content and features, and ongoing popularity of our games.

The increase in payer conversion rates was due to the growing popularity of our games and increased interaction with the games by our players as a result of the introduction of new content and features into SciPlay's games.

Operating Expenses

Operating expenses increased by $38 million primarily due to a $36 million increase primarily related to salaries and benefits, stock-based incentive compensation related to the attainment of higher performance metrics and professional services fees coupled with a $27 million increase in cost of revenue correlated with revenue growth which were partially offset by a $10 million decrease in IP charges paid to the Gaming business segment, which ended as of May 7, 2019 in connection with the IP License Agreement.

AEBITDA

AEBITDA increased by $67 million or 55% primarily due to continued growth in revenue (as described above) and improved operating leverage while AEBITDA margin increased by 6.1 percentage points to 32.4%.

iGaming

We renamed our Digital business segment to iGaming business segment and the presentation was recast for all periods to exclude the Sports Betting business due to the pending sale, as described in Note 1. Our iGaming business segment provides a comprehensive suite of digital gaming content, including digital RMG, distribution platforms, content, products and services. We derive revenue from our content aggregation platforms, including Open Gaming System, remote gaming servers, and various other platforms, which can deliver a wide spectrum of internally developed and branded casino-style games and popular third-party provider casino-style games to gaming operators. We also provide the Open Platform System which offers a wide range of reporting and administrative functions and tools providing operators full control over all areas of digital gaming operations. Generally, we host the play of our game content on our centrally located servers that are integrated with the online casino operators' websites.

Current year update

We continue to expand our customer base and capitalize on growth in the U.S. by leveraging our industry leading platforms, content and solutions.

In August of 2021, we acquired Lightning Box, which expanded our iGaming content portfolio.

In November 2021, we acquired Authentic Gaming, a premium provider of live casino solutions, providing a foothold in a key vertical and the fast growing part of the iGaming market. The acquisition enhances our premium product offering and is highly synergistic with our leading iGaming platform and our land-based and proprietary table game content

In December 2021, we acquired Elk Studios, a leading European game developer, which expanded our iGaming

content portfolio. *Results of Operations*

Year Ended December 31, 2021 Compared to Year Ended

December 31, 2020 *Revenue*

Overall, iGaming revenue increased by $35 million or 18% due to iGaming market expansion in the U.S. and higher player activity including original content launches during 2021. The revenue increase was partially offset by the winding down of our *SG Universe*® services, which had a $10 million impact on our 2021 revenue or 7%.

Operating Expenses and AEBITDA

Operating expenses increased primarily due to higher costs of revenue correlated with the increase in revenue. AEBITDA increased by $17 million or 29% primarily due to the increase in revenue described above. AEBITDA margin for the year ended December 31, 2021 increased by 2.8 percentage points to 33%.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Overall iGaming revenue increased by $17 million or 10% primarily due to increased iGaming activities that benefited from increased free time and stay at home measures as a result of COVID-19 disruptions. The revenue increase was partially offset by the winding down of our *SG Universe*® services, which resulted in a decrease of $11 million or 6% impact on our 2020 revenue growth.

Operating Expenses and AEBITDA

Operating expenses increased primarily due to higher costs of revenue correlated with the increase in revenue. AEBITDA increased by $18 million or 45% primarily due to the increase in revenue (described above). AEBITDA margin for the year ended December 31, 2020 increased by 7 percentage points to 30%.

RECENTLY ISSUED ACCOUNTING GUIDANCE

For a description of recently issued accounting pronouncements, see Note 1.

CRITICAL ACCOUNTING ESTIMATES

Information regarding significant accounting policies is included in Note 1 and in the relevant sections of applicable Notes. As stated in Note 1, the preparation of financial statements in accordance with U.S. GAAP requires management to

make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We believe that the estimates, assumptions, and judgments involved in the following accounting policies have the greatest potential impact on our consolidated financial statements:

- Business combinations;
- Revenue recognition;
- Goodwill, long-lived and other intangible assets - impairment assessment;
- Income taxes; and
- Legal contingencies.

Business Combinations

As described in Note 10, we account for business combinations in accordance with ASC 805. This standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination.

Determining the fair value of assets acquired and liabilities assumed requires management judgment, the utilization of independent valuation experts and often involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. Any changes in the underlying assumptions can impact the estimates of fair value by material amounts, which can in turn materially impact our results of operations. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these fair values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate D&A expense. If our estimates of the economic lives change, D&A expense could be accelerated or slowed. For example, for the acquisitions completed during 2021, if the intangible assets useful life was extended by two years the total annual depreciation and amortization would decrease by approximately $3 million and if the useful life was shortened by two years the total annual depreciation and amortization would increase by approximately $7 million.

Revenue Recognition

Our revenue recognition policies described in Note 4 require us to make significant judgments and estimates. The guidance requires that we apply judgments or estimates to determine the performance obligations, the stand-alone selling prices of our performance obligations to customers, and the timing of transfer of control of the respective performance obligations. The evaluation of each of these criteria in light of contract specific facts and circumstances is inherently judgmental, but certain judgments could significantly affect the timing or amount of revenue recognized if we were to reach a different conclusion than we have. The critical judgments we are required to make in our assessment of contracts with customers that could significantly affect the timing or amount of revenue recognized are:

- *Contracts with Multiple Promised Goods and Services* - because we enter into contracts with customers that involve promises to transfer multiple products and services, the determination of the distinct performance obligations in contracts with multiple promises requires significant judgment. Our total gaming systems revenue that often contains multiple promised goods and services was $204 million for the year ended December 31, 2021, or approximately 9 percent of consolidated revenue, a portion of which would not be recognized if we had reached a different conclusion.
- *Determination of stand-alone selling prices* - the guidance requires that we determine the stand-alone selling price for our goods and services as a basis for allocating the transaction price to the identified distinct performance obligations in our contracts with customers. Because we often bundle the selling price for multiple promised goods or services or we may license systems for which the solutions we provide are highly customized and therefore the prices we charge are variable, the determination of a stand-alone selling price or the relative range may require significant judgment. Our total gaming systems revenue that could be subject to this judgment and thus allocated to distinct performance obligations differently was a portion of $204 million for the year ended December 31, 2021, or approximately 9 percent of consolidated revenue.

Goodwill - impairment assessment

We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. We evaluate our reporting units on at least an annual basis and, if necessary, reassign goodwill using a relative fair value

allocation approach. As a result of the financial results of our Lottery and Sports Betting businesses being reflected as discontinued operations (see Note 2), we reassessed our continuing operations reporting units and determined that we have six reporting units: SG Gaming, U.K. Gaming, Casino Management Systems, Table Products, SciPlay, and iGaming. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) annually on October 1 and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Goodwill is reviewed for impairment using either a qualitative assessment or a quantitative one-step process. If we perform a qualitative assessment and determine that the fair value of a reporting unit more likely than not exceeds the carrying value, no further evaluation is necessary. For reporting units where we perform the quantitative process, we are required to compare the fair value of each reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows and a market approach, to the respective carrying value, which includes goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, we recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's estimated fair value.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. Performance of the qualitative goodwill assessment requires judgment in identifying and considering the significance of relevant key factors, events and circumstances that affect the fair value or carrying amount of the reporting units. Such events and circumstances that we have considered include macroeconomic conditions, industry specific and market considerations, and reporting units specific factors such as overall actual and projected financial performance, among other factors. We also considered the results of the most recent date that a fair value measurement was performed as a part of the quantitative goodwill assessment and specifically the cushion between each reporting unit's fair value and carrying value. The estimates used to calculate the fair value of a reporting unit as a part of the quantitative goodwill assessment change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment, if any, for each reporting unit.

We performed our annual goodwill impairment test as of October 1, 2021 using a qualitative assessment for all of our reporting units other than for the U.K Gaming reporting unit for which we performed a quantitative assessment given its impairment in 2020. Based on the results of our qualitative impairment assessment, we concluded that it is more likely than not that the fair values of each of our reporting units exceeded their respective carrying values and there were no reporting units requiring further assessment. The test results for U.K. Gaming reporting unit for which we performed a quantitative assessment indicated the fair value was substantially in excess (greater than 20%) of the carrying value. As of December 31, 2021, the carrying amount of goodwill related to our U.K. Gaming reporting unit was $127 million.

Refer to Note 11 for key estimates and assumptions used in the 2020 discounted cash flow analysis for U.K. Gaming reporting unit during which our impairment testing for these reporting units resulted in an impairment charge.

Long-lived and other intangible assets - impairment assessment

We evaluate the recoverability of intangible assets and other long-lived assets with finite useful lives by comparing the carrying value of the asset group to the estimated undiscounted future cash flows that we expect the asset to generate if events or changes in circumstances indicate that these assets are not recoverable. Any impairment is measured as the amount by which the carrying value of the asset exceeds the estimated fair value. The fair value is determined using a discounted cash flow approach where projections of future cash flows generated by those assets are discounted using an estimated discount rate. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. We also make judgments about the remaining useful lives of intangible assets and other long-lived assets that have finite lives. While we believe our estimates of future operating results and projected cash flows are reasonable, any significant adverse changes in key assumptions (i.e., adverse change in the extent or manner in which an asset (asset group) is being used or expectation that, more likely than not, an asset (asset group) will be sold or otherwise disposed of before the end of its useful life) or adverse changes in economic and market conditions may cause a change in our evaluation of recoverability or our estimation of fair value and could result in an impairment charge that could be material to our financial statements. Refer to Note 11 for our fourth quarter 2021 change in estimate related to the useful lives for certain of our legacy trade names triggered by corporate-wide re-branding as described above in the "*Business Overview — Highlights, including recent developments"* section.

Income taxes

We are subject to the income tax laws of the many jurisdictions in which we operate. These tax laws are complex, and the manner in which they apply to our facts is sometimes open to interpretation. In establishing the provision for income taxes, we must make judgments about the application of these inherently complex tax laws.

Despite our belief that our tax return positions are consistent with applicable tax laws, we believe that taxing authorities could challenge certain positions. Settlement of any challenge can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. We record tax benefits for uncertain tax positions based upon management's evaluation of the information available at the reporting date. To be recognized in the financial statements, a tax benefit must be at least more likely than not of being sustained based on technical merits. The tax benefit for positions meeting the recognition threshold is measured as the largest benefit more likely than not to be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Significant judgment is required in making these determinations, and adjustments to uncertain tax positions may be necessary to reflect actual taxes payable upon settlement. Adjustments related to positions impacting the effective tax rate affect the provision for income taxes. Adjustments related to positions impacting the timing of deductions impact deferred tax assets and liabilities.

Our income tax positions and analysis are based on currently enacted tax law. Future changes in tax law could significantly impact the provision for income taxes, the amount of taxes payable, and the deferred tax asset and liability balances in future periods. Deferred tax assets generally represent tax benefits for tax deductions or credits available in future tax returns. Certain estimates and assumptions are required to determine whether it is more likely than not that all or some portion of the benefit of a deferred tax asset will not be realized. In making this assessment, management analyzes and estimates the impact of future taxable income, available carry-backs and carry-forwards, reversing temporary differences and available prudent and feasible tax planning strategies.

We have recorded valuation allowances in certain jurisdictions to reduce our deferred tax assets to the amounts that are more likely than not to be realized. Should a change in facts or circumstances lead to a change in judgment about the ultimate realizability of a deferred tax asset, we record or adjust the related valuation allowance in the annual period that the change in facts and circumstances occurs, along with a corresponding increase or decrease in the provision for income taxes. In assessing the timing of valuation allowance release, we specifically assessed the certainty and expected gains related to pending sales of our businesses held for sale, which required significant judgment and evaluation of various factors. See Note 19 for a more detailed discussion related to valuation allowance release during 2021.

Legal contingencies

We are subject to certain legal proceedings, demands, claims and threatened litigation that arise in the normal course of our business. We review the status of each significant matter quarterly and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we record a liability and an expense for the estimated loss. If we determine that a loss is reasonably possible and the range of the loss can be reasonably estimated, then we disclose the range of the possible loss. Significant judgment is required in the determination of whether a potential loss is probable, reasonably possible, or remote and in the determination of whether a potential exposure is reasonably estimable. Our accruals are based on the best information available at the time. As additional information becomes available, we reassess the liabilities and disclosures related to our pending claims and litigation and may revise our estimates. Potential legal liabilities and the revision of estimates of legal liabilities could have a material impact on our results of operations, cash flows and financial position. For discussion of our legal proceedings, see Note 20, which is incorporated by reference into *Item 3* of this Annual Report on Form 10-K.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Cash and available liquidity

As of December 31, 2021, our principal sources of liquidity, other than cash flows provided by operating activities, were cash and cash equivalents, including SciPlay cash and cash equivalents (for our SciPlay business segment), cash and cash equivalents of businesses held for sale and amounts available under the SciPlay Revolver (for our SciPlay business segment) discussed below under "Credit Agreement and Other Debt".

The following table summarizes our cash and available revolver capacity as of December 31, 2021 and 2020:

(in millions)	Cash and cash equivalents	Revolver capacity	Revolver capacity drawn or committed to letters of credit	Total
SGC (excluding SciPlay and businesses held for sale)	$ 221	$ 650	$ (12)	$ 859
Businesses held for sale	44	—	—	44
SciPlay	364	150	—	514
Total as of December 31, 2021	$ 629	$ 800	$ (12)	$ 1,417
SGC (excluding SciPlay and businesses held for sale)	$ 659	$ 650	$ (547)	$ 762
Businesses held for sale	88	—	—	88
SciPlay	269	150	—	419
Total as of December 31, 2020	$ 1,016	$ 800	$ (547)	$ 1,269

On May 7, 2019, SciPlay completed an IPO for an 18.0% minority interest in our Social gaming business, after giving effect to the underwriters' partial exercise of their over-allotment option on June 4, 2019. We received $312 million in net proceeds from the offering (net of $30 million used by SciPlay to pay the offering fees and the balance retained by SciPlay for general corporate purposes). Subsequent to the IPO, SciPlay Holding Company, LLC ("SciPlay Holding"), a subsidiary of SciPlay, entered into a $150 million revolving credit agreement that matures in May 2024. These proceeds enabled us to reduce our revolving credit facility and other debt in 2019. At this time, we do not expect SciPlay to declare or pay any cash dividends, other than tax distributions and certain cash distributions related to the impact of taxes pursuant to the TRA, of which payments totaling $4 million were made for the year ended December 31, 2021.

Sources of liquidity

During 2021, we drew $60 million under SGI's revolving credit facility and repaid $595 million leaving the entire revolving credit facility undrawn and available as of December 31, 2021.

Total cash held by our foreign subsidiaries (including discontinued operations) was $180 million and $173 million as of December 31, 2021 and December 31, 2020, respectively. We believe that substantially all cash held outside the U.S. is free from legal encumbrances or similar restrictions that would prevent it from being available to meet our global liquidity needs.

Our Gaming operations and Lottery systems (included in our discontinued operations) businesses generally require significant upfront capital expenditures, and we may need to incur additional capital expenditures in order to retain or win new contracts. Our ability to make payments on and to refinance our indebtedness and other obligations depends on our ability to generate cash in the future. We may also, from time to time, repurchase or otherwise retire or refinance our debt, through our subsidiaries or otherwise. In the event we pursue significant acquisitions or other expansion opportunities, we may need to raise additional capital. If we do not have adequate liquidity to support these activities, we may be unable to obtain financing for these cash needs on favorable terms or at all. For additional information regarding our cash needs and related risks, see "*Risk Factors*" under *Part I, Item 1A*.

Our ability to make payments on and to refinance our indebtedness and other obligations depends on our ability to generate cash in the future. From time to time we have also repurchased or otherwise retired or refinanced our debt, through our subsidiaries or otherwise, and may continue to do so in the future. Such activities, if any, will depend on prevailing market conditions, contractual restrictions and other factors, and the amounts involved may or may not be material. If we need to refinance all or part of our indebtedness at or before maturity, we cannot assure that we will be able to obtain new financing or to refinance any of our indebtedness on commercially reasonable terms or at all. In the event we pursue significant acquisitions or other expansion opportunities, conduct significant repurchases of our outstanding securities or refinance or repay existing debt, we may need to raise additional capital either through the public or private issuance of equity or debt securities or through additional borrowings under our existing or additional financing arrangements, which sources of funds may not necessarily be available on terms acceptable to us, or at all. For additional information regarding our cash needs and related risks, see "*Risk Factors*" under *Part I, Item 1A*.

In addition, U.S. lottery customers (included in our discontinued operations) generally require service providers to provide performance bonds in connection with the relevant contract. As of December 31, 2021, our outstanding performance bonds (including those related to discontinued operations) totaled $272 million. Our ability to obtain performance bonds on commercially reasonable terms is subject to our financial condition and prevailing market conditions, which may be impacted by economic and political events. Although we have not experienced difficulty in obtaining such bonds to date, we cannot assure that we will continue to be able to obtain performance bonds on commercially reasonable terms, or at all. For additional

information regarding our surety or performance bonds in connection with our contracts, see "*Risk Factors*" under *Part I, Item 1A*.

We intend to repay, refinance and/or restructure a significant portion of our existing indebtedness to significantly de-lever our balance sheet and position the Company for enhanced growth following the receipt of cash from the Pending Divestitures (See Note 1), which we would also expect to significantly change the terms and outstanding amounts of our debt.

Cash Flow Summary

(in millions)	Year Ended December 31,			Variance	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Net cash provided by operating activities from:					
Continuing operations	$ 304	$ 33	$ 209	$ 271	$ (176)
Discontinued operations	381	438	$ 337	(57)	101
Net cash provided by operating activities	685	471	546	214	(75)
Net cash used in investing activities from:					
Continuing operations	(347)	(126)	(220)	(221)	94
Discontinued operations	(95)	(47)	(43)	(48)	(4)
Net cash used in investing activities	(442)	(173)	(263)	(269)	90
Net cash (used in) provided by financing activities from:					
Continuing operations	(655)	469	(126)	(1,124)	595
Discontinued operations	(24)	(6)	(3)	(18)	(3)
Net cash (used in) provided by financing activities	(679)	463	(129)	(1,142)	592
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6)	7	1	(13)	6
(Decrease) increase in cash, cash equivalents and restricted cash	$ (442)	$ 768	$ 155	$ (1,210)	$ 613

Cash flows from operating activities - continuing operations

($ in millions)	Year Ended December 31,			Variance	
	2021	2020	2019	2021 vs. 2020	2020 vs. 2019
Net income (loss)	$ 390	$ (548)	$ (118)	$ 938	$ (430)
Less: Income from discontinued operations, net of tax	(366)	(253)	(212)	(113)	(41)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities from continuing operations	479	740	712	(261)	28
Changes in working capital accounts, excluding the effects of acquisitions	143	121	(113)	22	234
Changes in deferred income taxes and other	(342)	(27)	(60)	(315)	33
Net cash provided by operating activities from continuing operations	$ 304	$ 33	$ 209	$ 271	$ (176)

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Net cash provided by operating activities from continuing operations increased in 2021 primarily due to higher cash earnings resulting from the lifting of certain COVID-19 related disruptions. The changes in our working capital accounts for the year ended December 31, 2021 were primarily driven by the following:

- $19 million favorable change in receivables primarily due to increased billing and collection as recovery from the COVID-19 pandemic continues to gain momentum with eased restrictions and continued progress towards the return to pre-COVID levels;
- $9 million favorable change in inventory due to timing of orders and shipments;
- $17 million favorable change in other current assets and liabilities primarily related to increases in various prepaid expenses and timing of contract assets and liabilities;

- $98 million favorable change in accounts payable and accrued liabilities primarily as a result of the timing of expenditures.

Net cash provided by operating activities from discontinued operations increased due to higher cash flows from discontinued operations driven by higher Lottery instant products and systems revenue due to the impact of COVID-19 on the prior year results coupled with the large lottery jackpots in the first half of 2021 driving both instant products sales and system increases.

Cash flows from investing activities

Net cash used in investing activities from continuing operations increased primarily due to acquisitions of businesses completed during 2021, as described in Note 10, and higher capital expenditures. Capital expenditures are composed of investments in systems, equipment and other assets related to contracts, property and equipment, intangible assets and software.

Net cash used in investing activities from discontinued operations increased primarily due to acquisitions completed during 2021, as described in Note 10, higher additions to equity method investments and capital expenditures.

Cash flows from financing activities

Net cash used in financing activities increased primarily due to net repayments of $535 million under SGI's revolving credit facility compared to the prior year period $340 million net draw on SGI's revolving credit facility and net issuance of senior term loans of $209 million, coupled with $16 million in higher licensing payments and $23 million for taxes paid related to net share settlement of equity awards during 2021. ***Year Ended December 31, 2020 Compared to Year Ended December 31, 2019***

Net cash provided by operating activities from continuing operations decreased in 2020 primarily due to lower cash earnings impacted by the COVID-19 business disruptions. The changes in our working capital accounts for the year ended December 31, 2020 were primarily driven by the following:

- $137 million favorable change in receivables due to timing of collections and lower billing primarily associated with Gaming segment receivables;
- $4 million favorable change in inventory due to timing of orders and shipments;
- $6 million favorable change in/ other current assets and liabilities primarily related to increases in various prepaid expenses and timing of contract assets and liabilities;
- $26 million unfavorable change in accounts payable and accrued liabilities primarily as a result of the timing of expenditures.

Net cash provided by operating activities from discontinued operations decreased primarily due to lower earnings impacted by COVID-19 on the 2020 results.

Cash flows from investing activities

Net cash used in investing activities from continuing operations decreased primarily due to lower capital expenditures and proceeds received from the sale of certain properties in Chicago, which was partially offset by SciPlay's acquisition of Come2Play. Capital expenditures are composed of investments in systems, equipment and other assets related to contracts, property and equipment, intangible assets and software.

Cash flows from financing activities

Net cash provided by financing activities from continuing operations increased primarily due to the $340 million net draw on SGI's revolving credit facility, while the prior year included $342 million in proceeds from the sale of SciPlay common stock, which were partially offset by $253 million in net payments on long-term debt and $23 million in debt issuance, deferred financing and offering costs. Additionally, during 2020, we received net proceeds of $543 million from the issuance of 2025 Senior Unsecured Notes partially offset by $341 million in net payments for the redemption of the 2021 Notes.

Credit Agreement and Other Debt

For additional information regarding our credit agreement and other debt, interest rate risk and interest rate hedging instruments, see "*Contractual Obligations*" in this *Item 7* below, in *Part II*, *Item 7A* "*Quantitative and Qualitative Disclosures About Market Risk*" and in Notes 15 and 16.

Contractual Obligations

Our contractual obligations and commercial commitments principally include obligations associated with our outstanding indebtedness, contractual purchase obligations and future minimum operating lease obligations and other long-term liabilities as set forth in the table below as of December 31, 2021:

(in millions)	Cash Payments Due In				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years
Debt, face value [1]	$ 8,772	$ 44	$ 3,978	$ 3,550	$ 1,200
Interest payments [2]	1,802	423	802	398	179
License royalty minimum guaranteed payments	105	35	46	24	—
Purchase obligations [3]	368	368	—	—	—
Operating leases [4]	56	17	24	13	2
Other obligations [5]	51	3	48	—	—
Contractual obligations related to continuing operations	11,154	890	4,898	3,985	1,381
Contractual obligations related to discontinued operations	256	181	49	18	8
Total contractual obligations	$ 11,410	$ 1,071	$ 4,947	$ 4,003	$ 1,389

(1) See Note 15 for information regarding long-term and other debt, including $4 million related to certain revenue transactions presented as debt in accordance with ASC 470 and finance leases.
(2) Based on rates in effect and outstanding debt on December 31, 2021.
(3) Includes, among other contractual obligations, estimated obligations and/or capital commitments in connection with our Gaming supply contracts.
(4) See Note 14 for information regarding our operating leases.
(5) Includes certain other contractual obligations, including estimated contingent acquisition considerations and excludes pending legal settlement (see Note 20) and transaction fees contingent on the completion of the Pending Divestitures.

ITEM 7A. DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign exchange rates and commodity prices. The following are our financial instruments which expose us to market risk:

Interest Rate Risk

As of December 31, 2021, the face value of long-term debt was $8,772 million, including $4,018 million of variable-rate obligations that fluctuate based on LIBOR (of which, $800 million is effectively fixed pursuant to interest rate swap contracts that mature in February 2022) (see Notes 15 and 16). See Note 1 for additional details on reference rate reform and ASU 2020-04 and ASU 2021-01, which impact (if any) is being evaluated. Assuming a constant outstanding balance for our variable-rate long term debt, a hypothetical 1% change in interest rates would result in interest expense changing by approximately $40 million. For the years ended December 31, 2021, 2020, and 2019, the average one-month LIBOR was 0.10%, 0.52%, and 2.19%, respectively. All of our interest rate sensitive financial instruments are held for purposes other than trading purposes. We have attempted to limit our exposure to interest rate risk by using interest rate swap contracts to mitigate interest rate risk associated with a portion of our variable-rate debt instruments. The objective of our interest rate swap contracts, which are designated as cash flow hedges of the future interest payments, is to eliminate the variability of cash flows attributable to the LIBOR component of interest expense to be paid on a portion of our variable-rate debt.

Cross-Currency Interest Rate Swaps

During 2018, we entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting $460 million of our fixed-rate U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to a fixed-rate Euro-denominated debt, with a fixed annual weighted interest rate of approximately 2.946%. We have designated these cross-currency interest rate swap agreements as a net investment hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar.

As of December 31, 2021, if these cross-currency interest rate swap agreements were ineffective, the fluctuations in the exchange rates between the Euro and the U.S. Dollar would impact the amount of U.S. Dollars that we would require to settle the Euro-denominated debt at maturity of these agreements. A hypothetical 10% change in the U.S. Dollar in comparison to the Euro exchange rate upon inception of the cross-currency interest rate swap would have increased/decreased our obligation to cash settle the exchanged principal portion in U.S. Dollars by approximately $46 million.

Net Investment Non-derivative Hedge - 2026 Secured and Unsecured Euro Notes

We designated a portion of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar.

Fluctuations in the exchange rates between the Euro and the U.S. Dollar will impact the amount of U.S. Dollars that we will require to settle the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes at maturity. A hypothetical 10% change in U.S. Dollar in comparison to the Euro as of December 31, 2021, would have increased/decreased our obligation to cash settle the principal portion of the 2026 Secured and Unsecured Euro Notes in U.S. Dollars by approximately $65 million.

The completion of the Pending Divestitures is expected to result in a reduction of net investments in our international subsidiaries available for hedging, which could result in increased volatility in our operating results.

For additional information regarding interest rate swap contracts, cross-currency interest rate swaps and net investment non-derivative hedges see Note 16.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and other information required by this item are included in *Part IV, Item 15* of this Annual Report on Form 10-K and are presented beginning on page 82.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Exchange Act, as of the end of the period covered by this annual report. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures are effective as of the end of the period covered by this annual report.

Management’s Report on Internal Control Over Financial Reporting

The management of SGC is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of SGC; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013). Based on our assessment we concluded that, as of December 31, 2021, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2021 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm. Their report is included below.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM To

the stockholders and the Board of Directors of Scientific Games Corporation:

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Scientific Games Corporation and subsidiaries (the "Company") as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2021, of the Company and our report dated March 1, 2022 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 1, 2022

ITEM 9B. OTHER INFORMATION.

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Business Conduct that applies to all of our officers, directors and employees (including our CEO, CFO and Chief Accounting Officer) and have posted the Code of Business Conduct on our website at www.scientificgames.com/investors/corporate-governance/code-of-business-conduct. In the event that we have any amendments to or waivers from any provision of the Code of Business Conduct applicable to our CEO, CFO or Chief Accounting Officer, we intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting such information on our website at www.scientificgames.com/investors/corporate-governance.

Information relating to our executive officers is included in *Part I, Item 1* of this Annual Report on Form 10-K. The other information called for by this item is incorporated by reference to our definitive proxy statement relating to our 2022 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2022, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2022 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2022, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2022 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2022, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2022 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2022, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2022 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2022, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Scientific Games Corporation:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Scientific Games Corporation and subsidiaries (the "Company") as of December 31, 2021 and 2020, and the related consolidated statements of operations, comprehensive income (loss), stockholders' deficit, and cash flows, for each of the three years in the period ended December 31, 2021, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2022, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Income Taxes — Refer to Note 19 to the financial statements

Critical Audit Matter Description

The Company recognizes deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. If, based upon all available evidence, both positive and negative, it is more likely than not that such DTAs will not be realized, a valuation allowance is recorded. The Company has incurred cumulative pre-tax losses over the three-year period ended December 31, 2021, which represents significant objective negative evidence that the currently recorded deferred tax assets are not more likely than not to be realizable. However, as of December 31, 2021, the Company has entered into definitive agreements to sell its Sports Betting and Lottery businesses and the taxable gains to be recognized upon disposition of these businesses lead management to conclude that the net U.S. federal and certain state deferred tax assets are more likely than not to be realized. Accordingly, management reversed a portion of the Company's valuation allowances on its U.S. deferred income tax assets. This reversal resulted in $252 million of income tax benefit recognized during the year.

We identified management's determination in the current year that it is more likely than not that sufficient taxable income will be generated in the future to realize U.S. federal and certain state deferred tax assets as a critical audit matter because of the significant judgments management makes related to estimating future taxable income. This required a high degree of auditor

judgment and an increased extent of effort, including the need to involve our income tax specialists, when performing audit procedures to evaluate the reasonableness of management's estimates of future taxable income.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to management's determination in the current year that it is more likely than not that sufficient future taxable income will be generated to realize U.S. federal and certain state deferred tax assets included the following, among others:

- We tested the effectiveness of management's controls over
  - Judgments and estimates related to income taxes
  - The determination of whether it is more likely than not that sufficient taxable income will be generated in the future to realize the deferred tax assets
- With the assistance of our income tax specialists, we performed the following:
  - Evaluated the reasonableness of the methods, assumptions, and judgments used by management to determine whether a reversal of their valuation allowance was appropriate
  - Evaluated whether the sources of management's estimated future taxable income were of the appropriate character, generated in the appropriate jurisdictions, and sufficient to utilize the U.S. federal and certain state deferred tax assets under the relevant tax law
  - Evaluated whether and to what extent relevant income tax law limitations would apply to limit the Company's ability to utilize tax attributes that comprise a significant portion of the deferred tax assets
  - Evaluated whether the estimates of future taxable income were consistent with evidence obtained in other areas of the audit

/s/ Deloitte & Touche LLP

Las Vegas, Nevada

March 1, 2022

We have served as the Company's auditor since 2003.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Years Ended December 31,		
	2021	2020	2019
Revenue:			
Services	$ 1,642	$ 1,259	$ 1,504
Product sales	511	440	884
Total revenue	2,153	1,699	2,388
Operating expenses:			
Cost of services[(1)]	365	338	356
Cost of product sales[(1)]	244	272	390
Selling, general and administrative	679	627	619
Research and development	190	148	166
Depreciation, amortization and impairments	398	449	542
Goodwill impairment	—	54	—
Restructuring and other	167	56	25
Operating income (loss)	110	(245)	290
Other (expense) income:			
Interest expense	(478)	(503)	(589)
Loss on debt financing transactions	—	(1)	(100)
Gain (loss) on remeasurement of debt	41	(51)	9
Other income (expense), net	33	(4)	13
Total other expense, net	(404)	(559)	(667)
Net loss from continuing operations before income taxes	(294)	(804)	(377)
Income tax benefit	318	3	47
Net income (loss) from continuing operations	24	(801)	(330)
Net income from discontinued operations, net of tax	366	253	212
Net income (loss)	390	(548)	(118)
Less: Net income attributable to noncontrolling interest	19	21	12
Net income (loss) attributable to SGC	$ 371	$ (569)	$ (130)
Per Share - Basic:			
Net income (loss) from continuing operations	$ 0.06	$ (8.69)	$ (3.68)
Net income from discontinued operations	3.80	2.67	2.28
Net income (loss) attributable to SGC	$ 3.86	$ (6.02)	$ (1.40)
Per Share - Diluted:			
Net income (loss) from continuing operations	$ 0.05	$ (8.69)	$ (3.68)
Net income from discontinued operations	3.72	2.67	2.28
Net income (loss) attributable to SGC	$ 3.77	$ (6.02)	$ (1.40)
Weighted average number of shares used in per share calculations:			
Basic shares	96	95	93
Diluted shares	98	95	93

(1) Excludes D&A.

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Years Ended December 31,		
	2021	2020	2019
Net income (loss)	$ 390	$ (548)	$ (118)
Other comprehensive income (loss):			
Foreign currency translation (loss) gain, net of tax	(51)	45	20
Derivative financial instruments unrealized gain (loss), net of tax	14	(6)	(11)
Total other comprehensive (loss) income from continuing operations	(37)	39	9
Total other comprehensive (loss) income from discontinued operations	(6)	35	(1)
Total comprehensive income (loss)	347	(474)	(110)
Less: comprehensive income attributable to noncontrolling interest	19	21	12
Comprehensive income (loss) attributable to SGC	$ 328	$ (495)	$ (122)

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	As of December 31,	
	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	$ 585	$ 928
Restricted cash	41	45
Receivables, net of allowance for credit losses of $52 and $76, respectively	423	438
Inventories	98	119
Prepaid expenses, deposits and other current assets	88	98
Assets of businesses held for sale	497	553
Total current assets	1,732	2,181
Non-current assets:		
Restricted cash	9	10
Receivables, net of allowance for credit losses of $2 and $5, respectively	17	19
Property and equipment, net	213	242
Operating lease right-of-use assets	51	52
Goodwill	2,892	2,730
Intangible assets, net	946	1,088
Software, net	117	143
Deferred income taxes	349	106
Other assets	80	47
Assets of businesses held for sale	1,477	1,366
Total assets	$ 7,883	$ 7,984
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current portion of long-term debt	$ 44	$ 44
Accounts payable	204	150
Accrued liabilities	444	343
Liabilities of businesses held for sale	282	295
Total current liabilities	974	832
Deferred income taxes	35	46
Operating lease liabilities	40	43
Other long-term liabilities	170	190
Long-term debt, excluding current portion	8,646	9,259
Liabilities of businesses held for sale	124	138
Total liabilities	9,989	10,508
Commitments and contingencies (Note 20)		
Stockholders' deficit:		
Common stock, par value $0.001 per share: 199 shares authorized; 114 and 113 shares issued and 97 and 95 shares outstanding, respectively	1	1
Additional paid-in capital	1,337	1,268
Accumulated loss	(3,158)	(3,529)
Treasury stock, at cost - 17 shares	(175)	(175)
Accumulated other comprehensive loss	(261)	(218)
Total SGC stockholders' deficit	(2,256)	(2,653)
Noncontrolling interest	150	129
Total stockholders' deficit	(2,106)	(2,524)
Total liabilities and stockholders' deficit	$ 7,883	$ 7,984

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in millions)

	Common Stock	Additional Paid in Capital	Accumulated Loss	Treasury Stock	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
December 31, 2018	$ 1	$ 835	$ (2,824)	$ (175)	$ (300)	$ —	$ (2,463)
Net issuance of common stock in connection with stock options and RSUs and other	—	12	—	—	—	—	12
Sale of SciPlay common stock and related transactions	—	328	—	—	—	91	419
Stock-based compensation	—	33	—	—	—	1	34
Net loss	—	—	(130)	—	—	12	(118)
Other comprehensive income	—	—	—	—	8	—	8
December 31, 2019	$ 1	$ 1,208	$ (2,954)	$ (175)	$ (292)	$ 104	$ (2,108)
Net proceeds in connection with settlement of stock options and RSUs	—	4	—	—	—	—	4
Stock-based compensation	—	56	—	—	—	4	60
Net loss	—	—	(569)	—	—	21	(548)
Other comprehensive income	—	—	—	—	74	—	74
Impact of ASC 326 adoption	—	—	(6)	—	—	—	(6)
December 31, 2020	$ 1	$ 1,268	$ (3,529)	$ (175)	$ (218)	$ 129	$ (2,524)
Vesting of RSUs, net of tax withholdings and other	—	(20)	—	—	—	—	(20)
Stock-based compensation	—	89	—	—	—	2	91
Net income	—	—	371	—	—	19	390
Other comprehensive loss	—	—	—	—	(43)	—	(43)
December 31, 2021	$ 1	$ 1,337	$ (3,158)	$ (175)	$ (261)	$ 150	$ (2,106)

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net income (loss)	$ 390	$ (548)	$ (118)
Less: Income from discontinued operations, net of tax	(366)	(253)	(212)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by operating activities from continuing operations:			
Depreciation, amortization and impairments	398	449	542
Goodwill impairment	—	54	—
Change in deferred income taxes	(342)	(27)	(60)
Stock-based compensation	113	56	32
Non-cash interest expense	24	22	25
Provision for bad debts and inventory charges	7	107	15
(Gain) loss on sale of assets and other, net	(22)	—	7
Loss on debt financing transactions	—	1	100
(Gain) loss on remeasurement of debt	(41)	51	(9)
Changes in assets and liabilities, net of effects of acquisitions:			
Receivables	19	137	(39)
Inventories	9	4	(21)
Other assets and liabilities	17	6	(11)
Accounts payable and accrued liabilities	98	(26)	(42)
Net cash provided by operating activities from continuing operations	304	33	209
Net cash provided by operating activities from discontinued operations	381	438	337
Net cash provided by operating activities	685	471	546
Cash flows from investing activities:			
Capital expenditures	(171)	(137)	(224)
Acquisitions of businesses and assets, net of cash acquired	(186)	(13)	—
Distributions of capital from equity investments	3	—	4
Proceeds from asset sales and other	7	24	—
Net cash used in investing activities from continuing operations	(347)	(126)	(220)
Net cash used in investing activities from discontinued operations	(95)	(47)	(43)
Net cash used in investing activities	(442)	(173)	(263)
Cash flows from financing activities:			
Borrowings under SGI revolving credit facility	60	530	270
Repayments under SGI revolving credit facility	(595)	(190)	(400)
Proceeds from issuance of notes and term loans	—	550	2,300
Payments on long-term debt	(42)	(42)	(44)
Repayments of notes and term loans (including redemption premium)	—	(341)	(2,523)
Payments of debt issuance and deferred financing costs	(5)	(10)	(35)
Payments on license obligations	(46)	(30)	(39)
Sale of future revenue	—	—	11
Net proceeds from the sale of SciPlay's common stock	—	—	342
Payments of deferred SciPlay common stock offering costs	—	—	(9)
Net redemptions of common stock under stock-based compensation plans and other	(27)	2	1
Net cash (used in) provided by financing activities from continuing operations	(655)	469	(126)
Net cash used in financing activities from discontinued operations	(24)	(6)	(3)
Net cash (used in) provided by financing activities	(679)	463	(129)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(6)	7	1
(Decrease) increase in cash, cash equivalents and restricted cash	(442)	768	155
Cash, cash equivalents and restricted cash, beginning of period	1,143	375	220
Cash, cash equivalents and restricted cash, end of period	701	1,143	375
Less: Cash, cash equivalents and restricted cash of discontinued operations	66	160	50
Cash, cash equivalents and restricted cash of continuing operations, end of period	$ 635	$ 983	$ 325

	Years Ended December 31,		
	2021	2020	2019
Supplemental cash flow information:			
Cash paid for interest	$ 453	$ 471	$ 549
Income taxes paid	38	22	41
Cash paid for contingent acquisition considerations included in operating activities	—	4	26

See accompanying notes to consolidated financial statements.

(1) Description of the Business and Summary of Significant

Accounting Policies *Description of the Business*

We are a leading 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 in our continuing operations primarily includes supplying game content and gaming machines, CMSs and table game products and services to licensed gaming entities; providing social casino and other mobile games to retail customers; and providing a comprehensive suite of digital RMG, distribution platforms, content, products and services to various gaming entities. Our portfolio of revenue-generating activities in the discontinued operations primarily includes providing instant and draw-based lottery products, lottery systems and lottery content and services to lottery operators along with providing sports wagering solutions to various gaming entities.

On September 27, 2021, we entered into a definitive agreement to sell our Sports Betting business to Endeavor in a cash and stock transaction. Under the terms of the agreement, we will receive $1 billion in cash, subject to customary purchase price closing adjustments, and approximately 7.6 million shares of Endeavor Class A common stock (valued at approximately $200 million as of the purchase agreement date), subject to customary purchase price closing adjustments. On October 27, 2021, we entered into a definitive agreement to sell our Lottery business to Brookfield for total consideration of $6.05 billion consisting of $5.825 billion in cash and an earn-out of up to $225 million based on the achievement of certain EBITDA targets in 2022 and 2023, subject to customary purchase price closing adjustments. The divestiture of the Lottery business is now expected to close by the end of March 2022 while the sale of the Sports Betting business is on track to be completed in the second quarter of 2022, both subject to applicable regulatory approvals and customary conditions. The intended sale of our Sports Betting and Lottery businesses is defined herein as the “Pending Divestitures.”

We have reflected the financial results of these businesses as discontinued operations in our consolidated statements of operations and reflected the assets and liabilities of these businesses as held for sale in our consolidated balance sheets, for all periods presented. These businesses held for sale are included in our covenant compliance requirements until disposed of and all of their related cash flows are available to the Company without restriction. Refer to Note 2 for further information.

We report our results of continuing operations in three business segments—Gaming, SciPlay and iGaming (former Digital business segment excluding Sports Betting)—representing our different products and services. Unless otherwise noted, amounts and disclosures included herein relate to our continuing operations.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying consolidated financial statements include the accounts of SGC, its wholly owned subsidiaries, and those subsidiaries in which we have a controlling financial interest. Investments in other entities in which we do not have a controlling financial interest but we exert significant influence are accounted for in our consolidated financial statements using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impact of COVID-19

COVID-19 disruptions continue to impact our results of operations and particularly certain aspects of our Gaming business segment operations due to the closures of gaming operation establishments and restricted reopening of a substantial number of gaming operation establishments coupled with global economic uncertainty.

While most gaming establishments reopened globally and have begun to operate at full capacity, there is a continued risk of future COVID-related developments impacting Gaming business segment results. We continue to see fluctuations in infection rates and regulations for various regions along with ongoing domestic and international travel restrictions or warnings, social distancing measures, reduced operating capacity and an overall economic and general uncertainty regarding the magnitude and length of time that these disruptions will continue. These circumstances may change in the future and such changes could be material. We continue to assess the situation jurisdiction by jurisdiction, actively managing our cash flows and continuing to evaluate additional measures that may reduce operating costs and conserve cash to preserve liquidity as we execute on our strategic initiatives.

As of December 31, 2021, our total available liquidity (excluding our SciPlay business segment, but including cash and cash equivalents totaling $44 million of the businesses held for sale) was $903 million, which included $638 million of undrawn availability under SGI's revolving credit facility.

SciPlay Initial Public Offering and Noncontrolling Interest

In May 2019, SciPlay completed an initial public offering for an 18.0% minority interest in our Social gaming business representing 22,720,000 shares of Class A common stock which is traded on The NASDAQ Global Select Market under the symbol "SCPL," and issued Class B common stock, which is wholly owned by SGC and as of December 31, 2021 represents approximately 80.8% of SciPlay's total outstanding shares of common stock and approximately 97.7% of the combined voting power of both classes of SciPlay's outstanding common stock. Accordingly, we continue to control shares representing a majority of the combined voting power in SciPlay and continue to have a controlling financial interest in and consolidate SciPlay.

In connection with the IPO, we consummated a series of organizational and other transactions, including an Intercompany Services Agreement, under which SGC provides to SciPlay certain corporate level general and administrative services that are charged to SciPlay and settled in cash and an intellectual property license agreement ("IP License Agreement"), pursuant to which SciPlay acquired certain licenses from a restricted subsidiary of SGC for a one-time payment of $255 million. Additionally, we entered into a tax receivable agreement ("TRA"), which provides for the payment by SciPlay to SGC of 85% of the amount of tax benefits, if any, that SciPlay actually realizes (or in some circumstances is deemed to realize) in connection with increases in the tax basis of assets of SciPlay Parent Company, LLC ("SciPlay Parent LLC"), over which SciPlay Corporation is the sole manager, in connection with the SciPlay IPO, redemption or exchanges of membership interests or certain distributions and other tax benefits related to SciPlay's making of payments under the TRA.

The corporate structure of the above transaction is commonly referred to as an "Up-C" structure, which allows us to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "passthrough" entity, for U.S. income tax purposes. One of these benefits is that future taxable income of SciPlay Parent LLC that is allocated to us will be taxed on a flow-through basis and therefore will not be subject to corporate taxes at the SciPlay Parent LLC entity level. Additionally, because the Company may exchange or redeem our LLC Interests for newly issued shares of SciPlay's Class A common stock on a one-for-one basis or, at SciPlay's option, for cash, the Up-C structure also provides us with potential liquidity that holders of non-publicly traded limited liability companies are not typically afforded.

As a result of these transactions, in 2019 we received $312 million in net proceeds from the offering (net of $30 million used by SciPlay to pay the offering fees and balance retained by SciPlay for general corporate purposes).

The noncontrolling interest share of equity in SciPlay is reflected as a component of the noncontrolling interest in the accompanying consolidated balance sheets and was $150 million and $129 million as of December 31, 2021 and 2020, respectively. The legal entities that comprise SciPlay are unrestricted subsidiaries under our credit agreement and the indentures governing the Senior Notes.

Significant Accounting Policies

Additional accounting policy disclosures are provided within the applicable Notes.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. We place our temporary cash investments with high credit quality financial institutions. At times, such investments in U.S. accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Restricted cash

We are required by gaming regulations to maintain sufficient reserves in restricted cash accounts to be used for the purpose of funding payments to WAP jackpot winners. These restricted cash balances are based primarily on the jackpot meters displayed to slot players or for previously won jackpots and vary by jurisdiction. Compliance with maintaining adequate restricted cash balances and complying with appropriate investment guidelines for jackpot funding is periodically reported to gaming authorities.

Minimum guarantees under licensing agreements

We enter into long-term license agreements with third parties in which we are obligated to pay a minimum guaranteed amount of royalties, typically periodically over the life of the contract. These license agreements provide us with access to a portfolio of major brands to be used across our business segments in building our strong brand presence across multiple

channels of distributions. We account for the minimum guaranteed obligations within accrued and other long-term liabilities at the onset of the license arrangement and record a corresponding licensed asset within intangible assets, net. The licensed intangible assets related to the minimum guaranteed obligations are amortized over the term of the license agreement with the amortization expense recorded in D&A. The long-term liability related to the minimum guaranteed obligations is reduced as royalty payments are made as required under the license agreement. We assess the recoverability of license agreements whenever events arise or circumstances change that indicate the carrying value of the licensed asset may not be recoverable. Recoverability of the licensed asset and the amount of impairment, if any, are determined using our policy for intangible assets with finite useful lives.

Amortization expense related to these licenses and recorded in D&A for the years ended December 31, 2021, 2020 and 2019 was $40 million, $60 million and $68 million, respectively.

The following are our total minimum guaranteed obligations for the periods presented:

	As of December 31,	
	2021	2020
Current liabilities	$ 35	$ 40
Other long-term liabilities	70	104
Total minimum guarantee obligations	$ 105	$ 144
Weighted average remaining term (in years)	4	4

The following are our remaining expected future payments of minimum guarantee obligations:

	Year Ending December 31,					
	2022	2023	2024	2025	2026	After 2026
Expected future payments	$35	$23	$23	$23	$1	$—

Other assets

We capitalize debt issuance costs associated with long-term line-of-credit arrangements and amortize such amounts ratably over the term of the arrangement as an adjustment to interest expense.

We assess the recoverability of our other long-term assets whenever events arise or circumstances change that indicate the carrying value of the asset may not be recoverable.

Advertising costs

The cost of advertising is expensed as incurred and totaled $124 million, $123 million and $125 million in 2021, 2020 and 2019, respectively.

R&D

R&D relates primarily to software product development costs and is expensed as incurred until technological feasibility has been established. Employee-related costs associated with product development are included in R&D.

Foreign currency translation

We have significant operations where the local currency is the functional currency, including our operations in the U.K., Europe, Australia and Canada. Assets and liabilities of foreign operations are translated at period-end rates of exchange and results of operations are translated at the average rates of exchange for the period. Gains or losses resulting from translating the foreign currency financial statements are accumulated as a separate component of accumulated other comprehensive loss in stockholders' deficit. Gains or losses resulting from foreign currency transactions are included in Other (expense) income, net.

Comprehensive income (loss)

We include and classify in comprehensive income (loss) unrealized gains and losses from our foreign currency translation adjustments, the effective portion of derivative financial instruments designated as hedging instruments, net investment non-derivative hedge of our investments in certain of our international subsidiaries and for our discontinued operations certain gains or losses associated with pension or other post-retirement benefits, including prior service costs or credits and transition assets or obligations.

New Accounting Guidance - Recently Adopted

The FASB issued ASU No. 2021-05, *Leases* (Topic 842): *Lessors – Certain Leases with Variable Lease Payments*, on July 19, 2021. The new guidance requires the lessor to classify a lease with variable lease payments that do not depend on an index or a rate as an operating lease at lease commencement if classifying the lease as a sales-type lease or direct financing lease would result in the recognition of a selling loss. We adopted this standard during the third quarter of 2021 on a prospective basis. The adoption of this guidance did not have a material effect on our consolidated financial statements.

New Accounting Guidance - Not Yet Adopted

The FASB issued ASU No. 2020-04 and subsequently ASU No. 2021-01, *Reference Rate Reform* (Topic 848) in March 2020 and January 2021, respectively. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, including derivative instruments impacted by changes in the interest rates used for discounting cash flows for computing variable margin settlements, subject to meeting certain criteria, that reference LIBOR or other reference rates expected to be discontinued, in 2022 or potentially 2023 (pending possible extension). The ASUs establish certain contract modification principles that entities can apply in other areas that may be affected by reference rate reform and certain elective hedge accounting expedients and exceptions. The ASUs may be applied prospectively. Based on our preliminary assessment completed to date, we do not expect the adoption of this guidance to have a significant impact on our consolidated financial statements.

We do not expect that any other recently issued accounting guidance will have a significant effect on our consolidated financial statements.

(2) Discontinued Operations

As described in Note 1, we have reflected the financial results of the Lottery and Sports Betting businesses as discontinued operations in our consolidated statements of operations and reflected the assets and liabilities of these businesses as held for sale in our consolidated balance sheets, for all periods presented. The Lottery business was historically our Lottery business reportable segment and Sports Betting business was historically included in our former Digital business reportable segment, which we renamed to iGaming business segment (subsequent to the removal of the Sports Betting business).

The summarized results of our discontinued operations were as follows:

	Years Ended December 31,		
	2021	2020	2019
Total revenue	$ 1,157	$ 1,025	$ 1,012
Total cost of revenue[(1)]	587	550	538
Other operating expenses[(2)]	233	208	218
Operating income	337	267	256
Total other income (expenses), net	101	(7)	13
Net income from discontinued operations before income taxes	438	260	269
Income tax expense	(72)	(7)	(57)
Net income from discontinued operations, net of tax included in the consolidated statement of operations	$ 366	$ 253	$ 212

(1) Excludes D&A.

(2) Includes D&A of $79 million, $105 million and $105 million for the years ended December 31, 2021, 2020 and 2019, respectively, along with stock-based compensation of $24 million, $5 million and $5 million for each of the years ended December 31, 2021, 2020 and 2019. Due to the discontinued operations classification of these businesses as of the third quarter of 2021, the D&A for these businesses has ceased.

The following table summarizes the major classes of assets and liabilities of businesses held for sale.

	As of December 31,	
	2021	2020
ASSETS		
Cash and cash equivalents	$ 44	$ 88
Restricted cash	22	72
Receivables, net	214	178
Inventories	94	72
Prepaid expenses deposits and other current assets	123	143
Total current assets of businesses held for sale	497	553
Property and equipment, net	217	173
Intangible assets and software, net	304	295
Goodwill	623	562
Equity investments	251	262
Other assets	82	74
Total non-current assets of businesses held for sale	1,477	1,366
Total assets of businesses held for sale	$ 1,974	$ 1,919
LIABILITIES		
Accounts payable	$ 95	$ 53
Accrued liabilities and other	187	242
Total current liabilities of businesses held for sale	282	295
Operating lease liabilities	34	34
Other	90	104
Total non-current liabilities of businesses held for sale	124	138
Total liabilities of businesses held for sale	$ 406	$ 433

(3) Business Segments

As described in Notes 1 and 2, we have reflected the financial results of the Lottery and Sports Betting businesses as discontinued operations. As a result, Lottery is no longer a reportable business segment and our former Digital segment has been renamed to iGaming and was recast to exclude the Sports Betting business for all periods presented. Accordingly, we report our results of continuing operations in three business segments—Gaming, SciPlay and iGaming (former Digital business segment excluding Sports Betting)—representing our different products and services.

In evaluating financial performance, our Chief Operating Decision Maker ("CODM") focuses on AEBITDA as management's primary segment measure of profit or loss, which is described in footnote (2) to the below table. As a result of our strategic changes and Pending Divestitures, starting with the third quarter of 2021, our CODM reassessed how he evaluates the operating results and performance of our Gaming business segment that resulted in an immaterial change to the Gaming business Segment AEBITDA calculation, which is our primary measure of the Gaming business segment performance measure of profit or loss. The Gaming business segment AEBITDA, has been recast for all periods presented herein to exclude EBITDA from equity investments to align with this new view.

Our Gaming business segment generally sells gaming machines, VGTs, VLTs (including conversion kits and parts), leases or otherwise provides gaming machines, server-based systems and content, sells and supports CMS-based software and hardware, licenses PTG content, and supplies Shufflers to commercial, tribal and governmental gaming operators. Our SciPlay business segment develops, markets, and operates a portfolio of social games played on various mobile and web platforms. Our iGaming business segment provides various content aggregation platforms, remote gaming servers, and various other platforms, which deliver a wide spectrum of internally developed and branded games and popular third-party provided games to gaming operators. See Note 4 for the products and services from which each reportable segment derives its revenues.

The accounting policies for our business segments are the same as those described in these Notes. The following tables present our segment information:

	Year Ended December 31, 2021				
	Gaming	SciPlay	iGaming	Unallocated and Reconciling Items[1]	Total
Total revenue	$ 1,321	$ 606	$ 226	$ —	$ 2,153
AEBITDA[2]	659	186	75	(127)	$ 793
Reconciling items to consolidated Net loss from continuing operations before income taxes:					
D&A	(303)	(15)	(54)	(26)	(398)
Restructuring and other	(9)	(32)	(1)	(125)	(167)
Interest expense				(478)	(478)
Gain on remeasurement of debt				41	41
Other income, net				28	28
Stock-based compensation				(113)	(113)
Net loss from continuing operations before income taxes					$ (294)
Assets as of December 31, 2021	$ 4,112	$ 696	$ 633	$ 468	$ 5,909
Capital expenditures for the year ended December 31, 2021	$ 123	$ 9	$ 23	$ 16	$ 171

(1) Includes amounts not allocated to the business segments (including corporate costs) and items to reconcile the total business segments AEBITDA to our consolidated net loss from continuing operations before income taxes.
(2) AEBITDA is reconciled to net loss from continuing operations before income taxes with the following adjustments: (1) depreciation and amortization expense and impairment charges (including goodwill impairments); (2) restructuring and other, which includes charges or expenses attributable to: (i) employee severance; (ii) management restructuring and related costs; (iii) restructuring and integration; (iv) cost savings initiatives; (v) major litigation; and (vi) acquisition costs and other unusual items; (3) interest expense; (4) loss (gain) on debt financing transactions; (5) change in fair value of investments and remeasurement of debt; (6) other expense (income), net including foreign currency (gains), and losses and earnings (loss) from equity investments; and (7) stock-based compensation. AEBITDA is presented as our primary segment measure of profit or loss.

	Year Ended December 31, 2020				
	Gaming	SciPlay	iGaming	Unallocated and Reconciling Items[1]	Total
Total revenue	$ 926	$ 582	$ 191	$ —	$ 1,699
AEBITDA[2]	240	189	58	(113)	$ 374
Reconciling items to consolidated Net loss from continuing operations before income taxes:					
D&A	(348)	(10)	(48)	(43)	(449)
Goodwill impairment	(54)	—	—	—	(54)
Restructuring and other	(30)	(2)	(4)	(20)	(56)
Interest expense				(503)	(503)
Loss on debt financing transactions				(1)	(1)
Loss on remeasurement of debt				(51)	(51)
Other expense, net				(8)	(8)
Stock-based compensation				(56)	(56)
Net loss from continuing operations before income taxes					$ (804)
Assets as of December 31, 2020	$ 4,364	$ 564	$ 423	$ 714	$ 6,065
Capital expenditures for the year ended December 31, 2020	$ 102	$ 7	$ 14	$ 14	$ 137

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss from continuing operations before income taxes.

(2) AEBITDA is described in footnote (2) to the first table in this Note 3.

	Year Ended December 31, 2019				
	Gaming	SciPlay	iGaming	Unallocated and Reconciling Items[1]	Total
Total revenue	$ 1,748	$ 466	$ 174	$ —	$ 2,388
AEBITDA[2][3]	856	122	40	(120)	$ 898
Reconciling items to consolidated Net loss from continuing operations before income taxes:					
D&A	(437)	(7)	(38)	(60)	(542)
Restructuring and other	(10)	(3)	(7)	(5)	(25)
Interest expense				(589)	(589)
Loss on debt financing transactions				(100)	(100)
Gain on remeasurement of debt				9	9
Other income, net				4	4
Stock-based compensation				(32)	(32)
Net loss from continuing operations before income taxes					$ (377)
Capital expenditures for the year ended December 31, 2019	$ 167	$ 9	$ 26	$ 22	$ 224

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss from continuing operations before income taxes.
(2) AEBITDA is described in footnote (2) to the first table in this Note 3.
(3) The year ended December 31, 2019 includes a charge of $10 million for intellectual property royalties paid by SciPlay to the Gaming business segment, which is no longer being paid as of May 7, 2019 in connection with the IP License Agreement described in Note 1.

The following tables present revenue by customer location and property and equipment by geographic location:

	Year Ended December 31,		
	2021	2020	2019
Revenue:			
U.S.	$ 1,551	$ 1,181	$ 1,566
Other	602	518	822
Total	$ 2,153	$ 1,699	$ 2,388

	As of December 31,	
	2021	2020
Property and equipment, net:		
U.S.	$ 147	$ 143
Other	66	99
Total	$ 213	$ 242

(4) Revenue Recognition

The following table disaggregates our revenues by type within each of our business segments:

Revenue category	Revenue recognized for Year Ended December 31, 2021	2020	2019
Gaming			
Gaming operations[(1)]	$ 601	$ 332	$ 597
Gaming machine sales	360	312	609
Gaming systems	204	171	295
Table products	156	111	247
Total	$ 1,321	$ 926	$ 1,748
SciPlay			
Mobile	$ 537	$ 506	$ 391
Web and other	69	76	75
Total	$ 606	$ 582	$ 466
iGaming	$ 226	$ 191	$ 174

(1) Gaming operations revenue for the year ended December 31, 2021 benefited from $44 million U.K. fixed odds betting terminals ("FOBT") recovery received from certain U.K. customers for value-added tax charged on FOBTs ("FOBT recovery") related to a 2020 U.K. court ruling associated with overcharging of value-added tax for gaming operators that consequently reduced our net gaming revenues in those affected prior periods related to these customers and arrangements.

General

We evaluate the recognition of revenue and rental income based on the criteria set forth in ASC 606 or ASC 842, as appropriate. Revenue is recognized net of incentive rebates and discounts when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Sales taxes and all other items of a similar nature are excluded from the measurement of the transaction price and shipping and handling activities are treated as a fulfillment of our promise to transfer the goods, hence, included in cost of sales.

Our credit terms are predominately short term in nature. We also grant extended payment terms under certain Gaming contracts, with financing terms of more than 12 months, primarily where the sale is secured by the related equipment sold. For these contracts with customers for which the financing component is determined to be significant to the contract, and have financing terms of more than 12 months, the contract transaction price is adjusted for the effect of a financing component (time value of money).

Any sales commissions associated with the sale or placement of our products and services are expensed as incurred as contracts associated with sales commissions are generally completed within a one-year period.

Contracts with Customers with Multiple Promised Goods and Services

We enter into contracts with customers that include multiple promises (such as gaming machines, gaming systems hardware and software, installation, service and maintenance, warranties, and maintenance bundled promises). For such contracts, the transaction price is allocated to each distinct performance obligation using an estimate of stand-alone selling price, which is generally based on observable prices or a cost plus margin approach. The establishment of stand-alone selling price requires judgment as to whether there is a sufficient quantity of items sold or substantively renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a stand-alone selling price exists.

The guidance in ASC 606 requires that we apply judgments or estimates to determine both the performance obligations and the stand-alone selling prices of identified performance obligations. Contracts with multiple promised goods and services described above will often involve significant judgment in determining whether each promise is distinct or should be combined with other promises in such contracts in concluding on the distinct performance obligations for such contracts. Such judgment generally requires an assessment of the level of integration and interdependency between individual components particularly in our gaming systems and certain digital contracts with customers. Associated with these same contracts, we also apply significant judgment to determine the stand-alone selling prices of the identified performance obligations.

Gaming Operations

Gaming operations revenues are generated by providing customers access to proprietary land-based gaming equipment and content, table game products and VLTs under a variety of recurring operating, service, or rental contracts, for which consideration is based upon a percentage of Coin-in, a percentage of Net win, or a fixed daily/monthly fee, with variability generally resolved in the reporting period. For these contracts with customers, we generally transfer control and recognize

revenue or rental income over time based on the amount we expect to receive as described and classify such revenue or rental income as services revenue. Payments from customers under these contracts are typically due on a monthly basis. Jackpot expense for our WAP services is recorded as a reduction to revenue, which decreased revenue by $27 million, $16 million, and $20 million for the years ended December 31, 2021, 2020, and 2019 respectively.

The amount of rental income revenue that is outside the scope of ASC 606 was $374 million, $209 million, and $373 million for the years ended December 31, 2021, 2020, and 2019, respectively.

Gaming Machine Sales

These contracts with customers include the sale of gaming machines, including game content, electronic table game products and parts (including game themes and conversion kits). We transfer control and recognize revenue from the sale of gaming machines at a point in time upon delivery of gaming machines to our customers or distributors pursuant to the terms of the contract.

Gaming Systems

Gaming systems contracts with customers can include a comprehensive suite of technology solutions provided to gaming operators, including perpetual licenses to core system solutions and non-core system solutions and other applications and tools. Gaming systems products also include the *iVIEW*® touch screen display, which facilitates the player experience, bonus features, customer service, and employee functions and ongoing hardware and software maintenance services and upgrades.

Determination of performance obligations and timing of the transfer of control varies by contract. Generally, these contracts contain multiple promised goods and services, including the following: (i) core system software license; (ii) non-core system software license(s); (iii) professional services; (iv) system-based hardware; (v) in-game hardware products; and (vi) software and hardware maintenance and product support.

Control transfers and we recognize revenue from the sale of perpetual gaming systems licenses and various hardware products at a point in time when the gaming system is available for use by a customer which is no earlier than the commencement of the license term, and for the hardware products upon delivery. For contracts that include new core gaming system installations, control is not considered transferred until control of the core gaming system license is transferred as the additional promises are generally highly dependent on the core gaming system. Software and hardware maintenance and product support services are considered stand-ready obligations, therefore control transfers and revenue is recognized over time over the term of the maintenance and support period.

Table Products

Table products revenue is generated from supplying and maintaining or selling table game products, primarily including automatic card shufflers, deck checkers, table roulette chip sorters and other land-based table gaming equipment. We transfer control and recognize revenue from the sale of table products at a point in time upon delivery to our customers or distributors pursuant to the terms of the contract. For supply and maintenance contracts, for which consideration is primarily based on a fixed monthly fee, we generally transfer control and recognize rental income over the term of the supply period and classify such rental income as service revenue. Such contracts are generally short-term in nature. We also license our proprietary table games content, for which revenue is recognized at a point in time under the licensing of intellectual property guidance as such licenses are functional licenses or over time for subscription arrangements to our proprietary table games content library.

SciPlay

SciPlay revenues are generated from the sale of virtual coins, chips and bingo cards (“coins, chips and cards”), which players can use to play casino-style slot games, table games and bingo games (i.e., spin in the case of slot games, bet in the case of table games and use of bingo cards in the case of bingo games). SciPlay distributes its games through various global social web and mobile platforms such as *Facebook*, *Apple*, *Google* and *Amazon*, with some of the games available on *Microsoft* and other web and mobile platforms. Control transfers and SciPlay recognizes revenues from player purchases of coins, chips and cards as the coins, chips and cards are consumed for game play and cannot be redeemed nor exchanged for cash. SciPlay determined through a review of play behavior that game players generally do not purchase additional coins, chips and cards until their existing coins, chips and cards balances have been substantially consumed. As SciPlay is able to track the duration between purchases of coins, chips and cards for individual game players for specific games, SciPlay is able to reliably estimate the period of time over which coins, chips and cards are consumed. Accordingly, for most games, SciPlay recognizes revenue using an item-based revenue model. Because SciPlay has control over the content and functionality of games before they are accessed by the end user, SciPlay has determined it is the principal and, as a result, revenues are recorded on a gross basis.

Payment processing fees paid to platform providers (such as *Facebook*, *Apple*, *Amazon*, *Google* and *Microsoft*) are recorded within cost of services. All SciPlay revenue is classified as services revenue.

iGaming

iGaming revenue is generated from various content aggregation platforms, remote gaming servers, and various other platforms, which deliver a wide spectrum of internally developed and branded games and popular third-party provided games to gaming operators as well as platform technology solutions, which provide gaming operators optional portals for reporting and administrative functions. We provide daily access to these platforms and are typically compensated based on variable consideration, such as a percentage of net gaming revenue with variability generally resolved in the reporting period. All iGaming revenue is classified as services revenue.

Contract Liabilities and Other Disclosures

The following table summarizes the activity in our contract liabilities for the reporting period:

	Year Ended December 31, 2021
Contract liability balance, beginning of period[1]	$ 27
Liabilities recognized during the period	31
Amounts recognized in revenue from beginning balance	(21)
Contract liability balance, end of period[1]	$ 37

(1) Contract liabilities are included within Accrued liabilities and Other long-term liabilities in our consolidated balance sheets.

The timing of revenue recognition, billings and cash collections results in billed receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on our consolidated balance sheets. Other than contracts with customers with financing arrangements exceeding 12 months, revenue recognition is generally proximal to conversion to cash.

The following table summarizes our opening and closing balances in our receivables and contract assets:

	Receivables	Contract Assets[1]
End of period balance, December 31, 2020	$ 457	$ 20
End of period balance, December 31, 2021	440	19

(1) Contract assets are included primarily within Prepaid expenses, deposits and other current assets in our consolidated balance sheets.

(5) Restructuring and other

Restructuring and other includes charges or expenses attributable to: (i) employee severance; (ii) management restructuring and related costs; (iii) restructuring and integration; (iv) cost savings initiatives; (v) major litigation; and (vi) acquisition related and other unusual items. The following table summarizes pre-tax restructuring and other costs for the periods presented:

	Year Ended December 31,		
	2021	2020	2019
Employee severance and related[1]	$ 4	$ 29	$ 8
Strategic review and related[2]	97	—	—
Legal and related (see Note 20)	25	—	—
Restructuring, integration and other	41	27	17
Total	$ 167	$ 56	$ 25

(1) The year ended December 31, 2020 includes $29 million in severance and other benefits granted to employees as a result of COVID-19 related austerity measures.
(2) Represents costs associated with the Pending Divestitures as further described in Note 1.

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

Basic and diluted net income (loss) attributable to SGC per share is based upon net income (loss) attributable to SGC divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the effect of the assumed exercise of stock options and RSUs only in the periods in which such effect would have been dilutive.

The below table presents a reconciliation of weighted average shares used in the calculation of basic and diluted earnings per share.

	Year Ended December 31,		
	2021	2020	2019
Weighted average shares for basic earnings per share	96	95	93
Stock options	1	—	—
RSUs	1	—	—
Weighted average shares for diluted earnings per share	98	95	93

We excluded 2 million and 1 million stock options from the calculation of diluted weighted-average net loss attributable to SGC per share for the years ended December 31, 2020 and 2019, respectively, which would be anti-dilutive due to the net loss from continuing operations in those periods. In addition, we excluded 3 million RSUs from the calculation of diluted weighted-average net loss attributable to SGC per share for each of the years ended December 31, 2020 and 2019, which would be anti-dilutive due to the net loss from continuing operations in those periods.

(7) Receivables, Allowance for Credit Losses and Credit Quality of

Receivables *Receivables*

Receivables are recorded at the invoiced amount less allowance for credit losses and imputed interest, if any. For a portion of our receivables, we have provided extended payment terms with installment payment terms greater than 12 months and in certain international jurisdictions up to 36 months. We have a total of $67 million in gross receivables with extended payment terms as of December 31, 2021. Interest income, if any, is recognized ratably over the life of the receivable, and any related fees or costs to establish the receivables are charged to selling, general and administrative expense as incurred, as they are immaterial. Actual or imputed interest, if any, is determined based on current market rates at the time the receivables with extended payment terms originated and is recorded ratably over the payment period, which approximates the effective interest method. We generally impute interest income on all receivables with payment terms greater than one year that do not contain a stated interest rate. Our general policy is to recognize interest on receivables until a receivable is deemed non-performing, which we define as payments being overdue by 180 days beyond the agreed-upon terms. When a receivable is deemed to be non-performing, the item is placed on non-accrual status and interest income is recognized on a cash basis. Accrued interest, non-performing receivables and interest income were immaterial for all periods presented.

The following table summarizes the components of current and long-term receivables, net:

	As of December 31,	
	2021	2020
Current:		
Receivables	$ 475	$ 514
Allowance for credit losses	(52)	(76)
Current receivables, net	423	438
Long-term:		
Receivables	19	24
Allowance for credit losses	(2)	(5)
Long-term receivables, net	17	19
Total receivables, net	$ 440	$ 457

Allowance for Credit Losses

The receivables allowance for credit losses is our best estimate of the amount of expected credit losses in our existing receivables over the contractual term. We evaluate our exposure to credit loss on both a collective and individual basis. We evaluate such receivables on a geographic basis and take into account any relevant available information, which begins with historical credit loss experience and consideration of current and expected conditions and market trends (such as general economic conditions, other microeconomic and macroeconomic considerations, etc.) and reasonable and supportable forecasts that could impact the collectability of such receivables over the contractual term individually or in the aggregate. Changes in

circumstances relating to these factors may result in the need to increase or decrease our allowance for credit losses in the future.

We manage our receivable portfolios using both geography and delinquency as key credit quality indicators. The following table summarizes geographical delinquencies of total receivables, net:

	As of			
	December 31, 2021	Balances over 90 days past due	December 31, 2020	Balances over 90 days past due
Receivables:				
U.S. and Canada	$ 321	$ 37	$ 339	$ 85
International	173	44	199	45
Total receivables	494	81	538	130
Receivables allowance				
U.S. and Canada	(18)	(6)	(43)	(26)
International	(36)	(19)	(38)	(20)
Total receivables allowance	(54)	(25)	(81)	(46)
Receivables, net	$ 440	$ 56	$ 457	$ 84

Account balances are charged against the allowances after all internal and external collection efforts have been exhausted and the potential for recovery is considered remote.

The activity in our allowance for receivable credit losses for each of the years ended December 31, 2021 and 2020 is as follows:

	2021			2020
	Total	U.S and Canada	International	Total
Beginning allowance for credit losses	$ (81)	$ (43)	$ (38)	$ (37)
Provision	2	1	1	(56)
Charge-offs and recoveries	25	24	1	12
Allowance for credit losses as of December 31	$ (54)	$ (18)	$ (36)	$ (81)

At December 31, 2021, 13% of our total receivables, net, were past due by over 90 days compared to 18% at December 31, 2020. *Credit Quality of Receivables*

In our Gaming machine sales business, we file UCC-1 financing statements domestically in order to retain a security interest in the gaming machines that underlie a significant portion of our domestic receivables until the receivable balance is fully paid. However, the value of the gaming machines, if repossessed, may be less than the balance of the outstanding receivable. For international customers, depending on the country and our historic collection experience with the customer, we may obtain pledge agreements, bills of exchange, guarantees, post-dated checks or other forms of security agreements designed to enhance our ability to collect the receivables, although a majority of our international receivables do not have these features. In our Gaming operations business, because we own the Participation gaming machines that are leased or otherwise provided to the customer, in a bankruptcy the customer has to generally either accept or reject the lease or other agreement and, if rejected, our gaming machines are returned to us. Our receivables related to revenue earned on Participation gaming machines and all other revenue sources are typically unsecured claims.

Due to the significance of our gaming machines to the ongoing operations of our casino customers, we may be designated as a key vendor in any bankruptcy filing by a casino customer, which can enhance our position above other creditors in the bankruptcy. Due to our successful collection experience and our continuing relationship with casino customers and their businesses, it is infrequent that we repossess gaming machines from a customer in partial settlement of outstanding receivable balances. In those unusual instances where repossession occurs to mitigate our exposure on the related receivable, the repossessed gaming machines are subsequently resold in the used gaming machine market; however, we may not fully recover the receivable from this re-sale.

We have certain concentrations of outstanding receivables in international locations that impact our assessment of the credit quality of our receivables. We monitor the macroeconomic and political environment in each of these locations in our assessment of the credit quality of our receivables. The international customers with significant concentrations (generally deemed to be exceeding 10%) of our receivables with terms longer than one year are in the Latin America region ("LATAM") and are primarily comprised of Mexico, Peru and Argentina. The following table summarizes our LATAM receivables:

	As of		
	December 31, 2021	Current or Not Yet Due	Balances Over 90 days Past Due
Receivables	$ 103	$ 45	$ 58
Allowance for credit losses	(38)	(17)	(21)
Receivables, net	$ 65	$ 28	$ 37

2020 Allowance for Credit Loss Charges

We increased our allowance for credit losses by $56 million for the year ended December 31, 2020. The increase during 2020 was primarily related to certain Gaming customers in LATAM (which transact with both domestic and international subsidiaries) as those customers were particularly affected by macroeconomic factors exacerbated by COVID-19 and extended COVID-19 closures of gaming operations establishments with COVID-related closures lasting longer than in other geographic regions. As noted above, we have concentrations of receivables in LATAM, where customers generally take longer to pay us than those from other geographies and late payments continued to persist through 2020, in which we collected substantially less compared to historical quarterly collections primarily due to the factors noted above. In addition, customers in this region expect and have often been granted extended payment terms, as described above, which increases our risk of collections. Our customers in LATAM have been and may continue to be negatively affected by the factors noted above. Our policy is to continuously review receivables and as information concerning credit quality arises, we reassess our expectations of future losses. If such losses exceed our existing allowance for credit losses we record an incremental reserve at that time. Our current allowance for credit losses represents our current expectation of credit losses; however future expectations could change as the ultimate impact of the COVID-19 disruption remains uncertain, particularly as to the financial stability of our customers during and after the COVID-19 disruption period.

We did not have any material changes to our allowance for credit losses for the year ended December 31, 2021.

The fair value of receivables is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of December 31, 2021 and December 31, 2020, the fair value of receivables, net, approximated the carrying value due to contractual terms of receivables generally being less than 24 months.

(8) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out or weighted moving average method. Our inventory primarily consists of gaming machines and table products for sale and related parts. We determine the lower of cost or net realizable value of our inventory based on estimates of potentially excess and obsolete inventories after considering historical and forecasted demand and average selling prices. Our policy is to continuously review and assess the value of our inventory, especially during the COVID-19 disruption period, which in 2020 led to a significant decline in demand for our gaming units due to customers delaying or reducing their capital expenditures. We continuously monitor demand, assess our internal outlook and rationalize our product roadmap, all of which could result in recording adjustments to the valuation of inventory.

Inventories consisted of the following:

	As of December 31,	
	2021	2020
Parts and work-in-process	$ 70	$ 86
Finished goods	28	33
Total inventories	$ 98	$ 119

Parts and work-in-process include parts for gaming machines and our finished goods inventory primarily consist of gaming machines for sale.

We recorded inventory valuation charges (recorded in Cost of product sales) of $12 million, $48 million and $9 million for the years ended December 31, 2021, 2020 and 2019, respectively, related to inventory in our Gaming business segment. The 2020 charges are a result of our Gaming leadership team's improved and expanded strategic plan that was initiated in the first half of the year. This strategic plan included revising product roadmaps and assessments related to how many and which platforms we will support, when we end service on legacy platforms and when we stop selling such platforms in conjunction with new product launches. The implementation of this plan, combined with the rapid demand reduction that took place in 2020, our increased focus on our go to market approach in LATAM (both largely as a result of the COVID-19 disruptions), and our view on certain markets and customers, required us to reassess our inventory valuation, including whether we had excess or obsolete inventory based on the new strategic plan, a reduction in demand for legacy platforms, and plans for disposition of the related inventory. In addition, the extended closures in the LATAM region in 2020 made it difficult to execute our previous strategy of shipping legacy platforms into that market. The combination of these factors led to the $48 million inventory valuation charges recognized for the year ended December 31, 2020.

(9) Property and Equipment, net

Property and equipment are stated at cost, and when placed into service, are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Item	Estimated Life in Years
Gaming equipment	1 - 5
Machinery and equipment	3 - 15
Transportation equipment	3 - 8
Furniture and fixtures	5 - 10
Buildings and improvements	15 - 40

Costs incurred for equipment associated with specific Gaming contracts not yet placed into service are classified as construction in progress and are not depreciated until placed into service. Leasehold improvements are amortized over the lesser of the term of the corresponding lease or their useful life.

We periodically review the estimated useful lives of our fixed assets and assess the recoverability of long-lived assets (or asset groups) whenever events or changes in circumstances indicate that the carrying value of such an asset (or asset groups) may not be recoverable.

Property and equipment, net consisted of the following:

	As of December 31,	
	2021	2020
Land	$ 6	$ 6
Buildings and leasehold improvements	55	59
Gaming machinery and equipment	712	701
Furniture and fixtures	22	25
Construction in progress	9	6
Other property and equipment	84	86
Less: accumulated depreciation	(675)	(641)
Total property and equipment, net	$ 213	$ 242

Depreciation expense is excluded from Cost of services, Cost of product sales and Other operating expenses and is separately presented within D&A.

	Year Ended December 31,		
	2021	2020	2019[1]
Depreciation expense	$ 120	$ 145	$ 178

(1) Includes assets held for sale impairment charges of $9 million.

(10) Acquisitions

We account for business combinations in accordance with ASC 805, which requires us to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard prescribe, among other things, the determination of acquisition-date fair value of consideration paid in a business combination (including contingent consideration) and the exclusion of transaction and acquisition related restructuring costs from acquisition accounting.

2021 Acquisitions

Acquisitions Related to Continuing Operations

In July of 2021, SciPlay acquired privately held Koukoi Games Oy ("Koukoi"), a developer and operator of casual mobile games. Koukoi has been included in our SciPlay business segment and was accounted for as an asset acquisition.

In August of 2021, we acquired privately held Lightning Box Games ("Lightning Box"), an iGaming content studio. Lightning Box has been included in our iGaming business segment.

In October of 2021, we signed a definitive agreement to acquire Automated Cashless Systems, Inc.'s ("ACS") table game solution PlayOn™ ("PlayOn™"), a cashless product line that provides players with a debit solution at live table games. PlayOn™ was re-named to "Access To On Demand Money" ("AToM™") and is included in our Gaming business segment.

In November of 2021, we acquired Authentic Gaming, a premium provider of live casino solutions, which has been included in our iGaming business segment.

In December of 2021, we acquired ELK Studios, a leading European games developer, which has been included in our iGaming business segment. Acquisitions Related to Discontinued Operations

In August of 2020, we obtained a one-year option agreement to acquire SportCast Pty, Limited (the "SportCast Option"), a privately held sports-betting content and player engagement technology and platform supplier. We accounted for the SportCast Option by electing a measurement alternative to measure this equity investment at cost, less impairment given lack of readily determinable fair value in accordance with ASC Topic 321. In May of 2021, we exercised the SportCast Option and completed an acquisition of SportCast (the "SportCast Acquisition"), which expanded the Sports Betting business' portfolio of sports-betting technology, services and content.

In September of 2021, we acquired Sideplay Entertainment ("Sideplay"), a digital "e-instant" content studio. Sideplay has been included in the Lottery business.

The following table summarizes an aggregate disclosure related to business acquisitions completed during the year ended December 31, 2021:

	Total Consideration	Cash paid, net of cash acquired	Contingent Consideration[1]	Allocation of purchase price to intangible assets, net[2]	Weighted average useful life of acquired intangible assets	Excess purchase price allocated to Goodwill[3]
Acquisitions related to continuing operations[4]	$ 252	$ 186	$ 45	$ 52	6.4 Years	$ 191
Acquisitions related to discontinued operations[5]	106	18	25	35	6 Years	77
Aggregate total	$ 358	$ 204	$ 70	$ 87		$ 268

(1) Contingent acquisition consideration values are primarily based on reaching certain earnings-based metrics, with a cumulative maximum payout of up to $109 million as of December 31, 2021 and were determined by fair value and included in the consideration transferred. The fair value was primarily determined using an income approach method and level 3 inputs in the hierarchy as established by ASC 820. The maximum contingent acquisition consideration liability related to continuing operations was $86 million as of December 31, 2021. The maximum contingent acquisition consideration liability related to discontinued operations was $23 million as of December 31, 2021.

(2) Intangible assets primarily consist of technology-based and customer relationship intangible assets. The fair value of these intangible assets was determined using an income approach method and level 3 inputs in the hierarchy as established by ASC 820. The discount rates and royalty rates used in the valuation analyses ranged between 15% and 29% and 1% and 52%, respectively.

(3) The factors contributing to the recognition of acquisition goodwill are based on customer offering diversification, expected synergies, assembled workforce and other strategic benefits. None of the resultant goodwill is expected to be deductible for income tax purposes.

(4) Authentic Gaming and Elk Studios (included within this line) are based on the preliminary allocations of the purchase price expected to be finalized during the first half of 2022, pending completion of the valuation analyses for the acquired intangible assets.

(5) The SportCast acquisition's total consideration transferred included $63 million in fair value of the SportCast Option, which resulted in a $63 million gain recorded in the Net income from discontinued operations, net of tax, line item in our consolidated statements of operations for the year ended December 31, 2021 due to the increase in fair value of the SportCast Option. The fair value of the Sportscast Option has been determined using an income approach method and level 3 inputs in the hierarchy as established by ASC 820. The discount rate used in the valuation analyses was 15%.

The revenue and earnings associated with all of the above acquisitions are not significant to our consolidated financial statements.

2020 Acquisitions

On June 22, 2020, SciPlay completed the acquisition of all of the issued and outstanding capital stock of privately held mobile and social game company Come2Play, Ltd. ("Come2Play"), which expands SciPlay's existing portfolio of social games. Come2Play offers a solitaire social game targeted towards casual game players on the same platform in which SciPlay currently offers its existing games. The total purchase consideration was $18 million, which includes our estimate of contingent acquisition consideration. Our allocation of the purchase price resulted in $13 million intangible assets primarily allocated to customer relationships and acquired technology and $7 million in excess purchase price allocated to goodwill.

Alictus Acquisition

On March 1, 2022, SciPlay acquired 80% of all issued and outstanding share capital of privately held Alictus Yazilim Anonim Şirketi ("Alictus"), a Turkey-based hyper-casual game studio for approximately $102 million cash consideration, net of cash acquired. The remaining 20% will be acquired ratably for potential additional consideration payable annually based upon the achievement of specified revenue and EBITDA targets by Alictus during each of the five years following the acquisition date. Any future payments associated with the acquisition of the remaining 20% will represent a contingent consideration obligation, with a minimum payout of $— million and a maximum payout of $200 million. The Alictus acquisition expands SciPlay's business in the casual gaming market, growing their game pipeline and diversifying their revenue streams as they advance their strategy to be a diversified global game developer.

We are in the process of completing the preliminary purchase price accounting and expect that a substantial amount of the purchase price will be allocated to goodwill and intangible assets. The revenue, earnings and assets associated with the Alictus acquisition are not significant to our historical consolidated financial statements.

(11) Intangible Assets, net and Goodwill

Intangible Assets, net

The following tables present certain information regarding our intangible assets as of December 31, 2021 and December 31, 2020. Amortizable intangible assets are being amortized on a straight-line basis over their estimated useful lives with no estimated residual values, which materially approximates the expected pattern of use.

	As of					
	December 31, 2021			December 31, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Balance	Gross Carrying Value	Accumulated Amortization	Net Balance
Amortizable intangible assets:						
Customer relationships	$ 911	$ (445)	$ 466	$ 904	$ (384)	$ 520
Intellectual property	914	(670)	244	893	(621)	272
Licenses	472	(380)	92	472	(344)	128
Brand names	132	(97)	35	127	(86)	41
Trade names[1]	158	(54)	104	112	(38)	74
Patents and other	12	(7)	5	11	(6)	5
Total amortizable intangible assets	2,599	(1,653)	946	2,519	(1,479)	1,040
Non-amortizable intangible assets:						
Trade names[1]	—	—	—	50	(2)	48
Total intangible assets	$ 2,599	$ (1,653)	$ 946	$ 2,569	$ (1,481)	$ 1,088

(1) During the fourth quarter of 2021, a legacy trade name was reclassified to amortizable trade names assets as a result of our rebranding initiatives (see below in this Note 11 for additional details).

The following reflects intangible amortization expense included within D&A:

	Year Ended December 31,		
	2021	2020	2019
Amortization expense	$ 197	$ 207	$ 257

Estimated intangible asset amortization expense for the year ending December 31, 2022 and each of the subsequent four years:

	Year Ending December 31,				
	2022	2023	2024	2025	2026
Amortization expense	$ 246	$ 190	$ 147	$ 101	$ 87

During the fourth quarter of 2021 and as a result of corporate-wide rebranding, we determined that useful lives for certain of our indefinite-lived and finite-lived trade names in our Gaming business segment warrant a change. We first performed an impairment assessment, which indicated that carrying values of these trade names are recoverable (or for our indefinite-lived asset, the estimated fair value was more likely than not in-excess of the carrying value). The change in useful life determination was treated as a change in estimate with a $109 million carrying value of these legacy trade names being amortized on a straight-line basis over a twenty month period beginning in the fourth quarter of 2021, which materially approximates the expected pattern of use over their remaining useful lives and periods over which these legacy trade names will contribute to the future cash flows of the respective asset groups. The incremental expense of this change for the year ended December 31, 2021 was $10 million and is recorded in D&A.

Goodwill

The table below reconciles the change in the carrying value of goodwill, by business segment, for the period from December 31, 2019 to December 31, 2021.

	Gaming[1]	SciPlay	iGaming	Totals
Balance as of December 31, 2019	$ 2,449	$ 115	$ 170	$ 2,734
Impairment	(54)	—	—	(54)
Acquired goodwill	—	7	—	7
Foreign currency adjustments	30	2	11	43
Balance as of December 31, 2020	2,425	124	181	2,730
Acquired goodwill	—	—	191	191
Foreign currency adjustments	(20)	2	(11)	(29)
Balance as of December 31, 2021	$ 2,405	$ 126	$ 361	$ 2,892

(1) Accumulated goodwill impairment charges for the Gaming segment as of December 31, 2021 were $989 million.

Goodwill represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed of acquired companies. We test goodwill for impairment annually as of October 1 of each fiscal year or more frequently if events arise or circumstances change that indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value.

We evaluate goodwill at the reporting unit level by comparing the carrying value of each reporting unit to its fair value using a quantitative impairment test or qualitative assessment, as deemed appropriate. Under the qualitative assessment option, we first assess qualitative factors to determine whether the fair value of a reporting unit is not “more than likely” less than its carrying value, which is commonly referred to as “Step 0”. If the fair value of the reporting unit is greater or if it is more likely than not that the fair value of the reporting unit is greater than its carrying value, goodwill is not considered impaired. For reporting units where we perform the quantitative process, we are required to compare the fair value of each reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows and a market approach, to the respective carrying value, which includes goodwill. If the fair value of the reporting unit is less than its carrying value, an impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit’s fair value determined based on a quantitative test, not to exceed the total amount of goodwill allocated to that reporting unit.

We review our operating segments in accordance with ASC 350 to determine reporting units within our operating segments based on the availability of discrete financial information that is regularly reviewed by segment management. As a result of our Lottery and Sports Betting businesses being reflected as discontinued operations (see Note 2), we reassessed our continuing operations reporting units and determined that we have six reporting units: SG Gaming, U.K. Gaming, Casino Management Systems, Table Products, SciPlay, and iGaming. For business segment information, see Note 3.

Our annual goodwill impairment tests as of October 1, 2021 indicated estimated fair values were in excess of their carrying values for each of our reporting units that have goodwill balances.

2020 U.K. Gaming Impairment Charge

A substantial portion of our U.K. Gaming reporting unit revenue comes from Ladbrokes Coral Group (acquired by Entain (formerly GVC Holdings PLC) in March 2018), which operates LBOs in the U.K. On April 1, 2019 the maximum stakes limit on fixed odds betting terminals was reduced from £100 to £2. As a result of this change, LBO operators began to rationalize their retail operations, which among other measures has included closure of certain LBO shops. Consequently, as of October 1, 2019, we concluded that an elevated risk of goodwill impairment existed for our U.K. Gaming reporting unit as adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with investments included in that reporting unit could lead to future goodwill impairments.

During the first quarter of 2020, the COVID-19 disruptions resulted in the widespread closures of LBO shops across the U.K., which, along with global economic uncertainty, contributed to further deterioration in business conditions from our 2019 annual goodwill test date. This had an adverse effect on our U.K. Gaming reporting unit (part of our Gaming business segment), which necessitated performing a quantitative goodwill impairment test during the first quarter of 2020.

We performed this quantitative impairment test by comparing the fair value of our U.K. Gaming reporting unit to its carrying value, including goodwill. The fair value of our U.K. Gaming reporting unit was determined using a combination of both an income approach, based on the present value of discounted cash flows, and a market approach. Due to market volatility and limited market data points specific to the nature of our U.K. Gaming reporting unit operations, we placed greater weight on the income approach than on the market approach. As a result of this analysis, during the first quarter of 2020 we recognized a partial impairment charge totaling $54 million, which is the amount by which the carrying value exceeded the estimated fair value. This impairment charge resulted in no tax benefit.

We used projections of revenues, profit margin, operating costs, capital expenditures and cash flows that primarily considered general economic and market conditions and estimated future results including the estimated impact of the COVID-19 disruptions. We used a range of different scenarios and derived estimated fair value based on an equal weighting of these scenarios to reflect the economic uncertainty resulting from the COVID-19 disruptions and the timing and magnitude of the economic recovery following the COVID-19 disruptions coupled with the impact of the regulatory change. The following ranges of the key estimates and assumptions were used in the discounted cash flow analysis:

- Revenue growth for FY 2021 between negative 9% and negative 20%, an average revenue growth for FY 2022 to FY 2027 between positive 3% and positive 5%, and terminal revenue growth rate of positive 2.0%;
- An average profit margin ranging from 13% to 23%;
- Assumptions regarding future capital expenditures reflective of maintaining our current customer contracts; and
- An overall discount rate ranging from 8.5% to 10.0%.

In our market comparable analysis, we considered revenue and EBITDA multiples ranging from 2.1x to 2.7x and 5.7x to 7.5x, respectively, and ultimately selected multiples at the low end of the range.

Other long-lived assets and intangible assets with finite useful lives

Intangible assets with finite useful lives are amortized over two to fifteen years using the straight-line method, which materially approximates the pattern of the assets' use. Factors considered when assigning useful lives include legal, regulatory and contractual provisions, product obsolescence, demand, competition and other economic factors.

We assess the recoverability of long-lived assets and intangible assets with finite useful lives whenever events arise or circumstances change that indicate the carrying value of an asset may not be recoverable. Recoverability of long-lived assets (or asset groups) to be held and used is measured by a comparison of the carrying value of the asset (or asset group) to the expected net future undiscounted cash flows to be generated by that asset (or asset group). The amount of impairment of other long-lived assets and intangible assets with finite lives is measured by the amount by which the carrying value of the asset exceeds the fair market value of the asset.

(12) Software, net

We capitalize direct costs used in the development of internal-use software. Amounts capitalized are amortized over a period of two to ten years on a straight-line basis.

We purchase, license and incur costs to develop external use software to be used in the products we sell, lease or market to customers. Costs incurred in creating software are expensed when incurred as R&D until technological feasibility has been established, after which costs are capitalized up to the date the software is available for general release to customers. Generally, the software we develop reaches technological feasibility when a working model of the software is available. We capitalize the payments made for software that we purchase or license for use in our products that has previously met the technological feasibility criteria prior to our purchase or license. Amortization of capitalized software costs is recorded over the estimated economic life, which is typically eight to ten years.

For our game themes, we have determined that such products reach technological feasibility when internal testing is complete and the product is ready to be submitted to gaming regulators for approval. We incur and capitalize regulatory approval costs for our game themes after technological feasibility is achieved. Amortization of regulatory approval costs is recorded over the estimated economic life, which is typically two to four years.

Software, net consisted of the following:

	As of December 31,	
	2021	2020
Software	$ 996	$ 992
Accumulated amortization	(879)	(849)
Software, net	$ 117	$ 143

In the years ended December 31, 2021 and 2020, we capitalized $58 million and $59 million, respectively, of development expenditures.

The following reflects amortization of software included within D&A:

	Year Ended December 31,		
	2021	2020	2019
Amortization expense	$ 81	$ 97	$ 107

(13) Accrued Liabilities

Accrued liabilities consisted of the following:

	As of December 31,	
	2021	2020
Compensation and benefits	$ 122	$ 70
Accrued interest	84	86
Accrued licenses	29	28
Legal matters reserve	27	3
Contract liability	18	19
Taxes, other than income	17	20
Operating lease liabilities	16	16
Customer advances, deposits and funds held on behalf of customers	13	9
Contingent acquisition consideration liabilities	3	1
Other	115	91
Total	$ 444	$ 343

(14) Leases and Other Commitments

Our operating leases primarily consist of real estate leases such as offices, warehouses, and research and development facilities. Our leases have remaining lease terms ranging from one year to ten years, some of which include options to extend the leases for up to five years or to terminate the leases within one year. Our finance leases are immaterial.

Supplemental balance sheet and cash flow information related to operating leases is as follows:

	As of	
	December 31, 2021	December 31, 2020
Operating lease right-of-use assets[(1)]	$ 51	$ 52
Accrued liabilities	16	16
Operating lease liabilities	40	43
Total operating lease liabilities	$ 56	$ 59
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases for the year ended December 31, 2021 and 2020, respectively	$ 19	$ 19
Weighted average remaining lease term, years	4	5
Weighted average discount rate	5 %	5 %

(1) Operating lease right-of-use assets obtained in exchange for lease obligations were immaterial.

Lease liability maturities:

	2022	2023	2024	2025	2026	Thereafter	Less Imputed Interest	Total
Operating leases	$ 19	$ 15	$ 12	$ 9	$ 5	$ 1	$ (5)	$ 56

Our total operating lease expenses were $21 million, $23 million and $29 million for the years ended December 31, 2021, 2020 and 2019, respectively. The total amount of variable and short-term lease payments was immaterial for all periods presented.

As of December 31, 2021, we did not have material additional operating leases that have not yet commenced.

Other Commitments

U.S. 401(k) plan

We have a 401(k) plan for U.S.-based employees. Those employees who participate in our 401(k) plan are eligible to receive matching contributions from us for the first 6% of participant contributions (as defined in the plan document). During 2020, as part of austerity measures implemented as a result of COVID-19, we temporarily eliminated 401(k) matching contributions, which was reinstated in March of 2021. Contribution expense for the years ended December 31, 2021, 2020 and 2019 amounted to $6 million, $3 million and $7 million, respectively.

(15) Long-Term Debt

Outstanding Debt

The following table reflects our outstanding debt:

			As of December 31,			
			2021			2020
	Final Maturity	Rate(s)	Face Value	Unamortized debt discount/premium and deferred financing costs, net	Book Value	Book Value
Senior Secured Credit Facilities:						
SGI Revolver	2024	variable	$ —	$ —	$ —	$ 535
SGI Term Loan B-5	2024	variable	4,018	(36)	3,982	4,012
SciPlay Revolver	2024	variable	—	—	—	—
SGI Senior Notes:						
2025 Secured Notes[1]	2025	5.000%	1,250	(10)	1,240	1,237
2026 Secured Euro Notes[2]	2026	3.375%	367	(3)	364	395
2025 Unsecured Notes	2025	8.625%	550	(6)	544	542
2026 Unsecured Euro Notes[2]	2026	5.500%	283	(3)	280	303
2026 Unsecured Notes	2026	8.250%	1,100	(10)	1,090	1,088
2028 Unsecured Notes	2028	7.000%	700	(8)	692	691
2029 Unsecured Notes	2029	7.250%	500	(6)	494	493
Other[3]	2023	4.089%	4	—	4	7
Total long-term debt outstanding			$ 8,772	$ (82)	$ 8,690	$ 9,303
Less: current portion of long-term debt					(44)	(44)
Long-term debt, excluding current portion					$ 8,646	$ 9,259
Fair value of debt[4]			$ 9,009			

(1) We entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting $460 million of the fixed-rate, U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to a fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. These cross-currency swaps have been designated as a hedge of our net investment in certain subsidiaries.
(2) We designated a portion of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the change in foreign currency exchange rates of the Euro relative to the U.S. Dollar (see Note 16 for additional information). The total change in the face value of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes due to changes in foreign currency exchange rates since the issuance was a reduction of $62 million, of which a gain of $41 million, a loss of $51 million and a gain of $9 million were recognized on remeasurement of debt in the Consolidated Statements of Operations for the years ended December 31, 2021, 2020, and 2019, respectively.
(3) Primarily comprised of certain revenue transactions presented as debt in accordance with ASC 470.
(4) Fair value of our fixed rate and variable interest rate debt is classified within Level 2 in the fair value hierarchy and has been calculated based on the quoted market prices of our securities.

The following reflects the principal amount of debt and finance lease payments due over the next five years and beyond as of December 31, 2021:

Due	Total Principal Due	Series of Debt/Finance lease	Principal Due per Series of Debt/Lease
2022	$ 44	Term Loan B-5	$ 42
		Other	2
2023	44	Term Loan B-5	42
		Other	2
2024	3,934	Term Loan B-5	3,934
		Drawn Revolving Credit Facility	—
2025	1,800	2025 Secured Notes	1,250
		2025 Unsecured Notes	550
2026	1,750	2026 Secured Euro Notes	367
		2026 Unsecured Euro Notes	283
		2026 Unsecured Notes	1,100
2027 and beyond	1,200	2028 Unsecured Notes	700
		2029 Unsecured Notes	500
Unamortized deferred financing costs and discount/premium	(82)		
Total debt book value as of December 31, 2021	$ 8,690		

Description of Outstanding Debt

Credit agreement

SGC and certain of its subsidiaries are party to a credit agreement, dated as of October 18, 2013, by and among SGI, as the borrower, SGC, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto (the "credit agreement"). As of December 31, 2021, the credit agreement included (a) a revolving credit facility of $650 million through November 20, 2024, with up to $350 million available for issuances of letters of credit and (b) a $4,018 million term B-5 loan facility that matures August 14, 2024.

The term B-5 loans amortize in equal quarterly installments in an amount equal to 1.00% per annum of the stated principal amount thereof, with the remaining balance due at final maturity. All of the debt incurred under the revolving credit facility is subject to accelerated maturity if loans under our term B-5 loan facility remain outstanding 91 days prior to their stated maturity date of August 14, 2024 and we do not have sufficient liquidity at that time. In this case, liquidity would be based on our unrestricted cash (excluding SciPlay cash) and availability under our revolving credit facility. SGI may voluntarily prepay all or any portion of outstanding amounts under the credit agreement at any time, without premium or penalty, subject to redeployment costs in the case of a prepayment of eurocurrency loans on a day that is not the last day of the relevant interest period.

The applicable margin for the term B-5 loans is 2.75% per annum for eurocurrency (LIBOR) loans and 1.75% per annum for base rate loans. The applicable margin for revolver borrowings is 3.00% per annum for eurocurrency (LIBOR) loans and 2.00% per annum for base rate loans. SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon the achievement of certain net first lien leverage ratios.

In July 2021, we amended our Credit Agreement to provide for additional flexibility on executing the pending transactions, to include among other items: (a) extended the time period for conversion of securities into cash for purposes of satisfying the 75% minimum cash proceeds requirement from 180 to 365 days for proceeds received from the intended disposition of our Sports Betting business ("the Disposition Transaction"), (b) amend the basket for non-cash consideration received in connection with a permitted disposition, (c) permit any capital stock received as consideration in the Disposition Transactions and (d) require that at least 25% of the net cash proceeds received from the Disposition Transactions will be used to prepay outstanding term loans within ten business days of the Disposition Transactions.

On February 28, 2022, we amended our Credit Agreement to permit the Company to make restricted payments in an amount not to exceed $150 million to repurchase certain capital stock so long as it complies with certain minimum liquidity levels on a pro forma basis.

SciPlay Revolver

On May 27, 2021, SciPlay Holding, a subsidiary of SciPlay, entered into the SciPlay Revolver, a $150 million revolving credit agreement, dated as of May 7, 2019, that matures in May 2024, by and among SciPlay Holding, as the borrower, SciPlay Parent LLC, as a guarantor, the subsidiary guarantors party thereto (which are all domestic entities that comprise our SciPlay business segment), the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent.

The interest rate is either Adjusted LIBOR (as defined in the SciPlay Revolver) plus 2.250% (with one 0.250% leverage-based step-down to the margin and one 0.250% leverage-based step-up to the margin) or ABR (as defined in the SciPlay Revolver) plus 1.250% (with one 0.250% leverage-based step-down to the margin and one 0.250% leverage-based step-up to the margin) at the option of SciPlay Holding. SciPlay Holding is required to pay to the lenders a commitment fee of 0.500% per annum on the average daily unused portion of the revolving commitments through maturity, which fee varies based on the total net leverage ratio and is subject to a floor of 0.375%. The SciPlay Revolver provides for up to $15 million in letter of credit issuances.

On February 28, 2022, SciPlay entered into Amendment No. 2 to the SciPlay Revolver, that among other things, (i) amends certain interest rate provisions related to Sterling-denominated revolving loans, (ii) increases SciPlay's capacity to acquire non-loan parties and (iii) allows for the acquisition of Alictus (see Note 10).

Notes

Issuance of 2025 Secured Notes, 2026 Secured Euro Notes and 2026 Unsecured Euro Notes

On February 14, 2018, SGI issued an additional $900 million aggregate principal amount of its 2025 Secured Notes, €325 million aggregate principal amount of its 2026 Secured Euro Notes and €250 million aggregate principal amount of its 2026 Unsecured Euro Notes, and entered into an amendment to our credit agreement to refinance our term loan B-4 facility and increase the term loans outstanding by $900 million under term loan B-5 facility.

Issuance of 2026 Unsecured Notes

On March 19, 2019, SGI issued $1,100 million in aggregate principal amount of its 2026 Unsecured Notes. We used the net proceeds of the 2026 Unsecured Notes offering to redeem $1,000 million of our outstanding 2022 Unsecured Notes and pay accrued and unpaid interest thereon plus related premiums, fees, and costs, which redemption was completed on April 4, 2019, and paid related fees and expenses of the 2026 Unsecured Notes offering.

Issuance of 2028 and 2029 Unsecured Notes

On November 26, 2019, SGI issued $700 million in aggregate principal amount of its 2028 Unsecured Notes and $500 million in aggregate principal amount of its 2029 Unsecured Notes. We used the net proceeds of the 2028 Unsecured Notes and the 2029 Unsecured Notes, together with cash on hand and borrowings under the revolving credit facility, to redeem the remaining $1,200 million of our outstanding 2022 Unsecured Notes and all $244 million of our outstanding 2020 Notes and pay accrued and unpaid interest thereon plus related premiums, fees, and costs, which redemption was completed on December 12, 2019, and paid related fees and expenses of the offering.

Issuance of 2025 Unsecured Notes

On July 1, 2020, we completed the issuance of $550 million in aggregate principal amount of 8.625% senior unsecured notes due 2025 in a private offering and received total net proceeds of $543 million. We used a portion of the net proceeds to redeem all $341 million of our outstanding 2021 Notes and paid accrued and unpaid interest thereon plus related premiums, fees and costs, which redemption was completed on July 17, 2020, and used the remaining net proceeds to fund working capital and general corporate purposes.

The following table sets forth the date of the indenture, redemption prices and dates and ranking, guarantees and collateral for each of our outstanding series of notes:

Series of Notes	Indenture Date	Redeemable at Make Whole Price Prior To[1]	Ranking, Guarantees and Collateral
2025 Secured Notes	October 17, 2017	October 15, 2020	Senior Secured
2026 Secured Euro Notes[2]	February 14, 2018	February 15, 2021	Senior Secured
2025 Unsecured Notes	July 1, 2020	July 1, 2022	Senior Unsecured
2026 Unsecured Euro Notes[2]	February 14, 2018	February 15, 2021	Senior Unsecured
2026 Unsecured Notes	March 19, 2019	March 15, 2022	Senior Unsecured
2028 Unsecured Notes	November 26, 2019	May 15, 2023	Senior Unsecured
2029 Unsecured Notes	November 26, 2019	November 15, 2024	Senior Unsecured

(1) Refers to the date prior to which such series of notes may be redeemed at a redemption price equal to 100% of the principal amount of such notes plus accrued and unpaid interest, if any, to the date of redemption plus a "make whole" premium. On or after such date, such notes may be redeemed at the prices specified in the indenture governing such notes.

(2) Effective April 30, 2018, the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes were listed on the Official List of The International Stock Exchange.

Ranking, guarantees and collateral

Borrowings under the credit agreement and the Secured Notes are senior secured obligations of SGI, rank equally to all of SGI's existing and future senior debt and rank senior to all of SGI's existing and future senior subordinated debt, if any. The Unsecured Notes are senior unsecured obligations of SGI, rank equally to all of SGI's existing and future senior debt and rank senior to all of SGI's existing and future senior subordinated debt, if any.

Borrowings under the credit agreement and the Senior Notes are guaranteed by us and each of our current and future direct and indirect wholly owned domestic subsidiaries (other than SGI, the unrestricted business entities comprising our SciPlay business segment and certain immaterial subsidiaries), subject to certain customary exceptions as set forth in the credit agreement and the indentures governing such notes. Borrowings under the credit agreement and the Senior Notes are structurally subordinated to all of the liabilities of our Non-Guarantor Subsidiaries.

The obligations under the credit agreement and the Secured Notes are secured by a first priority lien on (1) substantially all the property and assets (real and personal, tangible and intangible) of SGI and the other guarantors, and (2) 100% of the capital stock (or other equity interests) of the direct domestic subsidiaries of SGC, SGI and the guarantors and 65% of the capital stock (or other equity interests) of the direct foreign subsidiaries of SGC, SGI and the guarantors, in each case, subject to certain customary exceptions.

The SciPlay Revolver is secured by a (i) first priority pledge of the equity securities of SciPlay Holding, SciPlay Parent LLC's restricted subsidiaries and each subsidiary guarantor party thereto and (ii) first priority security interests in, and mortgages on, substantially all tangible and intangible personal property and material fee-owned real property of SciPlay Parent LLC, SciPlay Holding and each subsidiary guarantor party thereto, in each case, subject to customary exceptions.

Restrictive covenants

Our only financial maintenance covenant (excluding SciPlay's Revolver) is contained in SGI's credit agreement. Failure to comply with any of the covenants in these agreements could result in a default under these agreements and under other agreements containing cross-default provisions. Such a default would permit lenders to accelerate the maturity of the debt under these agreements and other agreements containing cross-default provisions and, in the case of the credit agreement and the indentures governing the Secured Notes, to foreclose upon any collateral securing such debt.

We amended the consolidated net first lien leverage ratio covenant in the credit agreement with the requisite lenders under SGI's revolving credit facility on May 8, 2020 (the "Credit Agreement Amendment") and subsequently extended the Credit Agreement Amendment on October 8, 2020 (the "Credit Agreement Extension Amendment") to implement a financial covenant relief period, which extends the relief period through the first quarter of 2022 ("Covenant Relief Period"). As a result, (a) SGI is not required to maintain compliance with the consolidated net first lien leverage ratio covenant during the Covenant Relief Period, (b) the step down of the consolidated net first lien leverage ratio covenant following the Covenant Relief Period was revised, (c) SGI must maintain liquidity (excluding SciPlay) of at least $275 million during the Covenant Relief Period, (d) SGI is restricted in its ability to further incur indebtedness and liens, make restricted payments and investments and prepay junior indebtedness during the Covenant Relief Period, subject to certain exceptions and further subject, in some instances, to maintaining minimum liquidity (excluding SciPlay) of at least $400 million and (e) a LIBOR floor of 0.500% was established on borrowings under the revolving credit facility during the Covenant Relief Period.

The following table summarizes the revised consolidated net first lien leverage ratio and Consolidated EBITDA:

Revised Consolidated Net First Lien Leverage Ratio Covenant Calculation

Period ending	Revised Consolidated Net First Lien Leverage Ratio Covenant	Consolidated EBITDA multiplier[1]
3/31/2022	6.00x	4x Q1-2022
6/30/2022	6.00x	2x YTD Q2-2022
9/30/2022	5.75x	1.33x YTD Q3-2022
12/31/2022	5.75x	
3/31/2023	5.25x	
6/30/2023	5.25x	N/A - Calculated based on the previous 12 month
9/30/2023	4.75x	period including the quarter being tested
12/31/2023	4.75x	
3/31/2024 and thereafter	4.50x	

(1) Consolidated EBITDA is defined in the Credit Agreement Extension Amendment and is calculated as testing year-to-date period-end consolidated EBITDA times multiplier.

Additionally, the SciPlay Revolver requires that SciPlay maintain a maximum total net leverage ratio not to exceed 2.50x and maintain a minimum fixed charge coverage ratio of no less than 4.00x.

Our only financial maintenance covenant (excluding SciPlay's Revolver) is contained in SGI's credit agreement. Prior to the Credit Agreement Amendment dated May 8, 2020, this covenant was tested at the end of each fiscal quarter and required us to not exceed a maximum consolidated net first lien leverage ratio of 5.00x Consolidated EBITDA (as defined in the credit agreement). Prior to the Credit Agreement Amendment and Credit Agreement Extension Amendment, this ratio stepped down to 4.75x beginning with the fiscal quarter ended December 31, 2020 and to 4.50x beginning with the fiscal quarter ending December 31, 2021. Additionally, the SciPlay Revolver requires that SciPlay maintain a maximum total net leverage ratio not to exceed 2.50x and maintain a minimum fixed charge coverage ratio of no less than 4.00x. We had no amounts drawn on our SciPlay Revolver as of December 31, 2021.

We were in compliance with the financial covenants under our debt agreements as of December 31, 2021.

Debt issuance costs and Loss on Debt Financing Transactions

We capitalize debt issuance costs associated with long-term financing arrangements and amortize the deferred debt issuance costs over the term of the arrangement using the effective interest method. The capitalized debt issuance costs associated with long-term debt financing, other than line-of-credit arrangements, are presented as a direct reduction from the carrying value of long-term debt, consistent with the treatment of unamortized debt discount. In connection with the issuance of the 2026 Unsecured Notes, 2028 Unsecured Notes and 2029 Unsecured Notes, we reflected $26 million, $16 million and $17 million, respectively, in financing costs presented primarily as a reduction to long-term debt. In connection with the July 2020 issuance of the 2025 Unsecured Notes, we reflected $8 million in financing costs presented primarily as a reduction to long-term debt.

The following are components of the loss on debt financing transactions resulting from debt extinguishment and modification accounting:

	Years Ended December 31,		
	2021	2020	2019
Repurchase and cancellation of principal balance at premium	$ —	$ —	$ 80
Unamortized debt (premium) discount and deferred financing costs, net	—	—	20
Third party debt issuance fees	—	1	—
Total loss on debt financing transactions	$ —	$ 1	$ 100

(16) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset and liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of our assets and liabilities when required using an established three-level hierarchy in accordance with ASC 820.

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments, which are principally cash and cash equivalents, restricted cash, receivables, other current assets, accounts payable and accrued liabilities, approximates their recorded values. Our assets and liabilities measured at fair value on a recurring basis are described below.

Derivative Financial Instruments

As of December 31, 2021, we held the following derivative instruments that were accounted for pursuant to ASC 815:

Interest Rate Swap Contracts

We currently use interest rate swap contracts as described below to manage exposure to interest rate fluctuations by reducing the uncertainty of future cash flows on our variable rate debt.

In February 2018, we entered into interest rate swap contracts to hedge a portion of our interest expense associated with our variable rate debt to effectively fix the interest rate that we pay. These interest rate swap contracts are designated as cash flow hedges under ASC 815. We pay interest at a weighted-average fixed rate of 2.4418% and receive interest at a variable rate equal to one-month LIBOR. The total notional amount of interest rate swaps outstanding was $800 million as of December 31, 2021. These hedges mature in February 2022.

These hedges are highly effective in offsetting changes in our future expected cash flows due to the fluctuation in the one-month LIBOR rate associated with our variable rate debt. We qualitatively monitor the effectiveness of these hedges on a quarterly basis. As a result of the effective matching of the critical terms on our variable rate interest expense being hedged to the hedging instruments being used, we expect these hedges to remain highly effective.

All gains and losses from these hedges are recorded in Other comprehensive income (loss) until the future underlying payment transactions occur. Any realized gains or losses resulting from the hedges are recognized (together with the hedged transaction) as interest expense. We estimate the fair value of our interest rate swap contracts by discounting the future cash flows of both the fixed rate and variable rate interest payments based on market yield curves. The inputs used to measure the fair value of our interest rate swap contracts are categorized as Level 2 in the fair value hierarchy as established by ASC 820.

The following table shows the gains (losses) and interest expense on our interest rate swap contracts:

	Year Ended December 31,		
	2021	2020	2019
Gains (losses) recorded in accumulated other comprehensive income (loss), net of tax	$ 14	$ (6)	$ (11)
Interest expense recorded related to interest rate swap contracts	19	15	1

We do not expect to reclassify material amounts from Accumulated other comprehensive loss to interest expense in the next twelve months.

The following table shows the effect of interest rate swap contracts designated as cash flow hedges on the consolidated statements of operations:

	Year Ended December 31, 2021	Year Ended December 31, 2020
	Interest expense	Interest expense
Total interest expense which reflects the effects of cash flow hedges	$ (478)	$ (503)
Hedged item	(20)	(20)
Derivative designated as hedging instrument	1	5

Cross-Currency Interest Rate Swaps

We entered into certain cross-currency interest rate swap agreements to achieve more beneficial interest rates by effectively converting $460 million of our fixed-rate U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. We have designated these cross-currency interest rate swap agreements as a net investment hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro relative to the U.S. Dollar.

We use the spot method to measure the effectiveness of our net investment hedge. Under this method, for each reporting period, the change in the fair value of the $460 million cross-currency interest rate swaps is reported in foreign currency translation gain (loss) in Accumulated other comprehensive loss. The cross-currency basis spread (along with other components of the cross-currency swaps' fair value excluded from the spot method effectiveness assessment) are amortized and recorded to Interest expense. We evaluate the effectiveness of our net investment hedge at the beginning of each quarter.

The following table shows the fair value of our hedges:

		As of	
	Balance Sheet Line Item	December 31, 2021	December 31, 2020
Interest rate swaps[1][3]	Other liabilities	$ 3	$ 22
Cross-currency interest rate swaps[2][3]	Other assets	42	14

(1) The gain of $19 million, losses of $6 million and $16 million for the years ended December 31, 2021, 2020 and 2019, respectively, are reflected in Derivative financial instrument unrealized (loss) gain in Other comprehensive income (loss).
(2) The gain of $28 million, loss of $27 million and gain of $23 million for the years ended December 31, 2021, 2020 and 2019, respectively, is reflected in Foreign currency translation gain (loss) in Other comprehensive income (loss).
(3) The inputs used to measure the fair value of our interest rate swap contracts are categorized as Level 2 in the fair value hierarchy.

Net Investment Non-derivative Hedge - 2026 Secured Euro Notes

For the fourth quarter of 2021, we designated $204 million of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our results caused by the changes in foreign currency exchange rates of the Euro relative to the U.S. Dollar.

We use the spot method to measure the effectiveness of our net investment non-derivative hedge. Under this method, for each reporting period, the change in the hedged portion of the carrying value of the 2026 Secured Euro Notes due to remeasurement is reported in Foreign currency translation gain (loss) in Other comprehensive income (loss), and the remaining remeasurement change is recognized in (Gain) loss on remeasurement of debt in our consolidated statements of operations. We evaluate the effectiveness of our net investment non-derivative hedge at the beginning of each quarter and the inputs used to measure the fair value of this non-derivative hedge are categorized as Level 2 in the fair value hierarchy.

Contingent Acquisition Consideration Liabilities

In connection with our acquisitions, we have recorded certain contingent consideration liabilities, of which the values are primarily based on reaching certain earnings-based metrics. The related liabilities were recorded at fair value on the acquisition date as part of the consideration transferred and are remeasured each reporting period. The inputs used to measure the fair value of our liabilities are categorized as Level 3 in the fair value hierarchy.

We remeasured contingent acquisition consideration at each reporting period. These remeasurements included increases to the projected earnings-based measures and also the probability of achievement (categorized as Level 3 in the fair value hierarchy as established by ASC 820), which resulted in increases (decreases) to the calculated fair value of contingent acquisition consideration by $(1) million, $— million and $1 million for the years ended December 31, 2021, 2020 and 2019, respectively. These changes were recorded in Restructuring and other. Contingent acquisition consideration liabilities (including deferred purchase price) as of December 31, 2021 are $51 million of which $3 million is included in Accrued liabilities with the remainder included in Other long-term liabilities. Contingent acquisition consideration liabilities (including deferred purchase price) as of December 31, 2020 were $3 million of which $1 million was included in Accrued liabilities with the remainder included in Other long-term liabilities.

(17) Stockholders' Deficit

The following reflects total stock-based compensation expense recognized under all programs:

	Year Ended December 31,		
	2021	2020	2019
Related to SGC stock options	$ 31	$ 8	$ 4
Related to SGC RSUs	75	26	19
Related to SciPlay RSUs	7	22	9
Total[1][2]	$ 113	$ 56	$ 32

(1) The increase in SGC stock-based compensation expense for the year ended December 31, 2021 is related to the acceleration of the expense as a result of attainment of certain targets for grants to consultants who are also on our board coupled with the new equity awards issued at a higher fair value given the increase in our stock price compared to the prior period.
(2) The year ended December 31, 2021 includes $34 million classified as liability awards.

The following table sets forth the change in the number of shares of common stock outstanding during the fiscal years ended December 31, 2021 and 2020:

	December 31,	
	2021	2020
Shares outstanding as of beginning of period	95	94
Shares issued as part of equity-based compensation plans and the ESPP, net of shares surrendered	2	1
Shares outstanding as of end of period	97	95

Series A Junior Participating Preferred Stock and Rights Agreement

Under our 2018 Amended and Restated Rights Agreement (which amended the rights agreement between SGC and American Stock Transfer & Trust Company, LLC (the "Rights Agreement"), we reserved for issuance of 20,000 shares of Series A Junior Participating Preferred Stock, par value $.001 per share, upon the exercise of rights under our Amended and Restated Rights Agreement. The Amended and Restated Rights Agreement provides for a dividend of one preferred share purchase right ("Right") for each share of common stock of SGC. Each Right entitles the holder to purchase one ten-thousandth of a share of Series A Junior Preferred Stock for a purchase price of $109.00, subject to adjustment as provided in the Amended and Restated Rights Agreement.

The Amended and Restated Rights Agreement was extended to expire on June 19, 2023 (subject to earlier expiration as described in the Rights Agreement). The Board submitted such amendment extending the Rights Agreement to a vote by the Company's stockholders at the Company's 2021 annual stockholders' meeting and it was approved by the affirmative vote of holders of a majority of outstanding shares of Class A common stock of SGC entitled to vote thereon. As of December 31, 2021, none of these shares were outstanding and no Rights were exercised.

Scientific Games Stock-Based and Other Incentive Compensation

Pursuant to our incentive stock plans we offer stock-based compensation in the form of stock options and RSUs to employees and our non-employee directors. The terms of such stock option and RSU awards, including the vesting schedule of such awards, are determined at our discretion subject to the terms of the applicable equity-based compensation plan. We also offer an ESPP, which allows for a total of up to 2 million shares of common stock to be purchased by eligible employees under offerings made each January 1 and July 1. Employees participate through payroll deductions up to a maximum of 15% of eligible compensation. The term of each offering period is six months and shares are purchased on the last day of the offering period at a 15% discount to the stock's market value. For offering periods in 2021, 2020 and 2019 we issued approximately 40 thousand, 80 thousand and 100 thousand shares of common stock at an average price of $60.09 per share, $19.55 per share and $19.32 per share, respectively.

Options granted over the last several years have generally become exercisable in four equal installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met, in all cases, with a maximum term of ten years. RSUs typically vest in three or four equal installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met.

We recognize expense for stock-based compensation plans based on the estimated fair value of the related awards in accordance with ASC 718. Stock options are granted with exercise prices that are not less than the fair market value of our common stock on the date of grant. We periodically grant certain stock-based awards that are contingent upon SGC or certain of our subsidiaries achieving certain pre-determined financial performance targets. Upon determining that the performance target is probable, the fair value of the award is recognized over the service period. Determining the probability of achieving a performance target requires estimates and judgment.

As of December 31, 2021, we had approximately 27 million shares of common stock authorized for awards under the 2003 Incentive Compensation Plan, as amended and restated (the "2003 Plan") (plus available shares from a pre-existing equity-based compensation plan). As of December 31, 2021, we had approximately 5 million shares reserved under the 2003 Plan for future grants of equity awards and less than 0.1 million shares available under a pre-existing plan.

Stock Options

A summary of the changes in stock options outstanding under our equity-based compensation plans during 2021 is presented below:

	Number of Options	Weighted Average Remaining Contract Term (Years)	Weighted Average Exercise Price (per share)	Aggregate Intrinsic Value
Options outstanding as of December 31, 2020	2.2	6.2	$ 32.89	$ 20
Granted	—	—	$ 74.16	$ —
Exercised	0.2	—	$ 26.26	$ 7
Cancelled	—	—	$ 41.13	$ —
Options outstanding as of December 31, 2021	2.0	5.3	$ 33.59	$ 68
Options exercisable as of December 31, 2021	1.8	5.1	$ 34.19	$ 59
Options expected to vest as of December 31, 2021	0.2	7.3	$ 28.96	$ 8

The weighted-average grant date fair value of options granted during 2021, 2020 and 2019 was $74.16, $35.41 and $22.25, respectively. The aggregate intrinsic value of the options exercised during the years ended December 31, 2021, 2020 and 2019 was approximately $7 million, $6 million and $15 million respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model. The weighted-average assumptions used in the model are outlined in the following table:

	2021	2020	2019
Assumptions:			
Expected volatility	74 %	75 %	58 %
Risk-free interest rate	0.96 %	0.36 %	2.46 %
Dividend yield	—	—	—
Expected life (in years)	6	6	6

The computation of the expected volatility is based on historical daily stock prices over a period commensurate with the expected life of the option. Expected life is based on annual historical employee exercise behavior of option grants with similar vesting periods and option expiration dates. The risk-free interest rate is based on the yield of zero-coupon U.S. Treasury securities of comparable terms. We do not anticipate paying dividends in the foreseeable future.

At December 31, 2021, we had $2 million of unrecognized stock-based compensation expense relating to unvested stock options that will be amortized over a weighted-average period of approximately two years. During the year ended December 31, 2021, we received $4 million in cash from the exercise of stock options.

Restricted Stock Units

A summary of the changes in RSUs outstanding under our equity-based compensation plans during 2021 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested RSUs as of December 31, 2020	3.3	$ 19.07
Granted	1.2	$ 55.64
Vested	(1.6)	$ 24.70
Cancelled	(0.2)	$ 27.96
Unvested RSUs as of December 31, 2021[1]	2.7	$ 32.03

(1) 1 million unvested RSUs are related to discontinued operations for each of the years ended December 31, 2021 and 2020.

The weighted-average grant date fair value of RSUs granted during 2021 and 2020 was $55.64 and $13.75, respectively. The fair value of each RSU grant is based on the market value of our common stock at the time of grant. At December 31, 2021, we had $60 million of unrecognized stock-based compensation expense relating to unvested RSUs amortized over a weighted-average period of approximately two years, of which $12 million is related to employees of discontinued operations. The fair value at vesting date of RSUs vested during the years ended December 31, 2021, 2020 and 2019 was $87.5 million, $16.8 million and $22.0 million, respectively.

SciPlay Stock-Based Compensation

In 2019, SciPlay adopted the SciPlay Long-Term Incentive Plan ("SciPlay LTIP"). The SciPlay LTIP authorizes the issuance of up to 6.5 million shares of SciPlay's Class A common stock to be granted in connection with awards of incentive and nonqualified stock options, restricted stock, RSUs, stock appreciation rights and performance-based awards. As of December 31, 2021, there were a total of 2.1 million time-based and performance-based SciPlay RSUs outstanding with an average grant price of $16.77 per share of SciPlay Class A common stock. As of December 31, 2021, SciPlay had $9 million in unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average expected vesting period of one year.

Share Repurchase Program

On February 25, 2022, our Board of Directors approved a share repurchase program under which the Company is authorized to repurchase, from time to time through February 25, 2025, up to an aggregate amount of $750 million of our outstanding common stock over a three-year period. Repurchases may be made at the discretion of the Transaction Committee of the Board of Directors through one or more open market transactions, privately negotiated transactions, accelerated share repurchases, issuer tender offers or other derivative contracts or instruments, or a combination of the foregoing.

(18) Accumulated Other Comprehensive Loss

The accumulated balances for each classification of other comprehensive (loss) income are presented below:

	Foreign Currency Items	Derivative Financial Instruments[1]	Unrecognized pension benefit costs, net of taxes[2]	Accumulated Other Comprehensive Loss
Balance at January 1, 2019	$ (282)	$ —	$ (18)	$ (300)
Change during period	26	(11)	(8)	7
Reclassified into operations	—	—	1	1
Balance at December 31, 2019	$ (256)	$ (11)	$ (25)	$ (292)
Change during period	85	(6)	(5)	74
Reclassified into operations	—	—	—	—
Balance at December 31, 2020	$ (171)	$ (17)	$ (30)	$ (218)
Change during period	(74)	14	17	(43)
Reclassified into operations	—	—	—	—
Balance at December 31, 2021	$ (245)	$ (3)	$ (13)	$ (261)

(1) The change during the period is net of income taxes of $15 million, $— million and $4 million in 2021, 2020 and 2019, respectively.
(2) The change during the period is net of income taxes of $5 million, $— million and $1 million in 2021, 2020 and 2019, respectively.

(19) Income Taxes

Income taxes are determined using the liability method of accounting for income taxes, under which deferred tax assets ("DTAs") and deferred tax liabilities ("DTLs") are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. If, based upon all available evidence, both positive and negative, it is more likely than not that such DTAs will not be realized, a valuation allowance is recorded.

As more fully described in Note 1, on September 27, 2021, we entered into a definitive agreement to sell our Sports Betting business to Endeavor in a taxable cash and stock transaction, expected to close in the second quarter of 2022, subject to applicable regulatory approvals and customary conditions. Although we remain in a three-year cumulative loss position in the U.S., the taxable gain to be recognized upon disposition of our Sports Betting business led us to conclude that a portion of our net U.S. federal and certain state DTAs are more likely than not to be realized. Accordingly, to the extent that we expect to realize deferred tax assets in relation to this divestiture, we recorded a $181 million income tax benefit and reversed a portion of our valuation allowances on our U.S. DTAs during the three months ended September 30, 2021.

On October 27, 2021, we entered into a definitive agreement to sell our Lottery business to Brookfield in a taxable cash transaction for total consideration of $6.05 billion (see Note 1 for additional details). As a result of the anticipated taxable gain on this transaction, which is now expected to close by the end of March 2022, subject to applicable regulatory approvals and customary conditions, we reversed an additional $71 million of valuation allowances on our U.S. federal and state DTAs. We continue to maintain other valuation allowances for certain U.S. and non-U.S. jurisdictions with cumulative losses.

Management assessed the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of existing DTAs in each taxpaying jurisdiction. On the basis of this evaluation, as of December 31, 2021, a valuation allowance of $60 million has been recorded to recognize only the portion of the DTAs that are more likely than not to be realized; however, the amount of the DTAs considered realizable could be adjusted if estimates of future taxable income during the carry forward period change or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

As discussed in Note 1, the COVID-19 disruptions significantly impacted certain segments of our business. We considered the COVID-19 disruptions in our ability to realize deferred tax assets in the future and determined that such conditions did not change our overall valuation allowance positions. Additionally, we continue to monitor and evaluate the tax implications resulting from any existing and forthcoming legislation passed in response to COVID-19 in the federal, state, and foreign jurisdictions where we have an income tax presence.

We apply a recognition threshold and measurement attribute related to uncertain tax positions taken or expected to be taken on our tax returns. We recognize a tax benefit for financial reporting of an uncertain income tax position when it has a greater than 50% likelihood of being sustained upon examination by the taxing authorities. We measure the tax benefit of an uncertain tax position based on the largest benefit that has a greater than 50% likelihood of being ultimately realized including evaluation of settlements.

The components of net loss from continuing operations before income taxes are as follows:

	Year Ended December 31,		
	2021	2020	2019
United States	$ (309)	$ (631)	$ (361)
Foreign	15	(173)	(16)
Net loss from continuing operations before income tax expense	$ (294)	$ (804)	$ (377)

The components of income tax expense (benefit) are as follows:

	Year Ended December 31,		
	2021	2020	2019
Current			
U.S. Federal	$ (58)	$ 6	$ (47)
U.S. State	1	(1)	(7)
Foreign	10	6	14
Total	(47)	11	(40)
Deferred			
U.S. Federal	(222)	(4)	(3)
U.S. State	(46)	(4)	(2)
Foreign	(3)	(6)	(2)
Total	(271)	(14)	(7)
Total income tax benefit	$ (318)	$ (3)	$ (47)

The reconciliation of the U.S. federal statutory tax rate to the actual tax rate is as follows:

	Year Ended December 31,		
	2021	2020	2019
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
Foreign earnings at rates different than U.S. federal rate	(2.9)%	0.3 %	(0.6)%
Valuation allowance adjustments	86.3 %	(17.1)%	(8.7)%
Permanent items	(0.5)%	(1.9)%	(3.0)%
Change in UTBs	— %	0.2 %	1.7 %
Goodwill impairments	— %	(1.5)%	— %
Other	4.5 %	(0.5)%	2.1 %
Effective income tax rate	108.4 %	0.5 %	12.5 %

Our 2021 and 2020 effective tax rates were impacted by changes in global valuation allowances totaling $(253) million and $138 million, respectively, against net DTAs in various jurisdictions. In 2020 we recorded a $54 million goodwill impairment for our U.K. Gaming reporting unit, which resulted in a (1.5)% decrease in our effective tax rate.

In 2019, we recorded an income tax benefit of $50 million in continuing operations as a result of the exception provision within ASC 740-20-45-7, which states that a company must consider all sources of income in determining the tax benefit resulting from a loss from continuing operations. This exception no longer applies as of January 1, 2020, as we early-adopted ASU 2019-12, which removes this exception.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred income tax balances are established using the enacted statutory tax rates and are adjusted for changes in such rates in the period of change.

	As of December 31,	
	2021	2020
Deferred tax assets:		
Reserves and other accrued expenses	$ 99	$ 84
Net operating loss carry forwards	352	436
Tax credit carry forwards	48	42
Interest limitation carry forwards	66	20
Differences in financial reporting and tax basis for:		
Other	70	51
Less: Valuation allowance	(60)	(298)
Realizable deferred tax assets	575	335
Deferred tax liabilities:		
Differences in financial reporting and tax basis for:		
Identifiable intangible assets	(190)	(217)
Property and equipment	(47)	(49)
Other	(24)	(9)
Total deferred tax liabilities	(261)	(275)
Net deferred tax asset on balance sheet	$ 314	$ 60

At December 31, 2021, we had the following NOL, interest limitation, R&D credit, and state tax credit carry forwards:

	December 31, 2021		
	Federal	State	Foreign
NOL carry forwards	$ 1,240	$ 1,335	$ 110
Interest limitation carry forwards	240	269	—
R&D and state credit carry forwards	49	1	—

The federal, state and foreign NOL carry forwards can be carried forward for periods that vary from three years to indefinitely. R&D tax credit carry forwards will expire through 2041, and state tax credits expire through 2025. The interest limitation carry forwards can be carried forward indefinitely in all jurisdictions in which we have them available.

Certain of our U.S. federal, state, and foreign tax attributes may be subject to annual limitations under Internal Revenue Code Section 382 ("Section 382") (or comparable provisions of state or foreign law) in the event that certain changes in ownership were to occur. Tax attributes that exceed the Section 382 limitation in any year continue to be allowed as carry forwards until they expire and can be used to offset taxable income for years within the carryover period subject to the limitation in each year. Given the Company's significant U.S. tax attributes, we continuously monitor potential ownership changes under Section 382. In the fourth quarter of 2020, we experienced a change in control event, triggering the application of Section 382. We do not currently expect any resulting Section 382 limitations to have a significant impact on the use of our tax attributes.

At December 31, 2021 and 2020, we had the following valuation allowances:

	December 31,	
	2021	2020
Federal	$ 15	$ 223
State	22	53
Foreign	23	22

Undistributed earnings of subsidiaries are accounted for as a temporary difference, except that DTLs are not recorded for undistributed earnings of foreign subsidiaries that are deemed to be indefinitely reinvested in foreign jurisdictions. The Tax Act required the Company to compute a tax on previously undistributed earnings and profits of its foreign subsidiaries upon transition from a worldwide tax system to a territorial tax system during the year ended December 31, 2017. The repatriation of

such amounts in the future should generally be exempt from income taxes in the U.S. (as a result of the Tax Act) and in those jurisdictions that have a similar territorial system of taxation. Substantially all of our current year foreign cash flows are not intended to be indefinitely reinvested offshore, and therefore the tax effects of repatriation (including applicable withholding taxes) of such cash flows are provided for in our financial reporting.

Unrecognized Tax Benefits

The total amount of unrecognized tax benefits ("UTBs") as of December 31, 2021 was $29 million. Of this amount, $29 million, if recognized, would be included in our Consolidated Statements of Operations and have an impact on our effective tax rate. We do not expect any material changes in unrecognized tax benefits before December 31, 2022.

We recognize interest and penalties for unrecognized tax benefits in income tax expense. The amounts recognized for interest and penalties during the years ended December 31, 2021, 2020 and 2019 were not material.

We file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. We are generally not subject to examination for periods prior to December 31, 2017; however as we utilize our net operating losses, prior periods can be subject to examination. There are no ongoing material U.S. federal, state, local or non-U.S. examinations by tax authorities.

The Company had the following activity for unrecognized tax benefits:

	Year Ended December 31,		
	2021	2020	2019
Balance at beginning of period	$ 30	$ 28	$ 34
Tax positions related to current year additions	—	1	1
Additions for tax positions of prior years	—	2	—
Tax positions related to prior years reductions	(1)	—	—
Reductions due to lapse of statute of limitations on tax positions	—	(1)	(7)
Balance at end of period	$ 29	$ 30	$ 28

(20) Litigation

We are involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability has been incurred and the amount or range of the loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $27 million and $3 million for all of our legal matters that were contingencies as of December 31, 2021 and 2020, respectively.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. We may be unable to estimate a range of possible losses for some matters pending against us or our subsidiaries, even when the amount of damages claimed against us or our subsidiaries is stated because, among other things: (1) the claimed amount may be exaggerated or unsupported; (2) the claim may be based on a novel legal theory or involve a large number of parties; (3) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (4) there may be uncertainty as to the outcome of pending appeals or motions; (5) the matter may not have progressed sufficiently through discovery or there may be significant factual or legal issues to be resolved or developed; and/or (6) there may be uncertainty as to the enforceability of legal judgments and outcomes in certain jurisdictions. Other matters have progressed sufficiently that we are able to estimate a range of possible loss. For those legal contingencies disclosed below, and those related to the previously disclosed settlement agreement entered into in February 2015 with SNAI S.p.a. ("SNAI"), as to which a loss is reasonably possible, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a range of possible loss, the current estimated range is up to approximately $14 million in excess of the accrued liabilities (if any) related to those legal contingencies. This aggregate range represents management's estimate of additional possible loss in excess of the accrued liabilities (if any) with respect to these matters based on currently available information, including any damages claimed by the plaintiffs, and is subject to significant judgment and a variety of assumptions and inherent uncertainties. For example, at the time of making an estimate, management may have only preliminary, incomplete, or

inaccurate information about the facts underlying a claim; its assumptions about the future rulings of the court or other tribunal on significant issues, or the behavior and incentives of adverse parties, regulators, indemnitors or co-defendants, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that management had not accounted for in its estimate because it had considered that outcome to be remote. Furthermore, as noted above, the aggregate range does not include any matters for which we are not able to estimate a range of possible loss. Accordingly, the estimated aggregate range of possible loss does not represent our maximum loss exposure. Any such losses could have a material adverse impact on our results of operations, cash flows or financial condition. The legal proceedings underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

Colombia litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos, or approximately $30.2 million, plus default interest (potentially accrued since 1994 at a 12% statutory interest rate). SGI filed an appeal to the Council of State, and on December 10, 2020, the Council of State issued a ruling affirming the Tribunal's decision. On December 16, 2020, SGI filed a motion for clarification of the Council of State's ruling, which was denied on April 15, 2021. On April 22, 2021, SGI filed a motion for reconsideration relating to that decision, and that motion is pending.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated results of operations, cash flows or financial position, it is not feasible to predict the final outcome, and we cannot assure that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI litigation

On April 16, 2012, certain VLTs operated by SNAI in Italy and supplied by Barcrest Group Limited ("Barcrest") erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals were deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and The Global Draw Limited ("Global Draw"), our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of IGT, claiming liability arising out of the April 2012 incident and asserting claims based on theories of breach of contract and tort. The lawsuit sought to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what

appeared to be winning jackpot and other tickets, compensation for lost profits sought by managers of the gaming locations where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession.

In February 2015, we entered into a settlement agreement with SNAI that provides, among other things, for us to make a €25.0 million upfront payment to SNAI, which payment was made in February 2015, and to indemnify SNAI against certain potential future losses. In connection with the settlement, the parties' pending claims in the Court of First Instance of Rome were dismissed on February 19, 2015. To date, we have paid €9.4 million to SNAI pursuant to our indemnification obligations.

Washington State Matter

On April 17, 2018, a plaintiff, Sheryl Fife, filed a putative class action complaint, Fife v. Scientific Games Corporation, against SGC in the United States District Court for the Western District of Washington. The plaintiff seeks to represent a putative class of all persons in the State of Washington who purchased and allegedly lost virtual coins playing SGC's online social casino games, including but not limited to Jackpot Party® Casino and Gold Fish® Casino. The complaint asserts claims for alleged violations of Washington's Recovery of Money Lost at Gambling Act, Washington's consumer protection statute, and for unjust enrichment, and seeks unspecified money damages (including treble damages as appropriate), the award of reasonable attorneys' fees and costs, pre- and post-judgment interest, and injunctive and/or declaratory relief. On July 2, 2018, SGC filed a motion to dismiss the plaintiff's complaint with prejudice, which the trial court denied on December 18, 2018. SGC filed its answer to the putative class action complaint on January 18, 2019. On August 24, 2020, the trial court granted plaintiff's motion for leave to amend her complaint and to substitute a new plaintiff, Donna Reed, for the initial plaintiff, and re-captioned the matter Reed v. Scientific Games Corporation. On August 25, 2020, the plaintiff filed a first amended complaint against SGC, asserting the same claims, and seeking the same relief, as the complaint filed by Sheryl Fife. On September 8, 2020, SGC filed a motion to compel arbitration of plaintiff's claims and to dismiss the action, or, in the alternative, to transfer the action to the United States District Court for the District of Nevada. On June 17, 2021, the district court denied that motion, and on June 23, 2021, SGC filed a notice of appeal from the district court's denial of that motion, and also filed a motion to stay all district court proceedings, pending the appeals court's ruling on the Company's arbitration appeal. On November 23, 2021, we entered into an agreement in principle to settle the lawsuit for the amount of $24.5 million. On December 3, 2021, the district court granted a joint motion to stay appellate proceedings until final approval by the district court of the parties' settlement. On January 18, 2022, the parties executed a settlement agreement, and plaintiff filed an unopposed motion for preliminary approval of the parties' proposed settlement agreement. On January 19, 2022, the district court granted preliminary approval to the parties' proposed settlement, and a hearing for final approval of the settlement is scheduled for August 12, 2022. Although the case was brought against Scientific Games, pursuant to the Intercompany Services Agreement, we expect SciPlay to cover or contribute to the settlement amount due to the matter arising as a result of our business.

TCS John Huxley Matter

On March 15, 2019, TCS John Huxley America, Inc., TCS John Huxley Europe Ltd., TCS John Huxley Asia Ltd., and Taiwan Fulgent Enterprise Co., Ltd. brought a civil action in the United States District Court for the Northern District of Illinois against SGC, Bally Technologies, Inc. and SG Gaming. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. and South African patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold to regulated casinos in the United States. On April 10, 2019, the defendants filed a motion to dismiss the plaintiffs' complaint with prejudice. On April 25, 2019, the district court denied the defendants' motion to dismiss without prejudice pursuant to the court's local rules, after the plaintiffs advised that they intended to file an amended complaint. The plaintiffs filed their amended complaint on May 3, 2019, and on May 22, 2019, the defendants filed a motion to dismiss the plaintiffs' amended complaint with prejudice. On March 20, 2020, the district court denied the defendants' motion to dismiss the plaintiffs' amended complaint, and defendants filed an answer to Plaintiffs' amended complaint on June 19, 2020. On June 3, 2020, the trial court granted the defendants' request to bifurcate proceedings in the case, with discovery to occur first into the statute of limitations and release defenses asserted by the defendants in their motion to dismiss, before proceeding into broader discovery. The trial court set a September 18, 2020, deadline for the parties to complete discovery relating to the statute of limitations and release defenses. On October 28, 2020, the court issued an order extending until January 15, 2021 the deadline for the parties to complete discovery relating to the statute of limitations defense. On February 9, 2021, the defendants filed a motion for summary judgment on their statute of limitations defense, addressing whether plaintiffs had actual knowledge of their claims prior to the start of the limitations period. The district court denied that motion for summary judgment on September 20, 2021. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the lawsuit are without merit and intend to vigorously defend against them.

Tonkawa Tribe Matter

On September 3, 2020, the Tonkawa Tribe of Indians of Oklahoma d/b/a Tonkawa Enterprises filed a putative class action complaint in the United States District Court for the District of Nevada against SGC, Bally Technologies, Inc. and SG Gaming, f/k/a Bally Gaming, Inc. On October 5, 2020, the plaintiff filed a first amended complaint to add Cow Creek Band of Umpqua Tribe of Indians and the Umpqua Indian Development Corp., d/b/a Seven Feathers Casino as a plaintiff. On October 26, 2020, the plaintiffs filed a second amended complaint. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for card shufflers sold or leased to regulated casinos in the United States. The plaintiffs seek to represent a putative class of all regulated United States casinos directly leasing or purchasing card shufflers from the defendants on or after April 1, 2009. The complaint seeks unspecified money damages, the award of plaintiff's costs of suit, including reasonable attorneys' fees and expert fees, and the award of pre-judgment and post-judgment interest. On November 19, 2020, the defendants filed a motion to dismiss plaintiffs' second amended complaint. On November 20, 2020, Plaintiffs filed a motion for partial summary judgment, seeking a finding that defendants are collaterally estopped from re-litigating issues litigated in the 2018 litigation versus Shuffle Tech International Corp., Aces Up Gaming, and Poydras-Talrick Holdings. On August 27, 2021, the Nevada district court entered an order transferring the lawsuit to the United States District Court for the Northern District of Illinois. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the lawsuit are without merit, and intend to vigorously defend against them.

Giuliano and Rancho's Club Casino Matter

On September 4, 2020, Alfred T. Giuliano, as liquidation trustee for RIH Acquisition NJ, LLC d/b/a The Atlantic Club Casino Hotel filed a putative class action complaint in the United States District Court for the Northern District of Illinois against SGC, Bally Technologies, Inc. and SG Gaming, f/k/a Bally Gaming, Inc. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The plaintiffs seek to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the Defendants, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the court to treble, the award of plaintiff's costs of suit, including attorneys' fees, and the award of pre-judgment and post-judgment interest. On September 8, 2020, Rancho's Club Casino, Inc., d/b/a Magnolia House Casino filed a putative class action complaint in the United States District Court for the Northern District of Illinois against SGC, Bally Technologies, Inc. and SG Gaming, f/k/a Bally Gaming, Inc. In the complaint, the plaintiff asserts federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiff alleges that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The plaintiff seeks to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the defendants, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the court to treble, the award of plaintiff's costs of suit, including attorneys' fees, and the award of pre-judgment and post-judgment interest.

On October 29, 2020, the trial court consolidated the Giuliano and Rancho's Club Casino matters. On October 30, 2020, the plaintiffs in the consolidated action filed a first amended consolidated complaint. On November 9, 2020, the defendants filed a motion to dismiss the plaintiffs' first amended consolidated complaint, and also filed a motion to compel arbitration of plaintiff Alfred T. Giuliano's individual claims. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the consolidated lawsuit are without merit, and intend to vigorously defend against them.

Mohawk Gaming Enterprises Matter

On November 9, 2020, Mohawk Gaming Enterprises LLC, d/b/a Akwesasne Mohawk Casino Resort, filed a demand for a putative class arbitration before the American Arbitration Association against SGC, Bally Technologies, Inc. and SG Gaming, f/k/a Bally Gaming, Inc. In the complaint, the claimant asserts federal antitrust claims arising from the respondents' procurement of particular U.S. patents. The claimant alleges that the respondents used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The claimant seeks to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the respondents, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the arbitration panel to treble, and the award of claimant's costs of suit, including attorneys' fees. Respondents filed their answering statement on December 9, 2020. On October 29, 2021, the claimant filed a memorandum in support of class arbitration, which Respondents opposed on December 3, 2021. On February 8, 2022, the Arbitrator issued a clause construction award, finding that the arbitration could proceed on behalf of a class or classes. On February 11, 2022, Respondents filed a petition to vacate the award in the New York Supreme

Court. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

SciPlay IPO Matter (New York)

On or about October 14, 2019, the Police Retirement System of St. Louis filed a putative class action complaint in New York state court against SciPlay, certain of its executives and directors, and SciPlay's underwriters with respect to its IPO (the "PRS Action"). The complaint was amended on November 18, 2019. The plaintiff seeks to represent a class of all persons or entities who acquired Class A common stock of SciPlay pursuant and/or traceable to the Registration Statement filed and issued in connection with the SciPlay IPO, which commenced on or about May 3, 2019. The complaint asserts claims for alleged violations of Sections 11 and 15 of the Securities Act, 15 U.S.C. § 77, and seeks certification of the putative class; compensatory damages of at least $146 million, and the award of the plaintiff's and the class's reasonable costs and expenses incurred in the action.

On or about December 9, 2019, Hongwei Li filed a putative class action complaint in New York state court asserting substantively similar causes of action under the Securities Act of 1933 and substantially similar factual allegations as those alleged in the PRS Action (the "Li Action"). On December 18, 2019, the New York state court entered a stipulated order consolidating the PRS Action and the Li Action into a single lawsuit. On December 23, 2019, the defendants moved to dismiss the consolidated action. On August 28, 2020, the court issued an oral ruling granting in part and denying in part the defendants' motion to dismiss. On December 14, 2020, plaintiffs in the consolidated action filed a motion to certify the putative class. On May 12, 2021, the parties in the consolidated action reached an agreement in principle to settle the consolidated action. On July 27, 2021, the parties in the consolidated action entered into a settlement agreement to settle the consolidated action. On August 11, 2021, the New York court granted preliminary approval to the parties' proposed settlement, stayed non-settlement related proceedings in the consolidated action pending final approval of the settlement and scheduled a hearing for final approval of the settlement on November 15, 2021. On November 16, 2021, the New York court entered an order fully and finally approving the settlement agreement and dismissing the complaint in the consolidated action in its entirety. The loss from the settlement of $8.275 million was recovered and settled under our insurance policy.

SciPlay IPO Matter (Nevada)

On or about November 4, 2019, plaintiff John Good filed a putative class action complaint in Nevada state court against SciPlay, certain of its executives and directors, SGC, and SciPlay's underwriters with respect to the SciPlay IPO. The plaintiff seeks to represent a class of all persons who purchased Class A common stock of SciPlay in or traceable to the SciPlay IPO that it completed on or about May 7, 2019. The complaint asserts claims for alleged violations of Sections 11 and 15 of the Securities Act, 15 U.S.C. § 77, and seeks certification of the putative class; compensatory damages, and the award of the plaintiff's and the class's reasonable costs and expenses incurred in the action. On February 27, 2020, the trial court entered a stipulated order that, among other things, stayed the lawsuit pending entry of an order resolving the motion to dismiss that was pending in the SciPlay IPO matter in New York state court. On September 29, 2020, the trial court entered a stipulated order that extended the stay pending a ruling on class certification in the SciPlay IPO matter in New York state court. On May 12, 2021, the parties in the Nevada lawsuit reached an agreement in principle to settle the lawsuit and so informed the Nevada court, which vacated non-settlement related proceedings in the lawsuit, pending final approval of the settlement agreement by the New York court. On December 3, 2021, the Nevada court ordered the dismissal of the Nevada lawsuit with prejudice.

(21) Selected Quarterly Financial Data, Unaudited

(in millions, except per share amounts)	Quarter Ended 2021			
	March 31 (a)	June 30 (b)	September 30 (c)	December 31 (d)
Total operating revenues	$ 453	$ 581	$ 539	$ 580
Total cost of revenues[(1)]	127	159	153	170
Net (loss) income from continuing operations	(88)	(51)	100	62
Net income from discontinued operations, net of tax	79	164	87	37
Net (loss) income	(9)	113	187	99
Net income attributable to noncontrolling interest	6	4	5	4
Net (loss) income attributable to SGC	(15)	109	182	95
Per Share - Basic:				
Net (loss) income from continuing operations	$ (0.98)	$ (0.58)	$ 0.99	$ 0.60
Net income from discontinued operations	0.82	1.71	0.90	0.38
Net (loss) income attributable to SGC	$ (0.16)	$ 1.13	$ 1.89	$ 0.98
Per Share - Diluted:				
Net (loss) income from continuing operations	$ (0.98)	$ (0.58)	$ 0.96	$ 0.58
Net income from discontinued operations	0.82	1.71	0.88	0.37
Net (loss) income attributable to SGC	$ (0.16)	$ 1.13	$ 1.84	$ 0.95
Weighted average number of shares used in per share calculations:				
Basic shares	95	96	96	97
Diluted shares	95	96	99	100

(1) Excludes D&A

(a) Includes a $25 million gain on remeasurement of debt and $6 million U.K. FOBT recovery (refer to Note 4 for additional information).

(b) Includes a $7 million loss on remeasurement of debt, $63 million gain related to the SportCast acquisition transaction (included in net income from discontinued operations, net of tax and and $38 million U.K. FOBT recovery (refer to Notes 4 and 10 for additional information).

(c) Includes a $12 million loss on remeasurement of debt and $181 million income tax benefit due to the reversal of a portion of our valuation allowance on our U.S. federal and state deferred tax assets (see Note 19 for additional information).

(d) Includes an $11 million gain on remeasurement of debt and income tax benefit of $71 million from the valuation allowance release (see Note 19).

(in millions, except per share amounts)	Quarter Ended 2020			
	March 31 (a)	June 30 (b)	September 30 (c)	December 31 (d)
Total operating revenues	$ 479	$ 308	$ 432	$ 480
Total cost of revenues[1]	157	138	152	163
Net loss from continuing operations	(216)	(254)	(187)	(143)
Net income from discontinued operations, net of tax	61	56	76	59
Net loss	(155)	(198)	(111)	(84)
Net income attributable to noncontrolling interest	4	5	6	6
Net loss attributable to SGC	(159)	(203)	(117)	(90)
Per Share - Basic:				
Net loss from continuing operations	$ (2.34)	$ (2.74)	$ (2.03)	$ (1.57)
Net income from discontinued operations	0.65	0.59	0.80	0.62
Net loss attributable to SGC	$ (1.69)	$ (2.15)	$ (1.23)	$ (0.95)
Per Share - Diluted:				
Net loss from continuing operations	$ (2.34)	$ (2.74)	$ (2.03)	$ (1.57)
Net income from discontinued operations	0.65	0.59	0.80	0.62
Net loss attributable to SGC	$ (1.69)	$ (2.15)	$ (1.23)	$ (0.95)
Weighted average number of shares used in per share calculations:				
Basic shares	95	95	95	95
Diluted shares	95	95	95	95

(1) Excludes D&A

(a) Includes a $10 million gain on remeasurement of debt, $28 million bad debt expense, and $54 million goodwill impairment.
(b) Includes a $12 million loss on remeasurement of debt, $12 million bad debt expense, and $21 million inventory valuation charges.
(c) Includes a $24 million loss on remeasurement of debt, $1 million bad debt expense, and $15 million inventory valuation charges.
(d) Includes a $25 million loss on remeasurement of debt, $15 million bad debt expense, and $4 million inventory valuation charges.

SCHEDULE II
SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Year Ended December 31, 2021, 2020 and 2019
(in millions)

Allowance for credit losses[1]	Balance at beginning of period	Additions	Deductions[2]	Balance at end of period
Year Ended December 31, 2021	$ 81	(2)	(25)	$ 54
Year Ended December 31, 2020	$ 37	56	(12)	$ 81
Year Ended December 31, 2019	$ 35	9	(13)	$ 31

(1) Results for reporting periods effective January 1, 2020 are presented in accordance with ASC 326 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP.
(2) Amounts written off, net of recovery, and related impact of foreign currency exchange.

Tax-related valuation allowance	Balance at beginning of period	Additions / (deductions)	Balance at end of period
Year Ended December 31, 2021	$ 298	(238)	$ 60
Year Ended December 31, 2020	$ 189	109	$ 298
Year Ended December 31, 2019	$ 228	(39)	$ 189

(3). Exhibits

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of January 30, 2013, entered into by and among Scientific Games Corporation, Scientific Games International, Inc., SG California Merger Sub, Inc. and WMS Industries Inc. (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 5, 2013).
2.2	Agreement and Plan of Merger, dated as of August 1, 2014, by and among the Scientific Games Corporation, Scientific Games International, Inc., Scientific Games Nevada, Inc. and Bally Technologies, Inc. (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on August 4, 2014).
2.3	Arrangement Agreement, dated as of September 20, 2017, among Scientific Games Corporation, Bally Gaming And Systems UK Limited and NYX Gaming Group Limited (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on September 21, 2017).
2.4	First Amendment to Arrangement Agreement, dated as of November 21, 2017, among Scientific Games Corporation, Bally Gaming And Systems UK Limited and NYX Gaming Group Limited (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 27, 2017).
2.5	Agreement and Plan of Merger, dated as of September 18, 2017, by and between Scientific Games Corporation and SG Nevada Merger Company, a Nevada corporation and a wholly owned subsidiary of Scientific Games Corporation (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on September 18, 2017).
2.6	Equity Purchase Agreement, dated as of September 27, 2021, by and among Scientific Games Corporation, Endeavor Operating Company, LLC and Endeavor Group Holdings, Inc. (solely for the purposes set forth therein) (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on September 28, 2021).
2.7	Equity Purchase Agreement, dated as of October 27, 2021, by and between Scientific Games Corporation and BCP Acquisitions LLC (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 28, 2021).
3.1(a)	Articles of Merger filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.3 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
3.1(b)	Certificate of Merger filed with the Secretary of State of the State of Delaware on January 10, 2018 (incorporated by reference to Exhibit 3.4 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
3.1(c)	Amended and Restated Articles of Incorporation of Scientific Games Corporation, filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.1 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
3.1(d)	Certificate of Designation of Series A Junior Participating Preferred Stock of Scientific Games Corporation, filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.5 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
3.2	Amended and Restated Bylaws of Scientific Games Corporation, effective as of January 10, 2018 (incorporated by reference to Exhibit 3.2 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).

4.1	Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on June 6, 2014).
4.2	Supplemental Indenture, dated as of September 15, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Scientific Games Productions, LLC, Scientific Games Distribution, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
4.3	Supplemental Indenture, dated as of November 21, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Bally Technologies, Inc., Casino Electronics, Inc., Alliance Holding Company, Bally Gaming International, Inc., Bally Gaming, Inc., Bally Gaming GP, LLC, Bally Gaming LP, LLC, Bally Properties East, LLC, Bally Properties West, LLC, Compudigm Services, Inc., SHFL Properties, LLC, Sierra Design Group, Arcade Planet, Inc. and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as successor trustee, relating to the Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.8 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
4.4	Supplemental Indenture, dated as of October 2, 2015, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Go For A Million Productions, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as successor trustee, relating to the Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
4.5	Supplemental Indenture, dated as of July 14, 2017, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Lapis Software Associates, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as successor trustee, relating to the Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).
4.6	Supplemental Indenture, dated as of January 10, 2018, by and among Scientific Games International, Inc., the subsidiary guarantors party thereto, Scientific Games Corporation and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of June 4, 2014, as amended and supplemented, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.5 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.7	Supplemental Indenture, dated as of November 1, 2018, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of June 4, 2014, as amended and supplemented, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.25 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).

4.8	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of June 4, 2014, as amended and supplemented, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.18 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.9	Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
4.10	Supplemental Indenture, dated as of November 21, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
4.11	Supplemental Indenture, dated as of October 2, 2015, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Go For A Million Productions, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
4.12	Supplemental Indenture, dated as of July 14, 2017, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Lapis Software Associates, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).
4.13	Supplemental Indenture, dated as of January 10, 2018, by and among Scientific Games International, Inc., the subsidiary guarantors party thereto, Scientific Games Corporation and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, as amended and supplemented, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.7 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.14	Supplemental Indenture, dated as of November 1, 2018, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, as amended and supplemented, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.31 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).
4.15	Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, related to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
4.16	Supplemental Indenture, dated as of November 21, 2014, among Scientific Games International, Inc., Scientific Games Corporation, and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).

4.17	Supplemental Indenture, dated as of October 2, 2015, among Scientific Games International, Inc., Scientific Games Corporation, Go For A Million Productions, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
4.18	Supplemental Indenture, dated as of February 14, 2017, among Scientific Games International, as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2017).
4.19	Supplemental Indenture, dated as of July 14, 2017, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Lapis Software Associates, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).
4.20	Supplemental Indenture, dated as of January 10, 2018, by and among Scientific Games International, Inc., the subsidiary guarantors party thereto, Scientific Games Corporation and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, as amended and supplemented, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.6 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.21	Amended and Restated Rights Agreement, dated as of January 10, 2018, between Scientific Games Corporation and American Stock Transfer & Trust Company, LLC which includes the Form of Certificate of Designation of Series A Junior Participating Preferred Stock of Scientific Games Corporation as Exhibit A, the Form of Right Certificate as Exhibit B, the Summary of Rights to Purchase Shares of Preferred Stock of Scientific Games Corporation as Exhibit C and a the Form of Consent to Jurisdiction as Exhibit D (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.22	Amendment to Amended and Restated Rights Agreement, dated as of June 16, 2020, to the Amended and Restated Rights Agreement, dated as of January 10, 2018, by and between Scientific Games Corporation and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on June 19, 2020).
4.23	Indenture, dated as of October 17, 2017, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 17, 2017).
4.24	Supplemental Indenture, dated as of February 14, 2018, among Scientific Games International, Inc. as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, among Scientific Games International, as issuer, Scientific Games Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).

4.25	Supplemental Indenture, dated as of November 1, 2018, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.41 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).
4.26	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.35 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.27	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.27 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).
4.28	Collateral Agreement, dated as of October 17, 2017, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on October 17, 2017).
4.29	Indenture, dated as of February 14, 2018, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto, Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent, and Deutsche Bank AG, London Branch, as paying agent, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).
4.30	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent and Deutsche Bank AG, London Branch, as paying agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.30 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).
4.31	Collateral Agreement, dated as of February 14, 2018, among Scientific Games International, Inc., Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).
4.32	Supplemental Indenture, dated as of November 1, 2018, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.45 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).

4.33	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.40 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.34	Indenture, dated as of February 14, 2018, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto, Deutsche Bank Trust Company Americas, as trustee, and Deutsche Bank AG, London Branch, as paying agent, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).
4.35	Supplemental Indenture, dated as of November 1, 2018, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.47 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).
4.36	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.43 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.37	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, registrar and transfer agent. relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.37 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).
4.38	Indenture, dated as of March 19, 2019, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the 8.250% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on March 19, 2019).
4.39	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc. as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of March 19, 2019, as amended and supplemented, relating to the 8.250% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.45 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.40	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of March 19, 2019, as amended and supplemented, relating to the 8.250% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.40 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).

4.41	Indenture, dated as of November 26, 2019, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 7.000% Senior Unsecured Notes due 2028 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2019).
4.42	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc. as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.000% Senior Unsecured Notes due 2028 (incorporated by reference to Exhibit 4.47 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.43	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc., as issuer, SGI Lottery LLC and the guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.000% Senior Unsecured Notes due 2028 (incorporated by reference to Exhibit 4.43 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).
4.44	Indenture, dated as of November 26, 2019, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 7.250% Senior Unsecured Notes due 2029 (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2019).
4.45	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc. as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.250% Senior Unsecured Notes due 2029 (incorporated by reference to Exhibit 4.49 to Scientific Games Corporations Annual Report on Form 10-K filed on February 18, 2020).
4.46	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.250% Senior Unsecured Notes due 2029 (incorporated by reference to Exhibit 4.46 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).
4.47	Indenture, dated as of July 1, 2020, among Scientific Games International, Inc., as issuer, Deutsche Bank Trust Company Americas, as trustee, and the other guarantors party thereto, relating to the 8.625 % Senior Unsecured Notes due 2025 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on July 1, 2020).
4.48	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc, as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of July 1, 2020, as amended and supplemented, relating to the 8.625 % Senior Unsecured Notes due 2025 (incorporated by reference to Exhibit 4.48 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).
4.49	Supplemental Indenture, dated as of August 19, 2021, by and among Scientific Games International, Inc., Scientific Games, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021).

4.50	Supplemental Indenture, dated as of August 19, 2021, by and among Scientific Games International, Inc., Scientific Games, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of July 1, 2020, as amended and supplemented, relating to the 8.625% Senior Unsecured Notes due 2025 (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021).
4.51	Supplemental Indenture, dated as of August 19, 2021, by and among Scientific Games International, Inc., Scientific Games, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021).
4.52	Supplemental Indenture, dated as of August 19, 2021, by and among Scientific Games International, Inc., Scientific Games, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021).
4.53	Supplemental Indenture, dated as of August 19, 2021, by and among Scientific Games International, Inc., Scientific Games, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of March 19, 2019, as amended and supplemented, relating to the 8.250% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021).
4.54	Supplemental Indenture, dated as of August 19, 2021, by and among Scientific Games International, Inc., Scientific Games, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.000% Senior Unsecured Notes due 2028 (incorporated by reference to Exhibit 4.6 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021).
4.55	Supplemental Indenture, dated as of August 19, 2021, by and among Scientific Games International, Inc., Scientific Games, Inc. and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.250% Senior Unsecured Notes due 2029 (incorporated by reference to Exhibit 4.7 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021).
4.56	Supplemental Indenture, dated as of September 30, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 1, 2021).
4.57	Supplemental Indenture, dated as of September 30, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on October 1, 2021).

4.58	Supplemental Indenture, dated as of September 30, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of July 1, 2020, as amended and supplemented relating to the 8.625% Senior Unsecured Notes due 2025 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Current Report on Form 8-K filed on October 1, 2021).
4.59	Supplemental Indenture, dated as of September 30, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation's Current Report on Form 8-K filed on October 1, 2021).
4.60	Supplemental Indenture, dated as of September 30, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of March 19, 2019, as amended and supplemented, relating to the 8.250% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.5 to Scientific Games Corporation's Current Report on Form 8-K filed on October 1, 2021).
4.61	Supplemental Indenture, dated as of September 30, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.000% Senior Unsecured Notes due 2028 (incorporated by reference to Exhibit 4.6 to Scientific Games Corporation's Current Report on Form 8-K filed on October 1, 2021).
4.62	Supplemental Indenture, dated as of September 30, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.250% Senior Unsecured Notes due 2029 (incorporated by reference to Exhibit 4.7 to Scientific Games Corporation's Current Report on Form 8-K filed on October 1, 2021).
4.63	Supplemental Indenture, dated as of October 19, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025.(†)
4.64	Supplemental Indenture, dated as of October 19, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of July 1, 2020, as amended and supplemented, relating to the 8.625% Senior Unsecured Notes due 2025.(†)
4.65	Supplemental Indenture, dated as of October 19, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026.(†)
4.66	Supplemental Indenture, dated as of October 19, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026.(†)
4.67	Supplemental Indenture, dated as of October 19, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of March 19, 2019, as amended and supplemented, relating to the 8.250% Senior Unsecured Notes due 2026.(†)

4.68	Supplemental Indenture, dated as of October 19, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.000% Senior Unsecured Notes due 2028.(†)
4.69	Supplemental Indenture, dated as of October 19, 2021, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.250% Senior Unsecured Notes due 2029.(†)
4.70	Description of Securities (incorporated by reference to Exhibit 4.49 to Scientific Games Corporation's Annual Report on Form 10-K filed on March 1, 2021).
10.1	Credit Agreement, dated as of October 18, 2013, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, the several lenders from time to time parties thereto, Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, JPMorgan Chase Bank, N.A., as issuing lender, Bank of America, N.A., Credit Suisse Securities (USA) LLC and UBS Securities LLC, as joint lead arrangers, Bank of America, N.A., Credit Suisse Securities (USA) LLC, UBS Securities LLC, J.P. Morgan Securities LLC, RBS Securities Inc., Deutsche Bank Securities Inc., Goldman Sachs Bank USA and HSBC Securities (USA) Inc., as joint bookrunners, Credit Suisse Securities (USA) LLC and UBS Securities LLC, as co-syndication agents, and J.P. Morgan Securities LLC, The Royal Bank of Scotland plc, Deutsche Bank Securities Inc., Goldman Sachs Bank USA and HSBC Securities (USA) Inc., as co-documentation agents (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 18, 2013).
10.2	Amendment No. 1 , dated as of October 1, 2014, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, the several banks and other financial institutions or entities from time to time party thereto, and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 among such parties, as set forth in Exhibit A and Exhibit B to such Amendment No. 1. to Credit Agreement (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 7, 2014).
10.3	Amendment No. 2, dated as of February 14, 2017, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2017).
10.4	Amendment No. 3, dated as of August 14, 2017, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on August 14, 2017).
10.5	Amendment No. 4, dated as of February 14, 2018, among Scientific Games International Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, and Amendment No. 3, dated as of August 14, 2017) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).

10.6	Amendment No. 5, dated as of November 20, 2019, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, Amendment No. 3, dated as of August 14, 2017, and Amendment No. 4, dated as of February 14, 2018) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 20, 2019).
10.7	Amendment No. 6, dated as of May 8, 2020, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, Amendment No. 3, dated as of August 14, 2017, Amendment No. 4, dated as of February 14, 2018, and Amendment No. 5 dated as of November 20, 2019) (incorporated by reference to Exhibit 10.11 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).
10.8	Amendment No. 7, dated as of October 8, 2020, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, Amendment No. 3, dated as of August 14, 2017, Amendment No. 4, dated as of February 14, 2018, Amendment No. 5 dated as of November 20, 2019, and Amendment No. 6 dated as of May 8, 2020) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 8, 2020).
10.9	Escrow Credit Agreement, dated as of October 1, 2014, among SGMS Escrow Corp., the several lenders from time to time parties thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Current Report on Form 8-K filed on October 7, 2014).
10.10	Guarantee and Collateral Agreement, dated as of October 18, 2013, by and among Scientific Games Corporation, Scientific Games International, Inc., the guarantor parties named therein and Bank of America, N.A. as collateral agent (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Current Report on Form 8-K filed on October 18, 2013).
10.11	Collateral Agreement, dated as of November 21, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
10.12	Amendment No. 1, dated as of February 14, 2017, among Scientific Games International, Inc., Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, relating to the Collateral Agreement, dated as of November 21, 2014 (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2017).

10.13	Stockholders' Agreement, dated as of September 6, 2000, by and among Scientific Games Corporation, (formerly known as Autotote Corporation), Pivot Buyer LLC (as successor-in-interest to Section 5 under the agreement to MacAndrews & Forbes Incorporated (formerly known as Mafco Holdings Inc.) ("MacAndrews") (as successor-in-interest under the agreement to Cirmatica Gaming S.A.)), The Oak Fund, Peconic Fund Ltd. Ramius Securities, LLC, and Olivetti International S.A. (incorporated by reference to Exhibit 10.38 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000).
10.14	Supplemental Stockholders' Agreement, dated as of June 26, 2002, among Scientific Games Corporation and Pivot Buyer LLC (as successor-in-interest to MacAndrews (as successor-in-interest to Cirmatica Gaming S.A.)) (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
10.15	Letter Agreement, dated as of October 10, 2003, by and between Scientific Games Corporation and Pivot Buyer LLC (as successor-in-interest to MacAndrews further supplementing the Stockholders' Agreement (incorporated by reference to Exhibit 3 to the Schedule 13D jointly filed by MacAndrews and SGMS Acquisition Corporation on November 26, 2003).
10.16	Letter Agreement dated February 15, 2007 between Scientific Games Corporation and Pivot Buyer LLC (as successor-in-interest to MacAndrews) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 16, 2007).
10.17	Agreement, dated as of September 11, 2020, by and between Scientific Games Corporation and MacAndrews & Forbes Incorporated (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).
10.18	Agreement, dated as of September 11, 2020, by and among Scientific Games Corporation and Pivot Buyer LLC (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).
10.19	Share Purchase Agreement, dated as of April 26, 2011, by and among Scientific Games Corporation, Global Draw Limited, IGT-UK Group Limited, Cyberview International, Inc. and International Game Technology (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011).
10.20	Tax Receivable Agreement, dated May 7, 2019, by and among SciPlay Corporation, SciPlay Parent Company, LLC and each of the Members (as defined therein) from time to time party thereto (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on May 8, 2019).
10.21	Scientific Games Corporation Amended and Restated 2003 Incentive Compensation Plan (Amended and Restated as of June 9, 2021) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporations Current Report on Form 8-K filed on June 11, 2021).*
10.22	1995 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.14 to Scientific Games Corporation's Annual Report on Form 10-K for the fiscal year ended October 31, 1997).*
10.23	Asia-Pacific Business Incentive Compensation Program (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Current Report on Form 8-K filed on December 3, 2010).*
10.24	Omnibus Amendment of Compensation and Benefit Plans, effective January 10, 2018, to amend the Plans, as defined therein, to reflect the merger of Scientific Games Corporation, a Delaware corporation ("Parent") into SG Nevada Merger Company, a Nevada corporation and a wholly owned subsidiary of Parent (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).*
10.25	Scientific Games Corporation Change in Control Protection Plan, adopted as of August 25, 2020 (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on August 25, 2020).*

10.26	Amended and Restated Employment Agreement, dated as of December 15, 2015, by and between Scientific Games Corporation and Michael Quartieri (incorporated by reference to Exhibit 10.47 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2015).*
10.27	Amendment to Amended and Restated Employment Agreement, dated as of December 17, 2018 (effective as of January 1, 2019), by and between Scientific Games Corporation and Michael Quartieri, which amended Mr. Quartieri's Amended and Restated Employment Agreement dated as of December 15, 2015 (incorporated by reference to Exhibit 10.25 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).*
10.28	Amendment to Employment Agreement, dated as of March 24, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Michael Quartieri (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.29	Amendment to Employment Agreement, dated as of May 19, 2020, by and between Scientific Games Corporation and Michael Quartieri (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.30	Consulting Agreement, entered into as of July 1, 2020, by and between Scientific Games Corporation and Michael Quartieri (incorporated by reference to Exhibit 10.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.31	Amended and Restated Employment Agreement, dated as of October 15, 2021, by and between Scientific Games Corporation and Constance P. James (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ending September 30, 2021).*
10.32	Scientific Games Corporation Amended and Restated 2016 Employee Stock Purchase Plan (Amended and Restated as of June 9, 2021) (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Current Report on Form 8-K filed on June 11, 2021).*
10.33	Amended and Restated Employment Agreement dated as of February 27, 2017 by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017).*
10.34	Amendment to Employment Agreement, dated as of February 21, 2019 (effective as of February 25, 2019), by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.56 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).*
10.35	Amendment to Employment Agreement, dated as of March 27, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.9 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.36	Amendment to Employment Agreement, dated as of May 18, 2020, by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.15 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.37	Amendment to Employment Agreement, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.16 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*

10.38	Amendment to Employment Agreement, dated as of February 23, 2021, by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ending March 31, 2021).*
10.39	Amendment to Employment Agreement, dated as of April 27, 2021, by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ending June 30, 2021).*
10.40	Engagement Letter, entered into as of November 23, 2021 by and between Scientific Games Corporation and Michael Winterscheidt d/b/a Uphill Consulting.*(†)
10.41	Letter Agreement, dated February 21, 2018, by and between Scientific Games Corporation and Stephen Richardson (incorporated by reference to Exhibit 10.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).*
10.42	Amendment to Employment Agreement, dated as of March 27, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Stephen Richardson (incorporated by reference to Exhibit 10.8 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.43	Amendment to Employment Letter, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Stephen Richardson (incorporated by reference to Exhibit 10.13 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.44	Amended and Restated Employment Agreement, dated as of February 5, 2021 (effective as of June 1, 2021), by and between Scientific Games Corporation and Barry Cottle (incorporated by reference to Exhibit 10.52 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).*
10.45	Employment Agreement, dated as of August 2, 2021 (effective as of September 1, 2021), by and between Scientific Games Corporation and James Sottile (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2021).*
10.46	Amended and Restated Employment Agreement, dated as of January 1, 2019, by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.55 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).*
10.47	Amendment to Employment Agreement, dated as of February 26, 2020 (effective as of January 1, 2020), by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.6 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.48	Amendment to Employment Agreement, dated as of March 24, 2020(effective as of April 5, 2020), by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.7 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.49	Amendment to Employment Agreement, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.11 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*

10.50	Amendment to Employment Agreement, dated as of September 15, 2021, by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2021).*
10.51	Employment Agreement, dated as of July 6, 2019 (effective as of March 1, 2020), by and between Scientific Games Corporation and Matthew Wilson (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.52	Amendment to Employment Agreement, dated as of March 24, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Matthew Wilson (incorporated by reference to Exhibit 10.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.53	Amendment to Employment Agreement, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Matthew Wilson (incorporated by reference to Exhibit 10.9 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.54	Amendment to Employment Agreement, dated as of July 24, 2020, by and between Scientific Games Corporation and Matthew Wilson (incorporated by reference to Exhibit 10.6 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.55	Employment Agreement, dated as of April 23, 2020, by and between Scientific Games Corporation and Michael Eklund (incorporated by reference to Exhibit 10.19 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.56	First Amendment to Employment Agreement, dated as of November 30, 2020, by and between Scientific Games Corporation and Michael Eklund (incorporated by reference to Exhibit 10.68 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2020).*
10.57	Agreement and General Release, dated as of October 22, 2021, by and between Scientific Games Corporation and Michael C. Eklund.*(†)
10.58	Amended and Restated Consulting Agreement, dated as of October 1, 2020, by and between Scientific Games Corporation and Jamie Odell (incorporated by reference to Exhibit 10.15 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.59	Amended and Restated Consulting Agreement, dated as of October 1, 2020, by and between Scientific Games Corporation and Antonia Korsanos (incorporated by reference to Exhibit 10.11 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.60	Amendment No. 8, dated as of July 28, 2021, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, Amendment No. 3, dated as of August 14, 2017, Amendment No. 4, dated as of February 14, 2018, Amendment No. 5, dated as of November 20, 2019, Amendment No. 6, dated as of May 8, 2020, and Amendment No. 7, dated as of October 8, 2020) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on July 28, 2021).
21	List of Subsidiaries.(†)

23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.(†)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.(†)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.(†)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
99.1	Terms and Conditions of Equity Awards to Key Employees under the Scientific Games Corporation 2003 Incentive Compensation Plan (Amended and Restated June 12, 2019), for awards granted in 2021 or later (incorporated by reference to Exhibit 99.1 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2021).*
99.2	Terms and Conditions of Equity Awards to Non-Employee Directors under the Scientific Games Corporation 2003 Incentive Compensation Plan (Amended and Restated June 12, 2019) (incorporated by reference to Exhibit 99.10 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2014).*
99.3	Terms and Conditions of Equity Awards to Consultants under the Scientific Games Corporation 2003 Incentive Compensation Plan (Amended and Restated June 12, 2019) (incorporated by reference to Exhibit 99.11 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2014).*
99.4	Terms and Conditions of Equity Awards to Key Employees under the Scientific Games Corporation 2003 Incentive Compensation Plan, for awards granted prior to 2021 (incorporated by reference to Exhibit 99.1 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 2018).*
99.5	Gaming Regulations.(†)
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Label Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Management contracts and compensation plans and arrangements in which directors and/or executive officers are eligible to participate.

(†) Filed herewith.

** Furnished herewith.

The agreements and other documents filed as exhibits to this Annual Report on Form 10-K are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 1, 2022

SCIENTIFIC GAMES CORPORATION

By: /s/ Constance P. James
Constance P. James,
Executive Vice President, Chief Financial Officer, Treasurer, Corporate Secretary, and Principal Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 1, 2022.

Signature	Title
/s/ Barry L. Cottle Barry L. Cottle	President and Chief Executive Officer and Director (principal executive officer)
/s/ Constance P. James Constance P. James	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary (principal financial officer and principal accounting officer)
/s/ Jamie R. Odell Jamie R. Odell	Executive Chair of the Board of Directors and Director
/s/ Antonia Korsanos Antonia Korsanos	Executive Vice Chair of the Board of Directors and Director
/s/ Hamish McLennan Hamish McLennan	Director
/s/ Virginia E. Shanks Virginia E. Shanks	Director
/s/ Michael J. Regan Michael J. Regan	Director
/s/ Timothy Throsby Timothy Throsby	Director
/s/ Maria T. Vullo Maria T. Vullo	Director
/s/ Kneeland C. Youngblood Kneeland C. Youngblood	Director

SUPPLEMENTAL INDENTURE, dated as of October 19, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGP Holdco, Inc., a Delaware corporation (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of October 17, 2017, as amended and supplemented (the "Indenture"), relating to the Company's 5.000% Senior Secured Notes due 2025;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President and Chief Executive Officer, Secretary and Treasurer

Additional Guarantor:

SGP HOLDCO, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.

By: /s/ Matthew Wilson

Name: Matthew Wilson
Title: President, Treasurer and Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

Name: Jordan Levin
Title: President, Treasurer and Secretary

MDI ENTERTAINMENT, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

SCIENTIFIC GAMES NEW JERSEY, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Constance P. James

Name: Constance P. James
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SCIENTIFIC GAMES, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

SCIENTIFIC GAMES PRODUCTS, LLC

By: SGP Holdco, Inc., its sole member

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Printed Name: Chris Niesz
Its: Authorized Signatory

By: /s/ Sebastian Hidalgo
Printed Name: Sebastian Hidalgo
Its: Authorized Signatory

SUPPLEMENTAL INDENTURE, dated as of October 19, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGP Holdco, Inc., a Delaware corporation (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of July 1, 2020, as amended and supplemented (the "Indenture"), relating to the Company's 8.625% Senior Unsecured Notes due 2025;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President and Chief Executive Officer, Secretary and Treasurer

Additional Guarantor:

SGP HOLDCO, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.

By: /s/ Matthew Wilson

Name: Matthew Wilson
Title: President, Treasurer and Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

Name: Jordan Levin
Title: President, Treasurer and Secretary

MDI ENTERTAINMENT, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

SCIENTIFIC GAMES NEW JERSEY, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SCIENTIFIC GAMES, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

SCIENTIFIC GAMES PRODUCTS, LLC

By: SGP Holdco, Inc., its sole member

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Printed Name: Chris Niesz
Its: Authorized Signatory

By: /s/ Sebastian Hidalgo
Printed Name: Sebastian Hidalgo
Its: Authorized Signatory

SUPPLEMENTAL INDENTURE, dated as of October 19, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGP Holdco, Inc., a Delaware corporation (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee, registrar and transfer agent (the "Trustee").

WHEREAS, the Company, the original Guarantors, the Trustee and Deutsche Bank AG, London Branch, as paying agent, executed an Indenture, dated as of February 14, 2018, as amended and supplemented (the "Indenture"), relating to the Company's 5.500% Senior Unsecured Notes due 2026

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President and Chief Executive Officer, Secretary and Treasurer

Additional Guarantor:

SGP HOLDCO, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.

By: /s/ Matthew Wilson

Name: Matthew Wilson
Title: President, Treasurer and Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

Name: Jordan Levin
Title: President, Treasurer and Secretary

MDI ENTERTAINMENT, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

SCIENTIFIC GAMES NEW JERSEY, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Constance P. James

Name: Constance P. James
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SCIENTIFIC GAMES, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

SCIENTIFIC GAMES PRODUCTS, LLC

By: SGP Holdco, Inc., its sole member

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Printed Name: Chris Niesz
Its: Authorized Signatory

By: /s/ Sebastian Hidalgo
Printed Name: Sebastian Hidalgo
Its: Authorized Signatory

[*Signature Page to Supplemental Indenture – 2026 Unsecured Euro Notes*]

SUPPLEMENTAL INDENTURE, dated as of October 19, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGP Holdco, Inc., a Delaware corporation (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee, collateral agent, registrar and transfer agent (the "Trustee").

WHEREAS, the Company, the original Guarantors, the Trustee and Deutsche Bank AG, London Branch, as paying agent, executed an Indenture, dated as of February 14, 2018, as amended and supplemented (the "Indenture"), relating to the Company's 3.375% Senior Secured Notes due 2026;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President and Chief Executive Officer, Secretary and Treasurer

Additional Guarantor:

SGP HOLDCO, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.

By: /s/ Matthew Wilson

Name: Matthew Wilson
Title: President, Treasurer and Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

Name: Jordan Levin
Title: President, Treasurer and Secretary

MDI ENTERTAINMENT, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

SCIENTIFIC GAMES NEW JERSEY, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Constance P. James

Name: Constance P. James
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SCIENTIFIC GAMES, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

SCIENTIFIC GAMES PRODUCTS, LLC

By: SGP Holdco, Inc., its sole member

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Printed Name: Chris Niesz
Its: Authorized Signatory

By: /s/ Sebastian Hidalgo
Printed Name: Sebastian Hidalgo
Its: Authorized Signatory

[*Signature Page to Supplemental Indenture – 2026 Euro Secured Notes*]

SUPPLEMENTAL INDENTURE, dated as of October 19, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGP Holdco, Inc., a Delaware corporation (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of March 19, 2019, as amended and supplemented (the "Indenture"), relating to the Company's 8.250% Senior Unsecured Notes due 2026;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President and Chief Executive Officer, Secretary and Treasurer

Additional Guarantor:

SGP HOLDCO, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.

By: /s/ Matthew Wilson

Name: Matthew Wilson
Title: President, Treasurer and Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

Name: Jordan Levin
Title: President, Treasurer and Secretary

MDI ENTERTAINMENT, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

SCIENTIFIC GAMES NEW JERSEY, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Constance P. James

Name: Constance P. James
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SCIENTIFIC GAMES, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

SCIENTIFIC GAMES PRODUCTS, LLC

By: SGP Holdco, Inc., its sole member

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Printed Name: Chris Niesz
Its: Authorized Signatory

By: /s/ Sebastian Hidalgo
Printed Name: Sebastian Hidalgo
Its: Authorized Signatory

SUPPLEMENTAL INDENTURE, dated as of October 19, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGP Holdco, Inc., a Delaware corporation (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of November 26, 2019, as amended and supplemented (the "Indenture"), relating to the Company's 7.000% Senior Unsecured Notes due 2028;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

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SIGNATURES

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President and Chief Executive Officer, Secretary and Treasurer

Additional Guarantor:

SGP HOLDCO, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.

By: /s/ Matthew Wilson

Name: Matthew Wilson
Title: President, Treasurer and Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

Name: Jordan Levin
Title: President, Treasurer and Secretary

MDI ENTERTAINMENT, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

SCIENTIFIC GAMES NEW JERSEY, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

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NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Constance P. James

Name: Constance P. James
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SCIENTIFIC GAMES, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

SCIENTIFIC GAMES PRODUCTS, LLC

By: SGP Holdco, Inc., its sole member

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Printed Name: Chris Niesz
Its: Authorized Signatory

By: /s/ Sebastian Hidalgo
Printed Name: Sebastian Hidalgo
Its: Authorized Signatory

[*Signature Page to Supplemental Indenture – 2028 Senior Unsecured Notes*]

SUPPLEMENTAL INDENTURE, dated as of October 19, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGP Holdco, Inc., a Delaware corporation (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of November 26, 2019, as amended and supplemented (the "Indenture"), relating to the Company's 7.250% Senior Unsecured Notes due 2029;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

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Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

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Company:

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By: /s/ Patrick J. McHugh

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Title: President and Chief Executive Officer, Secretary and Treasurer

Additional Guarantor:

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By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh

Title: President, Secretary and Treasurer

Existing Guarantors:

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By: /s/ Constance P. James

Name: Constance P. James

Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

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By: /s/ Matthew Wilson

Name: Matthew Wilson
Title: President, Treasurer and Secretary

SG GAMING NORTH AMERICA, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President

DON BEST SPORTS CORPORATION

By: /s/ Jordan Levin

Name: Jordan Levin
Title: President, Treasurer and Secretary

MDI ENTERTAINMENT, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

SCIENTIFIC GAMES NEW JERSEY, LLC

By:
Scientific Games International, Inc., its sole member/manager

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President and Chief Executive Officer,
Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Constance P. James

Name: Constance P. James
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SCIENTIFIC GAMES, INC.

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

SCIENTIFIC GAMES PRODUCTS, LLC

By: SGP Holdco, Inc., its sole member

By: /s/ Patrick J. McHugh

Name: Patrick J. McHugh
Title: President, Secretary and Treasurer

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Chris Niesz
Printed Name: Chris Niesz
Its: Authorized Signatory

By: /s/ Sebastian Hidalgo
Printed Name: Sebastian Hidalgo
Its: Authorized Signatory

[*Signature Page to Supplemental Indenture – 2029 Senior Unsecured Notes*]

Exhibit 10.40

Engagement Letter

1. Construct

All bold-faced terms are referenced to an applicable Statement of Work (SOW).

2. The services

2.1 In accordance with the description of the engagement contained in the applicable SOW, the professional services will comprise general accounting and advisory services (**Advice** or **Services**). Unless otherwise expressly specified, the Provider shall furnish, at Provider's own expense, any equipment, supplies and other materials necessary or advisable to perform the Services. Subject to the provisions of this Engagement Letter, the Client shall not control the manner or means by which the Provider performs the Services.

3. Schedule

It is expected that the requested services will require the **Time Estimate** to complete as per SOW#____. The date upon which such services will commence is **Start Date** with an expected date of completion of **Complete Date**.

In order to complete such services as described in the SOW (numbered SOW #____) it is expected that a reasonable degree of cooperation from **Client** will be required to effectively provide the services in the SOW in a manner efficient for **Client**.

4. Deliverables

The artifacts set forth in the applicable Statement of Work

5. Fees and billing

Fees are calculated based on the actual hours of work required by each SOW and the size and complexity thereof. Based on the foregoing and on experience in similar engagements, the estimated fees for the services described in the SOW are as set forth in the relevant SOW. If Provider determines that the services described in the SOW will materially exceed the estimated fees, then Provider shall so inform Client, and seek Client's consent to the additional estimated fees, before commencing the services.

This engagement letter does not include any other **Services** that have not been described in an SOW. In the event that any incremental services are requested, such shall be subject to a separate SOW appropriately executed by both **Client** and **Provider**.

6. Expenses

Any reasonable out-of-pocket expenses actually incurred by **Provider** during the provision of **Services** (e.g. reasonable travel, accommodation, per diems, translations, etc.), will be added to the actual fees and shall be billed at cost, with supporting documentation for such expenses to be provided to Client.

7. Billing and payment

As multiple SOWs are anticipated under this engagement, fees will be billed monthly for all SOWs that are complete or in progress. Such invoices shall note the actual hours incurred as compared to the **Time Estimate** per SOW and shall note whether such SOW is complete or in progress.

Invoices are payable by electronic means to Uphill Consulting Bank of America account number within 30 days of invoice date, with such invoices to be provided to Client on the invoice date.

8. Standard business terms

The Standard Business Terms attached as an Exhibit to this engagement letter constitute the entire agreement between **Client** and **Provider** in relation to the services described.

9. Liability

In no event shall **Provider** be liable for any loss of use, contracts, data, goodwill, revenues or profits (whether or not deemed to constitute direct claims) or any consequential, special, indirect, incidental, punitive or exemplary loss, damage, or expense relating to this contract or the **Services**.

10. Indemnity

Client and Provider shall each indemnify and hold harmless the other and any respective personnel, from all third party Claims, except to the extent finally judicially determined to have resulted primarily from the bad faith or intentional misconduct of the indemnified party or any respective personnel.

In circumstances where all or any portion of the provisions of this Paragraph are finally determined to be unavailable, the aggregate liability of a party to this engagement letter (including respective personnel) for any Claim shall not exceed an amount which is proportional to the relative fault that their conduct bears to all other conduct giving rise to such Claim.

11. Limitations on the provision of services

Provider is an independent contractor, and this engagement letter shall not be construed to create any association, partnership, joint venture, employee or agency relationship between Provider and Client (or any of Client's Affiliates) for any purpose. Accordingly, Provider acts only in an advisory capacity for the **Client** and has no authority to resolve any issue, to agree any obligation, to extend a limitation period, or to exercise any authority or decision on behalf of **Client** unless explicitly indicated in SOW or an addendum to such, which shall be in writing.

EXHIBIT: Standard Business Terms

In the event of a contradiction or conflict between the Standard Business Terms and the terms of the Engagement Letter or SOW, the SOW shall prevail, except with respect to Articles 5, 6, 7, 10, and 11 of the Engagement Letter, which shall always prevail over the Standard Business Terms.

1. Contract and parties

(a) The engagement letter and any appendices, including relevant SOWs incorporated by reference upon execution into the engagement letter ("Engagement Letter") issued by Michael F. Winterscheidt (d/b/a "Uphill Consulting", "Provider") and addressed to the Client and these Standard Business Terms (together the "Contract") constitute the whole agreement between the Client and Provider in relation to the services and artifacts (including Advice as defined below) described in the Contract to be provided by Provider (the "Services") and Provider's responsibilities for providing the Services. Capitalized terms not defined in these Standard Business Terms shall have the meaning given to them in the Engagement Letter.

(b) This Contract is between the Client and Provider. For the purposes of this Contract:

- "Client" shall mean the entity specified in the Engagement Letter;
- "Advice" shall mean all advice, opinions, reports and other work product in any form (including Artifacts) provided by or on behalf of Provider as part of the Services.
- "Artifacts" means any and all tangible work outputs of the Services to be delivered by Provider as part of the Services, including written memoranda, reports, documents, emails and other materials.

(c) Provider may not subcontract any Services under this Contract to any other party. The Client's relationship is solely with Provider as the entity contracting to provide the Services.

(d) Provider remains responsible to the Client for all of the Services performed or to be performed under this Contract.

2. Responsibilities of the Client and of Provider

(a) Responsibilities of the Client

1) The Client shall cooperate with Provider in connection with the performance of the Services, including, without limitation, providing Provider with reasonable facilities and timely access to data, information and personnel of Client. The Client shall be responsible for the performance of its personnel and third parties retained by the Client, for the timeliness, accuracy and completeness of all data and information (including all financial information and statements) provided to Provider by or on behalf of Client and for the implementation of any Advice provided as part of the Services. Provider may use and rely on information and data furnished by the Client or others without verification. The performance of the Services is dependent upon the timely performance of the Client's responsibilities under the Contract and timely decisions and approvals of the Client in connection with the Services. Provider shall be entitled to rely on all decisions and approvals of the Client.
2) The Client shall be solely responsible for, among other things: (A) making all management decisions and performing all management functions (even if relying solely on Advice provided under the Services), (B) designating one or more individuals who possess suitable skill, knowledge, and/or experience, preferably within senior management to oversee and/or approve the Services, (C) evaluating the adequacy and results of the Services, (D) accepting responsibility for implementing the results of the Services, and (E) establishing and maintaining internal controls, including, without limitation, monitoring ongoing activities. The provisions in the preceding sentence are not intended to and do not alter, modify or change in any manner the duties and obligations of Provider as agreed to and set forth in this Contract. With respect to the data and information provided by the Client to Provider for the performance of the Services, Provider is entitled to assume that the Client has all rights required to provide such data and information.

(b) Responsibilities of Provider

(i) Any Services provided by or on behalf of Provider will be based upon regulations (including regulations under the Securities and Exchange Commission) and generally accepted accounting principles in the United States ("GAAP") in effect at the time the Services are provided. Subsequent changes in or to the foregoing (for which Provider shall have no responsibility to advise the Client) may result in the Services provided by or on behalf of Provider being rendered invalid.

(ii) Except as specifically agreed to in writing, Provider shall not assume any responsibility for any financial reporting with respect to the Services. Provider shall have no responsibility to address any legal matters or questions of law.

(iii) In formulating any Advice as part of the Services, Provider may discuss ideas with the Client orally or show the Client drafts of such Advice. To the extent that the content of drafts or oral Advice are

expected to be finalized and confirmed to the Client in writing, such confirmed Advice shall supersede any previous drafts or oral Advice. Provider shall not be responsible if the Client or others choose to rely on, act or refrain from acting on the basis of any drafts or oral Advice.

(iv) Provider will use its reasonable endeavors, acting in a commercially appropriate manner, to carry out the Services in accordance with any timetable specified in the Contract. However, it is agreed that any dates specified in the Contract for the performance of any part of the Services, including delivery of any Advice, are estimated dates for planning purposes only. Provider will notify the Client promptly if it expects or encounters any significant delays which will materially affect achievement of any timetable for delivery of the Services.

(v) Unless expressly agreed otherwise in writing, each item of Advice will be deemed accepted (and the Services or relevant part completed) when such Advice has been delivered in its final form and no material objection to the Advice or its content is notified by the Client to Provider in writing within 10 days of delivery or when first use of the Advice is made by or on behalf of the Client, whichever occurs first.

(vi) For the performance of the Engagement, Provider is obliged to comply with applicable regulations and its own internal policies of Anti Money Laundering and Financing of Terrorism, for which it may require to the Client information and documentation.

3. Payment of invoices

2.2 Provider's invoices are due and payable by the Client within 30 days of presentation. Without limiting its other rights or remedies, Provider shall have the right to suspend or terminate the Services entirely or in part if payment is not received by the Due Date. The Client shall be responsible for all taxes, such as VAT, sales and use tax, gross receipts tax, withholding tax, and any similar tax, imposed on or in connection with the Services, other than Provider's income and property taxes. It is intended that the provisions of this Contract comply with Section 409A of the Internal Revenue Code, and applicable administrative guidance and regulations ("Section 409A"), and all provisions of this Contract shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes and penalties under Section 409A and that all reimbursements provided under this Contract shall be made or provided in accordance with Section 409A. Notwithstanding the foregoing, Client makes no representations or warranties and shall have no responsibility regarding the tax implications of the compensation and benefits to be paid to Provider under this Contract, including under Section 409A.

4. Term

(a) An SOW may be terminated by Provider, without cause, by giving written notice to the other party not less than 60 days before the effective date of termination. An SOW may be terminated by Client, without cause, by giving written notice to the other party not less than 60 days before the effective date of termination.

(b) Either party may terminate the Contract by written notice to the other party for convenience, on not less than 90 days' prior written notice to the other party, or on or at any time after the occurrence of any of the following events: (i) a material breach by the other party of an obligation under the Contract and, if the breach is capable of remedy, the defaulting party failing to remedy the breach within 30 days of receipt of notice of such breach, (ii) the other party becoming insolvent, (iii) the other party having a resolution passed or a petition presented for its winding-up or dissolution (other than for the purpose of a solvent amalgamation or reconstruction), (iv) the making of an administration order in relation to the other party, or the appointment of a receiver over, or an encumbrancer taking possession of or selling, an asset of the other party , (v) the other party making an arrangement or composition with its creditors generally or making an application to a court of competent jurisdiction for protection from its creditors generally.

Provider may terminate the Contract in whole or in part, with immediate effect upon written notice to the Client if Provider determines that (i) a governmental, regulatory, or professional entity or other entity having the force of law has introduced a new, or modified an existing law, rule, regulation, interpretation, or decision, the result of which would render Provider's performance of any part of the Contract illegal or otherwise unlawful or in conflict with professional rules or (ii) circumstances change (including, without limitation, changes in ownership of the Client or of its Affiliates) so that Provider's performance of any part of the Contract would be illegal or otherwise unlawful or in conflict with independence or professional rules.

(c) Upon termination of the Contract for any reason, the Client will compensate Provider in accordance with the terms of the Contract for the Services performed and expenses incurred up to the effective date of termination.

(d) Termination of any part of the Contract (including a specific SOW) shall not affect the remainder of the Contract (including other relevant SOWs included in the Contract).

5. Ownership of Provider's Property & Work Products

(a) To the extent that any property (whether tangible or intangible) of Provider is used or developed in connection with the Contract, such property,

including work papers, shall remain the property of Provider. Subject to payment of all of Provider's fees due in connection with the Services and the Contract, the Client shall obtain ownership of such Advice or Artifact for the purpose set out in the Contract and in compliance with the provisions of the Contract. Any intellectual property and other proprietary rights in the material and data provided by the Client for performing the Services shall remain the exclusive property of Client.

(b) Provider, in connection with performing the Services, may develop or acquire general experience, skills, knowledge and ideas. Provider may use and disclose such experience, skills, knowledge and ideas subject to the obligations of confidentiality set out in Paragraph 10.

6. Limitation on Damages

(a) In circumstances where all or any portion of the provisions of this Paragraph 6 is finally determined to be unenforceable, the aggregate liability of a party and any personnel for any Claim shall not exceed an amount in excess of amounts billed under the applicable SOW.

(b) Provider's responsibility for the Services is solely towards the Client.

(c) The provisions of Paragraph 6 shall not apply to any liability which by the governing law of the Contract it is unlawful to limit or exclude.

7. Limitation on Warranties

(a) Provider warrants that it shall perform the Services in good faith and with professional skill and care.

(b) To the fullest extent permitted by law Provider disclaims all other warranties, either express or implied.

8. Force Majeure

(a) Neither party shall be liable for any delays or non-performance resulting from circumstances or causes beyond its reasonable control, including, without limitation , acts or omissions or the failure to cooperate by the other party (including, without limitation, entities or individuals under its control, or any of their respective officers, directors, employees, other personnel and agents), fire or other casualty, act of God, epidemic, pandemic, strike or labor dispute, war or other violence, or any law, order or requirement of any governmental agency or authority.

9.

10. Confidentiality

(a) To the extent that, in connection with the Contract, Provider comes into possession of any information related to the Services, trade secrets or other proprietary information relating to the Client which is either designated by the disclosing party as confidential or is by its nature clearly confidential ("Confidential Information"), Provider shall not disclose such Confidential Information to any third party unless directed to by the Client or unless required by law, regulation, judicial or administrative process, or in accordance with applicable professional standards, or in connection with potential or actual mediation, arbitration or litigation.

(b) The obligation of confidentiality shall not apply to the extent such Confidential Information

(i) is or becomes publicly available (including, without limitation, any information filed with any governmental agency and available to the public) other than as the result of the default of Provider,

(ii) becomes available to Provider on a non-confidential basis from a source other than the Client which Provider reasonably believes is not prohibited from disclosing such Confidential Information to Provider by an obligation of confidentiality to the Client,

(iii) is known by Provider prior to its receipt from the Client without any obligation of confidentiality, or

(iv) is developed by Provider independently of the Confidential Information disclosed by the Client.

(c) The Client shall not disclose to any third party any Advice without the express written consent of Provider, except

(v) disclosure may be made to the extent mandatory laws, applicable regulations, rules and professional obligations prohibit limitations on disclosure, structure associated with the Services or transactions described in the Contract and the Client acknowledges that none of its other advisers has imposed or will impose restrictions or limitations with such tax treatment or tax structure,

(vi) to the extent legislation or regulations of any jurisdiction provide for the reporting of such Advice, and

(vii) to Client's auditors in their capacity as such.

(d) All Services are intended only for the benefit of the Client identified in the Contract. The mere receipt of any Advice (or any information derived therefrom) by any other persons is not intended to create any duty of care, professional relationship or any present or future liability of any kind between those persons and Provider.

11. Assignment

(a) Neither party may assign or otherwise transfer the Contract. Neither party will directly or indirectly agree to assign or transfer to a third party any Claim against the other party arising out of the Contract.

12. Electronic Communications

(a) Except as instructed otherwise in writing, Provider and the Client are authorized to use properly addressed, email (including emails exchanged via internet media) and voicemail communication for both sensitive and non-sensitive documents and other communications concerning the Contract, as well as other means of communication used or accepted by the other.

(b) It is recognized that the internet is inherently insecure and that data can become corrupted, communications are not always delivered promptly (or at all) and that other methods of communication may be appropriate. Electronic communications are also prone to contamination by viruses. Each party will be responsible for protecting its own systems and interests and, to the fullest extent permitted by law, will not be responsible to the other on any basis (contract, tort, including without limitation negligence, or otherwise) for any loss, damage or omission in any way arising from the use of the internet or from access by Provider to networks, applications, electronic data or other systems of the Client Group.

13. Other Clients

(a) Nothing in the Contract will prevent or restrict Provider, from providing services to other clients (including services which are the same or similar to the Services) or using or sharing for any purpose any knowledge, experience or skills used in, gained or arising from performing the Services subject to the obligations of confidentiality set out in Paragraph 10 unless those other clients' interests are in competition with the Client. Also, to the extent that Provider possesses information obtained under an obligation of confidentiality to another client or other third party, Provider is not obliged to disclose it to any member of the Client, or use it for the benefit of the Client, however relevant it may be to the Services.

14. Staff

(a) Provider and the Client each agree not, directly or indirectly, to solicit, employ or engage any personnel of the other party who within one year of such action has been involved directly with the provision of the Services or otherwise directly connected with the Contract, except where an individual responds directly to a general recruitment campaign.

15. Destruction of Working Papers

(a) Provider may retain copies of documents and files provided by the Client in connection with the Services for the purposes of compliance with professional standards and internal retention policies. However, use of such information retained for these purposes is, in all cases, subject to the obligations of confidentiality set out in Paragraph 10.

16. Marketing Material & Use of Name

(a) Neither the Provider nor the Client shall use the other's trademarks, service marks and/or branding in external publicity material without such other party's prior written consent. However, as a credential of its professional experience and for commercial purposes, the Provider may use the Client's trademarks and may refer to the names of the Client in presentation materials solely as a reference to Client being a recipient of Services.

17. Anti-corruption

(a) Provider understands that the Client may be subject to laws that prohibit bribery and/or providing anything of value to government officials with the intent to influence that person's actions in respect of the Client. Provider may be subject to similar laws and codes of professional conduct and has its own internal policies and procedures which prohibit illegal or unethical behaviors. In providing the Services, Provider undertakes not to offer, promise or give financial or other advantage to another person with the intention of inducing a person to perform improperly or to reward improper behavior for the benefit of the Client, in each case, in violation of applicable law.

(b) Likewise, Client and Provider commit to comply with all applicable laws and regulations, including anticorruption and anti-bribery rules, and to act with ethical and professional behavior, avoiding any practice that could be a violation of the anticorruption and anti-bribery laws or regulations in any country where this Agreement will be performed.

(c) Annexes A and B to this Contract are incorporated by reference into this Contract as if set forth fully herein.

18. Entire Agreement, Modification and Effectiveness

(a) Nothing discussed prior to execution of the Contract induced, nor forms part of, the Contract except to the extent repeated in the Contract. The Contract supersedes any previous agreement, understanding or communication, written or oral, relating to its subject matter. No variation to the Contract shall be effective unless it is documented in writing and signed by authorized representatives of both parties, provided, however, that the scope of the Services may be changed by agreement of the parties in writing, including by e-mail. If Provider has already started work (e.g., by gathering information, project planning or giving initial advice) at the request of the Client then the Client agrees that the Contract is effective from the start of such work.

19. Survival and Interpretation

(a) Any provisions of the Contract which either expressly or by their nature extend beyond the expiration or termination of the Contract shall survive such expiration or termination.

(b) If any provision of the Contract is found by a court of competent jurisdiction or other competent authorities to be unenforceable, in whole or in part, such provision or the affected part shall not affect the other provisions but such unenforceable provision shall be deemed modified to the extent necessary to render it enforceable, preserving to the fullest extent permissible the intent of the parties set forth herein. Each of the provisions of the Contract shall apply to the fullest extent of the law, whether in contract, statute, tort (including without limitation negligence), or otherwise, notwithstanding the failure of the essential purpose of any remedy. Any references herein to the term “including” shall be deemed to be followed by “without limitation”.

20. Governing Law and Submission to Jurisdiction

(a) This Contract, and all matters relating to it, (including non-contractual obligations) shall be governed by, and construed in accordance with, the laws of the State of Nevada. Any action or proceeding arising out of or relating to this Contract or the Services shall be brought and maintained exclusively in the State of Nevada. The parties hereby expressly and irrevocably (i) submit to the exclusive jurisdiction of such courts for the purposes of any such action or proceeding and (ii) waive, to the fullest extent permitted by law, any defense of inconvenient forum to the venue and maintenance of such action in any such courts. Nothing in this Paragraph will prevent either party, at any time before or after the dispute resolution procedures are invoked, from commencing legal proceedings to protect any intellectual property rights, trade secrets or confidential information or to preserve any legal right or remedy.

21. Dispute Resolution

(a) The parties agree to attempt in good faith to resolve any dispute or claim arising out of or in connection with the Contract promptly through negotiations between senior management. Nothing in this Paragraph prevents either party, at any time before or after the dispute resolution procedures are invoked, from commencing legal proceedings to protect any intellectual property rights, trade secrets or confidential information or to preserve any legal right or remedy.

22. Disclosure Laws

(a) Where there are current or future laws or regulations in any jurisdiction that require disclosure relevant to the Services, the Provider will also comply with those disclosure requirements, to the extent that it is legally obliged to do so.

AGREEMENT AND GENERAL RELEASE

In consideration of the promises contained herein, Scientific Games Corporation, 6601 Bermuda Road, Las Vegas, NV 89119 (the "Company") and Michael C. Eklund, 219 Canyon Turn Trail, Austin, TX 78734 ("you"), agree that:

WHEREAS, the Company and you entered into an Employment Agreement dated as of April 23, 2020, and a First Amendment to Employment Agreement dated November 30, 2020 (as amended, the "Employment Agreement"); and

WHEREAS, you and the Company wish to resolve all matters related to your employment with the Company, on the terms and conditions expressed in this Agreement and General Release ("Agreement").

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties, intending to be legally bound, agree as follows:

1. **Last Day of Employment**. Your last day of employment with the Company is October 15, 2021 (the "Separation Date"). The Employment Agreement will terminate on that date, except that any provisions in the Employment Agreement designed to survive termination will survive.

2. **Severance Benefits In Return for Signing**.

(a) Severance Benefits. In return for your signing this Agreement and complying with the promises made by you in this Agreement and the Employment Agreement, the Company will provide you with the following severance benefits (the "Severance Benefits") described below in subsections (i)-(iv). You acknowledge and agree that the Severance Benefits are separate from and in addition to what you are already entitled to receive from the Company. The Severance Benefits are:

(i) The Company will pay you an amount equal to $1,705,890.41, less required and/or authorized deductions and withholdings (including withholding at the supplemental rate as required), on the Company's regular pay days and in accordance with the Company's payroll practices over 42 pay periods as follows:

Gross amount	**Pay Period**
$40,384.62	1-25
$40,384.50	26
$40,993.15	27-41
$40,993.16	42

Such payments shall commence within the first full payroll period after the Effective Date (as defined in Section 12(b) of this Agreement).

(ii) If you choose to continue your health insurance by properly and timely electing COBRA coverage under and pursuant to COBRA, 29 U.S.C. § 1161 et seq., the Company will pay the employee and employer share of the premiums (based on your current coverage elections) for up to a maximum of twelve (12) months (the "COBRA Payment Period"). You acknowledge the COBRA Payment Period will end early if you become eligible for medical coverage from a new employer and you agree that you will immediately notify the Company in writing if you become eligible for such coverage by sending an e-mail to the Company's Chief Human Resources Officer. During the COBRA Payment Period, the premiums will be paid by the Company directly to the provider. After the COBRA Payment Period, you will be responsible for paying the entire COBRA premium on a timely basis if, and for as long as, you choose to elect COBRA continuation coverage, and to the extent that you remain eligible for COBRA continuation coverage as provided by state and federal laws. You will receive information on your opportunity to elect COBRA coverage under separate cover.

(iii) No later than March 15, 2022, a Company representative will notify you if bonuses under the 2021 SGICP Cash Bonus Plan are approved for payment by the Compensation Committee of the Company's Board of Directors (the "Compensation Committee"). If approved, no later than March 15, 2022, the Company will pay you a lump sum amount, subject to applicable withholdings, in the amount of any annual bonus that would have been payable to you for Fiscal Year 2021 pursuant to the 2021 SGICP Cash Bonus Plan, calculated and as approved by the Compensation Committee. Any bonus paid to you will be pro-rated based on the number of days you were employed in 2021.

(iv) Subject to Section 5.6 of the Employment Agreement, accelerated vesting as of the Effective Date of the restricted stock units held by you shown on the chart below ("Accelerated RSUs"). In all other respects, such Accelerated RSUs shall be governed by the plans and programs and the agreements and other documents pursuant to which such awards were granted.

Grant Date	**Product ID**	**Unvested Quantity**
6/8/2020	2020RSUKE	16,667
6/8/2020	2020RSUKE	16,666
6/8/2020	EXEC2023PV	75,000
	Total:	**108,333**

For the avoidance of doubt, except for the Accelerated RSUs, all unvested restricted stock units granted to you by the Company are forfeited on the Separation Date.

(b) Additional Obligations. Additionally, the Company acknowledges the following obligations to you:

(i) The Company shall pay you your regular base salary, accrued and unpaid up to and including the Separation Date pursuant to applicable law, less required and/or authorized deductions and withholdings, and payable in accordance with Company's regular payroll practices;

(ii) The Company agrees to reimburse you for all reasonable and necessary out-of-pocket business related expenses you incurred at the request of the Company prior to the Separation Date, provided that you shall submit reasonable documentation of such expenses prior to the Effective Date and in accordance with the applicable Company policy; and

(iii) Following the Separation Date, you shall be entitled to any amount arising from your participation in, or benefits under, any employee benefit plans, programs or arrangements that become payable as a result of your separation from the Company, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements and pursuant to applicable law.

(c) No Other Benefits. Except as provided in this Agreement, you shall not be entitled to receive any other payment, benefit or other form of compensation as a result of your employment or the termination thereof.

(d) Tax Withholding. All payments made by the Company to you hereunder except for COBRA payments and expense reimbursements shall be subject to all applicable withholding deductions.

3. **No Severance Benefits Unless You Sign this Agreement and Do Not Revoke It**. You understand and agree that you will not receive any of the Severance Benefits specified in Section 2 above unless: (a) you sign and return a fully signed copy of this Agreement within the time period specified below and do not revoke or rescind this Agreement within the time period specified below, and (b) you fulfill all of the promises contained herein.

4. **General Release of Claims.** In consideration for the Severance Benefits specified in Section 2 above, which you acknowledge are not otherwise owed to you, you understand and agree that you are knowingly and voluntarily releasing, waiving and forever discharging, to the fullest extent permitted by law, on your own behalf and on behalf of your agents, assignees, attorneys, heirs, executors, administrators and anyone else claiming by or through you (collectively referred to as the "Releasors"):

the Company, and its parents, affiliates, subsidiaries and members, predecessors, successors or assigns, and any of its or their past or present parents, affiliates, subsidiaries and members, predecessors, successors or assigns; and any of its or their past or present shareholders; and any of its or their past or present directors, executives, members, officers, insurers, attorneys, employees, consultants, agents,

both individually and in their business capacities, and employee benefits plans and trustees, fiduciaries, and administrators of those plans (collectively referred to as the "Released Parties"),

of and from any and all claims under local, state or federal law, whether known or unknown, asserted and unasserted, that you and/or the other Releasors have or may have against Released Parties as of the day you sign this Agreement, including but not limited to all matters relating to or in any way arising out of any aspect of your employment with the Company, separation from employment with the Company, or your treatment by the Company while in the Company's employ, all claims under any applicable law, and all other claims, charges, complaints, liens, demands, causes of action, obligations, damages (including punitive or exemplary damages), liabilities or the like (including without limitation attorneys' fees and costs) (collectively "Claims"), including but not limited to all Claims for:

(a) salary and other wages, including, but not limited to, overtime if applicable, incentive compensation and other bonuses, severance pay, paid time off or any benefits under the Employee Retirement Income Security Act of 1974, as amended or any other applicable local, state or federal law;

(b) discrimination, harassment or retaliation based upon race, color, national origin, ancestry, religion, marital status, sex, sexual orientation, citizenship status, pregnancy or any pregnancy related disability, family status, leave of absence (including but not limited to the Family Medical Leave Act or any other federal, state or local leave laws), handicap (including but not limited to The Rehabilitation Act of 1973), medical condition or disability, or any other characteristic covered by law under Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Act of 1991, the Americans with Disabilities Act, as amended, Sections 1981 through 1988 of the Civil Rights Act of 1866, and any other federal, state, or local law prohibiting discrimination in employment, the Worker Adjustment and Retraining Notification Act, or any other federal, state or local law concerning plant shutdowns, mass layoffs, reductions in force or other business restructuring;

(c) discrimination, harassment or retaliation based upon age under the Age Discrimination in Employment Act as amended by the Older Workers Benefit Protection Act of 1990 and as further amended (the "ADEA"), or under any other federal, state, or local law prohibiting age discrimination;

(d) breach of implied or express contract (whether written or oral), breach of promise, misrepresentation, fraud, estoppel, waiver or breach of any covenant of good faith and fair dealing, including without limitation breach of any express or implied covenants of any employment agreement that may be applicable to you;

(e) defamation, negligence, infliction of emotional distress, violation of public policy, wrongful or constructive discharge, or any employment-related tort recognized under any applicable local, state, or federal law;

(f) any violation of any Fair Employment Practices Act, Equal Rights Act; Civil Rights Act; Minimum Fair Wages Act; Equal Pay Act; or Payment of Wages Act; or any comparable federal, state or local law;

(g) any violation of the Immigration Reform and Control Act, or any comparable federal, state or local law;

(h) any violation of the Fair Credit Reporting Act, or any comparable federal, state or local law;

(i) any violation of the Family and Medical Leave Act;

(j) any violation of the Nevada Fair Employment Practices Act (Nev. Rev. Stat. §613.310 et seq.), any Nevada wage and hour law (Nev. Rev. Stat. §608.016 et seq.), or any comparable federal, state or local law and any violation of any comparable statute, regulation, or law of any country or nation;

(k) any violation of the Texas Commission on Human Rights Act, Texas Payday Law, Texas Labor Code, or the Texas Constitution, or any comparable federal, state or local law and any violation of any comparable statute, regulation, or law of any country or nation;

(l) costs, fees, or other expenses, including attorneys' fees; and

(m) any other claim, charge, complaint, lien, demand, cause of action, obligation, damages, liabilities or the like of any kind whatsoever, including, without limitation, any claim that this Agreement was induced or resulted from any fraud or misrepresentation by Company.

Excluded from the release set forth in this Section 4 are: (i) any Claims or rights to enforce this Agreement against the Company, (ii) Claims arising after the date you sign this Agreement, and (iii) any Claims that you cannot lawfully release. Notwithstanding anything to the contrary contained herein, including in Section 5 below, also excluded from the release set forth in this Section 4 is your right to file a charge with an administrative agency (including the Equal Employment Opportunity Commission and the National Labor Relations Board) or participate in any agency investigation. You are, however, to the extent allowed by law, waiving your right to recover money or other damages in connection with any such charge or investigation filed with the Equal Employment Opportunity Commission, the National Labor Relations Board or similar state or local agency. You are also, to the extent allowed by law, waiving your right to recover money in connection with a charge filed by any other individual or by the Equal Employment Opportunity Commission, National Labor Relations Board or similar state or local agency.

Furthermore, notwithstanding anything herein to the contrary, nothing in this Agreement or any other agreement with the Company shall (i) prohibit you from making reports of possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or of any other whistleblower protection provisions of state or federal law or regulation, or (ii) require notification or prior approval by the Company of any reporting described in clause (i).

5. **Additional Agreements by Employee.**

(a) BY SIGNING THIS AGREEMENT YOU ARE KNOWINGLY AND VOLUNTARILY WAIVING ANY RIGHTS (KNOWN OR UNKNOWN) TO BRING OR PROSECUTE A LAWSUIT OR MAKE ANY LEGAL CLAIM AGAINST THE RELEASED PARTIES WITH RESPECT TO ANY OF THE CLAIMS DESCRIBED ABOVE IN SECTION 4. You agree that the release set forth above will bar all claims or demands of every kind, known or unknown, referred to above in

Section 4 and further agree that no non-governmental person, organization or other entity acting on your behalf has in the past or will in the future file any lawsuit, arbitration or proceeding asserting any claim that is waived or released under this Agreement. If you break this promise and file a lawsuit, arbitration or other proceeding asserting any Claim waived in this Agreement, (i) you will pay for all costs, including reasonable attorneys' fees, incurred by the Released Parties in defending against such Claim (unless such Claim is a charge with the Equal Employment Opportunity Commission or the National Labor Relations Board); (ii) you give up any right to individual damages in connection with any administrative, arbitration or court proceeding with respect to your employment with and/or termination from employment with the Company, including damages, reinstatement or attorneys' fees; and (iii) if you are awarded money damages, you will assign to the Released Parties your right and interest to all such money damages. If any claim is not subject to release, to the extent permitted by law, you waive any right or ability to be a class or collective action representative or to otherwise participate in any putative or certified class, collective or multi-party action or proceeding based on such a claim in which Company or any other Released Party is a party. Furthermore, if you are made a member of a class or collective action in any proceeding without your prior knowledge or consent, you agree to opt out of the class or collective action at the first opportunity. Notwithstanding the foregoing, this Section 5 does not limit your right to challenge the validity of this Agreement in a legal proceeding under the Older Workers Benefit Protection Act, 29 U.S.C. § 626(f), with respect to claims under the ADEA. This Section also is not intended to and shall not limit the right of a court to determine, in its discretion, that the Company is entitled to restitution, recoupment or setoff of any payments made to you by the Company should this Agreement be found to be invalid as to the release of claims under the ADEA.

(b) You agree that you shall not solicit, encourage, assist or participate (directly or indirectly) in bringing any Claims or actions against any of the Released Parties by other current or former employees, officers or third parties, except as compelled by subpoena or other court order or legal process, and only after providing the Company with prior notice of any such subpoena, order or legal process and an opportunity to timely contest such process. Notwithstanding the foregoing, nothing in this Agreement shall preclude you from making truthful statements that are required by applicable law, regulation or legal process.

(c) You represent and warrant that you have not filed any administrative, judicial or other form of complaint or initiated any claim, charge, complaint or formal legal proceeding, nor are you a party to any such claim, against any of the Released Parties, and that you will not make such a filing at any time hereafter based on any events or omissions occurring prior to the date of execution of this Agreement. You understand and agree that this Agreement will be pleaded as a full and complete defense to any action, suit or proceeding which is or may be instituted, prosecuted or maintained by you, your agents, assignees, attorneys, heirs, executors, administrators and anyone else claiming by or through you.

(d) You agree to cooperate with Company and take all necessary steps to effectuate this Agreement, each of its terms and the intent of the parties.

6. **Affirmations**. In signing this Agreement, you are affirming that:

(a) You have been paid and/or have received all compensation, wages, bonuses, commissions, and/or benefits to which you may be entitled (except as set forth in this Agreement). You affirm that you have been granted or not been denied any leave to which you were entitled under the Family and Medical Leave Act or related state or local leave or disability accommodation laws;

(b) You are not eligible to receive payments or benefits under any other Company and/or other Released Party's severance pay policy, plan, practice or arrangement;

(c) You have no known workplace injuries or occupational diseases;

(d) You have not complained of and you are not aware of any fraudulent activity or any act(s) which would form the basis of a claim of fraudulent or illegal activity by the Company or any other Released Party that you have not reported to the Company in writing. You also affirm that you have not been retaliated against for reporting any allegations of wrongdoing by any Released Party, including any allegations of corporate fraud. Both parties acknowledge that this Agreement does not limit either party's right, where applicable, to file or to participate in an investigative proceeding of any federal, state or local governmental agency;

(e) You acknowledge and agree that all of the Company's decisions regarding your pay and benefits through the date of your execution of this Agreement were not discriminatory based on age, disability, race, color, sex, religion, national origin, or any other classification protected by law;

(f) On or about the Separation Date, or within a reasonable time thereafter, the Company provided you with timely and adequate notice of your right to continue group insurance benefits under COBRA (unless such notice was not required to be given because, on the day before termination, you did not receive group health insurance benefits through the Company and thus are not a qualified beneficiary within the meaning of COBRA); and

(g) You acknowledge and agree that if you breach the provisions of this Agreement (including, but not limited to, Section 8 or the provisions of the Employment Agreement which survive), that the Company will have the right to seek an appropriate remedy against you, which may include, but not be limited to, injunctive relief, the return of the Severance Benefits, other monetary damages, and the payment of the Company's attorneys' fees. Additionally, if you breach this Agreement, Company shall have the right, without waiving any other remedies in law or equity, to cease any further payments pursuant to Section 2. Notwithstanding such cessation of payments, all of your obligations hereunder shall be continuing and enforceable including but not limited to your release of claims, and the Company shall be entitled to pursue all remedies against you available at law or in equity for such breach.

7. **Confidentiality**. You agree that it is a material condition of this Agreement that you shall keep the terms of this Agreement, strictly and completely confidential and that you will not directly or indirectly make or issue any private statement, press release or public statement, or communicate or otherwise disclose to any employee of the Company (past, present or future) or to a member of the general public, the negotiations leading to, or the terms, amounts or facts of or underlying this

Agreement, except as may be required by law or compulsory process; provided, however, that you may disclose the terms of this Agreement to your immediate family, attorneys, and accountants or other financial advisors so long as they agree to abide by the foregoing confidentiality restriction.

8. **Return of Property.** You agree that no later than your last day of employment with the Company, you will return any and all property, including all copies or duplicates thereof, belonging to the Company, including but not limited to keys, key cards, security cards, identification badges, records, papers, files, blueprints, documents, equipment, phone, computer equipment and software, computer disks, thumb drives, supplies, customer or client lists and customer or client information, and all copies thereof and any other Company property under your control. You will also sign a Declaration that you have complied with this obligation.

9. **Non-Admission of Wrongdoing**. You and the Company agree that neither this Agreement nor the furnishing of the consideration for this Agreement shall be deemed or construed at anytime for any purpose as an admission by any of the Released Parties of any liability, wrongdoing, or unlawful conduct of any kind, and the Released Parties do specifically deny, any violation of any local, state, federal, or other law, whether regulatory, common or statutory. Additionally, this Agreement, its existence or its terms will not be admissible in any proceeding other than a proceeding to enforce the terms of this Agreement.

10. **Amendment**. You understand and agree that this Agreement may not be modified, altered or changed except upon express written consent of both parties wherein specific reference is made to this Agreement.

11. **Entire Agreement; Waiver**. You understand and agree that this Agreement sets forth the entire agreement between you and the Company concerning the subject matter herein, and that it fully supersedes any prior obligation of the Company to you, as well as any agreements between you and the Company, other than any agreements relating to equity, inventions, intellectual property, confidentiality, non-competition and/or non-solicitation, including those set forth in your Employment Agreement, and all other provisions of the Employment Agreement designed to survive the termination of your employment with Company **including, but not limited to, Sections 4(h), 4(i) and Sections 5.1, 5.2, 5.3, 5.4 and 5.8**. You acknowledge and affirm that you have not relied on any representations, promises, or agreements of any kind made to you in connection with your decision to accept this Agreement, except for those that are set forth in this Agreement. One or more waivers of a breach of any covenant, term or provision of this Agreement by any party shall not be construed as a waiver of a subsequent breach of the same covenant, term or provision, nor shall it be considered a waiver of any other then existing or subsequent breach of a different covenant, term or provision.

12. **Right to Consider, Rescind and Revoke Acceptance**. This Agreement is intended to comply with the Older Workers Benefit Protection Act of 1990 with regard to your waiver of rights under the Age Discrimination in Employment Act. In signing this Agreement, you understand and agree that:

(a) You are specifically advised to consult with an attorney of your own choosing before you sign this Agreement, as it waives and releases rights you have or may have under federal, state and local law, including but not limited to the Age Discrimination in Employment Act. You acknowledge that you will bear all expenses incurred by you in the negotiation and preparation of this Agreement, and the Company will bear all fees incurred by it.

(b) You will have up to twenty-one (21) calendar days from the Separation Date to decide whether to accept and sign this Agreement. In the event you do sign this Agreement, you may revoke or rescind your acceptance within seven (7) calendar days of signing it, and it will not become effective or enforceable until the eighth (8^{th}) day after you sign it (the "Effective Date"). In order to effectively revoke or rescind your acceptance, the revocation or rescission must be in writing and postmarked within the seven (7) calendar day period, and properly addressed to:

Scientific Games
6601 Bermuda Road
Las Vegas, NV 89119
Attention: Legal Department

You acknowledge that if you do not accept this Agreement in the manner described above, it will be withdrawn and of no effect. You acknowledge and agree that, if you revoke your acceptance of this Agreement, you shall receive none of the benefits provided hereunder and this Agreement shall be null and void, having have no further force or effect, and that said Agreement will not be admissible as evidence in any judicial, administrative or arbitral proceeding or trial. You further acknowledge that if the Agreement is not revoked in the time period set forth above, you shall have forever waived your right to revoke this Agreement, and it shall thereafter have full force and effect as of the Effective Date.

(c) Any and all questions regarding the terms of this Agreement have been asked and answered to your complete satisfaction.

(d) You acknowledge that the consideration provided for hereunder is in addition to anything of value to which you already are entitled and the consideration provided for herein is good and valuable.

(e) You are entering into this Agreement voluntarily, of your own free will, and without any coercion or undue influence of any kind or type whatsoever.

(f) Any modifications of or revisions to this Agreement do not re-start the consideration period, described in paragraph(b) of this Section 12.

(g) You understand that the releases contained in this Agreement do not extend to any rights or claims that you have under the Age Discrimination in Employment Act that first arise after execution of this Agreement.

13. **409A**. This Agreement is intended to comply with or be exempt from Section 409A or an exception thereunder and shall be interpreted, construed and administered in accordance therewith. Notwithstanding anything in this Agreement to the contrary, in the event that you are deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i), no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to you prior to the date that is six (6) months after your Separation Date or, if earlier, your date of death. Following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the first payroll date following the date that is six (6) months after your Separation Date. To the extent that any reimbursements are taxable to you, any such reimbursement payment due to you shall be paid to you in all events on or before the last day of your taxable year following the taxable year in which the related expense was

incurred. The reimbursements are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that you receive in one taxable year shall not affect the amount of such benefits or reimbursements that you receive in any other taxable year. For purposes of Section 409A, each installment payment, if applicable, provided under this Agreement shall be treated as a separate payment. Notwithstanding the foregoing, the Company makes no representations that the payments or benefits provided under this Agreement comply with Section 409A and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the you as a result of this Agreement failing to comply with Section 409A.

14. **Governing Law; Arbitration**. The parties hereby agree that the "Governing Law; Arbitration" section of the Employment Agreement set forth at Section 12 of the Employment Agreement is incorporated into this Agreement.

15. **Resignation of Director and Officer Positions**. As of the Separation Date, you will resign your position as an officer and/or director of the Company and all of the Company's subsidiaries, if any. You will execute and deliver to the Company any requested resignation letters documenting your resignation from such positions.

16. **Miscellaneous.** This Agreement may be signed in counterparts, both of which shall be deemed an original, but both of which, taken together shall constitute the same instrument. A signature made on an electronically mailed copy of the Agreement or a signature transmitted by electronic mail shall have the same effect as the original signature. The section headings used in this Agreement are intended solely for convenience of reference and shall not in any manner amplify, limit, modify or otherwise be used in the interpretation of any of the provisions hereof. This Agreement shall be binding upon and inure to the benefit of the parties and their respective personal representatives, agents, attorneys, executors, administrators, heirs, successors and assigns.

[signatures follow on the next page]

IN WITNESS WHEREOF, the parties hereto knowingly and voluntarily entered into this Agreement and General Release as of the date set forth below:

SCIENTIFIC GAMES CORPORATION

By: /s/ Eileen Moore
Name: Elieen Moore
Title: EVP & Chief Human Resources Officer

I have decided to accept this Agreement and General Release, to fulfill the promises I have made, and to receive the Severance Benefits described in Section 2 above. I hereby freely and voluntarily assent to all the terms and conditions in this Agreement and General Release. I understand that this Agreement and General Release will become a binding agreement between the Company and me as of the 8th day after I sign it, and I am signing this Agreement and General Release as my own free act with the full intent of releasing the Released Parties from all Claims, as described in Section 4 above, including but not limited to those under the Age Discrimination in Employment Act (ADEA).

/s/ Michael C. Eklund Date: 22 - Oct - 2021
MICHAEL C. EKLUND

SCIENTIFIC GAMES CORPORATION SUBSIDIARIES

(All subsidiaries are 100% owned unless otherwise stated)
(List includes only subsidiaries in which Scientific Games holds equal to or greater than 50% of the subsidiary)

*Indicates a SciPlay Corporation (Nevada) ("SciPlay") subsidiary. SciPlay's Class A common stock is traded on The NASDAQ Global Select Market. To date, Scientific Games Corporation continues to control shares representing a majority of the combined voting power in SciPlay.

A.L.I. Online Inc. (British Columbia, Canada)
Authentic Gaming Malta Limited (Malta)
Authentic Gaming Limited (Malta)
BGI Gaming & Systems, S. de R.L. de C.V. (Mexico)
Bally Gaming and Systems (France)
Bally Gaming and Systems Holdings Limited (England and Wales)
Bally Gaming and Systems S.A. (Uruguay)
Bally Gaming and Systems UK Limited (England and Wales)
Bally Gaming Canada Ltd. (New Brunswick, Canada)
Bally Gaming, družba za prodajo in vzdrževanje igralnih naprav, igralnih pripomočkov in igralnih sistemov, d.o.o. (Slovenia) – short name Bally Gaming d.o.o.
Bally Gaming GP, LLC (Nevada)
Bally Gaming LP, LLC (Nevada)
Bally Gaming Netherlands I B.V. (Netherlands)
Bally Gaming Netherlands II B.V. (Netherlands)
Bally Gaming Netherlands III B.V. (Netherlands)
Bally Technologies Bermuda, L.P. (Bermuda)
Bally Technologies Colombia SAS (Colombia)
Bally Technologies Italy S.r.l. Unipersonale (Italy)
Barcrest Development B.V. (Netherlands) (50%)
Barcrest Group Limited (England and Wales)
Beijing Guard Libang Technology Co., Ltd. (China) (50%)
Bern Merger Sub, Inc. (Nevada)
Betdigital Ltd (England and Wales)
Come2Play Ltd. (Israel)*
Content Media Operations Sweden AB (Sweden)
Content Media Holding Ltd (Malta)
Cryptologic (Asia Pacific) Pte. Ltd. (Singapore)
CryptoLogic Callco ULC (Nova Scotia, Canada)
Cryptologic Exchange Corporation (Ontario, Canada)
Cryptologic Inc. (Ontario, Canada)
Cryptologic Limited (Guernsey)
Customized Games Limited (England and Wales)
Davisville Game Studio Inc. (Ontario, Canada)
DBS Canada Corporation (Ontario, Canada)
DMWSL 699 Limited (England and Wales)
Don Best Sports Corporation (Nevada)
Dragonplay Ltd (Israel)*
ELKAB Studios AB (Sweden)
ELK Studios Malta Ltd (Malta)
E-SYS Tecnologia Em Informàtica S.A. (Brazil) (70%)
Estrela Instantânea Loteria SPE S.A. (Brazil) (50%)
Game360 S.R.L. (Italy)
Gaming Products Pty Ltd (Australia)

Global Draw Limited (England and Wales)
Happy Sun Technologies Ltd. (British Virgin Islands) (50%)
Hillbeck Trading Limited (Cyprus)
International Terminal Leasing (Bermuda) (80%)
Jadestone Group AB (Sweden)
Jadestone Networks (Malta) Limited (Malta)
Knightway Promotions Limited (England and Wales)
Koukoi Games Oy (Finland)*
Les Studios Side City Inc./Side City Studios Inc. (Canada)
Lightning Box Games Pty Limited (Australia)
MDI Entertainment, LLC (Delaware)
N T Media Limited (England and Wales)
NextGen Gaming (USA) LLC (Nevada)
NextGen Gaming Pty Ltd (Australia)
NYX Digital Gaming (Alberta) Inc. (Alberta, Canada)
NYX Digital Gaming (Alderney) Limited (Alderney)
NYX Digital Gaming (Betdigital Holdings) Limited (England and Wales)
NYX Digital Gaming (Canada) ULC (British Columbia, Canada)
NYX Digital Gaming (Gibraltar II) Limited (Gibraltar)
NYX Digital Gaming (Guernsey) Limited (Guernsey)
NYX Digital Gaming (Malta Holdings) Limited (Malta)
NYX Digital Gaming (OB Holdings) Limited (England and Wales)
NYX Digital Gaming (OB SPV) Limited (England and Wales)
NYX Digital Gaming (USA), LLC (Nevada)
NYX Gaming (Krakow) sp. z o.o. (Poland)
NYX Gaming Group LLC (Nevada)
NYX Interactive AB (Sweden)
OB Acquisition Limited (England and Wales)
OB Financing Limited (England and Wales)
OB Midco Limited (England and Wales)
OB Topco Limited (England and Wales)
OnGame Network Limited (Gibraltar)
Ongame Services AB (Sweden)
OpenBet Asia Pacific Pty Ltd (Australia)
OpenBet Hellas SA (Greece)
OpenBet Holdco Limited (Jersey)
OpenBet India Private Limited (India)
OpenBet Limited (England and Wales)
OpenBet New Zealand Limited (New Zealand)
OpenBet North America Corporation (Canada)
OpenBet Retail Limited (England and Wales)
OpenBet Singapore Pte. Limited (Singapore)
OpenBet Technologies Limited (England and Wales)
Red7Mobile Ltd (England and Wales)
Scientific Connections India Private Limited (India)
Scientific Connections SDN. BHD. (Malaysia)
Scientific Games (Bermuda) Limited (Bermuda)
Scientific Games (China) Company Limited (China)
Scientific Games (Gibraltar) Limited (Gibraltar)
Scientific Games Asia Pacific Ltd. (Bermuda)
Scientific Games Asia Services Pte. Ltd. (Singapore)
Scientific Games Australia Pty Ltd (Australia)

Scientific Games Brasil Ltda. (Brazil)
Scientific Games Chile Limitada (Chile) (99.99%)
Scientific Games China Holdings Ltd. (Bermuda)
Scientific Games del Peru, S.R.L. (Peru) (99.99%)
Scientific Games Deutschland GmbH (Germany)
Scientific Games Dominican Republic, S.R.L. (Dominican Republic)
Scientific Games Europe S.à.r.l. (Luxembourg)
Scientific Games France SARL (France)
Scientific Games Germany GmbH (Germany)
Scientific Games Global Gaming S.à.r.l. (Luxembourg)
Scientific Games Hellas Sole Shareholder Limited Liability Company (Greece)
Scientific Games Holdings (Canada) ULC (Nova Scotia, Canada)
Scientific Games Holdings Limited (Ireland)
Scientific Games Honsel GmbH (Germany)
Scientific Games, Inc. (Delaware)
Scientific Games India Private Limited (India)
Scientific Games International GmbH (Austria)
Scientific Games International Holdings Limited (England and Wales)
Scientific Games International Limited (England and Wales)
Scientific Games International, Inc. (Delaware)
Scientific Games Italy Investments S.r.l. (Italy)
Scientific Games Latino America SpA (Chile)
Scientific Games Luxembourg Holdings S.à.r.l. (Luxembourg)
Scientific Games New Jersey, LLC (Delaware)
Scientific Games Products (Canada) ULC (Nova Scotia, Canada)
Scientific Games Products (Australia) Pty Ltd (Australia)
Scientific Games Products, LLC (Delaware)
Scientific Games Puerto Rico, LLC (Puerto Rico)
Scientific Games Sweden AB (Sweden)
Scientific Games Szerencsejáték Szolgáltatások Korlátolt Felelősségű Társaság (Hungary) - short name
Scientific Games Kft. Scientific Games Taiwan Limited (Taiwan)
Scientific Games Turkey Şans Oyunlari Anonim Şirketi (Turkey)
Scientific Games Ukraine Limited Liability Company (Ukraine)
Scientific Games Worldwide Limited (Ireland)
SciPlay Corporation (Nevada)
SciPlay Games, LLC
SciPlay Parent Company, LLC (Nevada)*
SG Digital (Gibraltar) Limited (Gibraltar)
SG Digital Gaming (Malta) Limited (Malta)
SG Digital Limited (England and Wales)
SG Digital Holdco Limited (England and Wales)
SG Digital UK Holdings Limited (England and Wales)
SG Gaming Africa Proprietary Ltd. (Republic of South Africa) (74.8%)
SG Gaming ANZ Pty Ltd (Australia)
SG Gaming Argentina, S.A. (Argentina)
SG Gaming Asia Limited (Macau)
SG Gaming Australia Holdings I Pty Ltd (Australia)
SG Gaming Australia Holdings II Pty Ltd (Australia)
SG Gaming Limited (England and Wales)

SG Gaming New Zealand Pty Limited (New Zealand)
SG Gaming North America, Inc. (Nevada)
SG Gaming Services Philippines, Inc. (Philippines)
SG Gaming Puerto Rico, LLC (Puerto Rico)
SG Gaming Qingdao Company Limited (China)
SG Gaming Singapore Pte. Ltd. (Singapore)
SG Gaming UK Limited (England and Wales)
SG Gaming, Inc. (Nevada)
SG Social Holding Company, LLC (Nevada)
SG Social Holding Company I, LLC (Nevada)
SG Social Holding Company II, LLC (Nevada)
SG Supply Chain Services, HK Limited (Hong Kong)
SGI Lottery LLC (Delaware)
SGL Global Holdco Ltd (England and Wales)
SGP Holdco, Inc. (Delaware)
Shenzhen Leli (China) (50%)
SHFL entertainment (Argentina) S.R.L. (Argentina)
SHFL entertainment (Australasia) Holdings Pty Limited (Australia)
Shuffle Master Australasia Group Pty Ltd (Australia)
Shuffle Master Australia Pty Ltd (Australia)
Shuffle Master GmbH & Co KG (Austria)
Shuffle Master GmbH (Austria)
Shuffle Master Holding GmbH (Austria)
Shuffle Master International, Inc. (Nevada)
Shuffle Master Management-Service GmbH (Austria)
SidePlay Entertainment Limited (Jersey)
Sportcast Limited (England and Wales)
Sportcast LLC (New Jersey)
Sportcast Pty Limited (Australia)
Stargames Pty Ltd (Australia)
Success Trader SZ (China) (50%)
Success Trader Technologies Limited (Hong Kong) (50%)
VIP Gaming Solutions Pty Limited (Australia)
Wagerlogic (Ireland) Limited (Ireland)
Wagerlogic (UK) Limited (England and Wales)
WagerLogic Limited (Cyprus)
WMS Gaming Australia Pty Limited (Australia)
WMS Gaming International, S.L. (Spain)
WMS Gaming Peru S.R.L. (Peru)
WMS Gaming Services Europe, S.L. (Spain)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-05811, 333-44983, 333-110141, 333-134043, 333-157638, 333-161232, 333-191817, 333-197948, 333-200463, 333-213432, 333-213434, and 333-232987 on Form S-8 and No. 333-112452 on Form S-3 of our reports dated March 1, 2022, relating to the financial statements of Scientific Games Corporation and the effectiveness of Scientific Games Corporation's internal control over financial reporting appearing in this Annual Report on Form 10-K of Scientific Games Corporation for the year ended December 31, 2021.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada

March 1, 2022

Exhibit 31.1

Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Barry L. Cottle, certify that:

1. I have reviewed this Annual Report on Form 10-K of Scientific Games Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Barry L. Cottle
Barry L. Cottle
Chief Executive Officer

Date: March 1, 2022

Exhibit 31.2

Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Constance P. James, certify that:

1. I have reviewed this Annual Report on Form 10-K of Scientific Games Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Constance P. James

Constance P. James
Chief Financial Officer

Date: March 1, 2022

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Scientific Games Corporation (the "Company") for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barry L. Cottle, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Barry L. Cottle

Barry L. Cottle
Chief Executive Officer
March 1, 2022

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Scientific Games Corporation (the "Company") for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Constance P. James, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Constance P. James

Constance P. James
Chief Financial Officer
March 1, 2022

Gaming Regulations

Licensing and Suitability Determinations- Generally

The manufacture, distribution and operation of gaming equipment and related software is subject to regulation and approval by various city, county, state, provincial, federal, tribal and foreign agencies (collectively, "gaming authorities"). Gaming laws require us to obtain licenses or findings of suitability from gaming authorities for our company, including each of our subsidiaries engaged in manufacturing, distributing and operating gaming products and services, and certain of our directors, officers and employees. The criteria used by gaming authorities to make determinations as to qualification and suitability of an applicant varies among jurisdictions, but generally require the submission of detailed personal and financial information followed by a thorough investigation. The burden of demonstrating suitability and the cost of the investigation resides with the applicant. In evaluating individual applicants, gaming authorities consider the individual's character, criminal and financial history and, in some cases, the character of those with whom the applicant associates. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be found suitable. Gaming authorities may, subject to certain administrative proceeding requirements, (i) deny an application, or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval and (ii) fine any entity or person licensed, registered or found suitable or approved, for any cause they deem reasonable.

If any director, officer or employee of ours fails to qualify for a license or is found unsuitable (including due to the failure to submit the required documentation or application) by a gaming authority, we may deem it necessary, or be required to, sever our relationship with such person, which may include terminating the employment of any such person.
Gaming authorities may investigate any individual or entity having a material relationship to, or material involvement with, us or any of our subsidiaries, to determine whether such individual or entity is suitable or should be licensed as a business associate of ours. In addition, gaming authorities in Nevada, as well as other jurisdictions, monitor the activities of the entities they regulate both in their respective jurisdiction and in other jurisdictions to ensure that such entities are in compliance with local standards on a worldwide basis. The Nevada gaming authorities require us and our gaming subsidiaries, such as SG Gaming, Inc. and NYX Digital Gaming (USA), LLC, to maintain Nevada standards of conduct for all of our gaming activities and operations worldwide.

Licensing Requirements of Security Holders

Many jurisdictions require certain of our stockholders or holders of our debt securities to file an application, be investigated, and be found suitable to own any of our debt securities. For example, a holder of our stock or of our issued debt may be required to file an application, be investigated and be subject to a suitability hearing as a beneficial holder if the Nevada Gaming Commission has reason to believe that the holder's ownership in our securities would be inconsistent with the commission's public policies or those of the state of Nevada.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage (typically five percent) of our voting securities and, in some jurisdictions, our non-voting securities, to report the acquisition to the gaming authorities and apply for a finding of suitability. However, most gaming authorities, allow an "institutional investor" to apply for a waiver that allows such institutional investor to acquire, in most cases, up to ten percent of our voting securities without applying for a finding of suitability.

Any person who is found unsuitable by a gaming authority may be prohibited by applicable gaming regulations from holding, directly or indirectly, the beneficial ownership of any voting security or debt security of any public corporation which is registered with the gaming authority. In light of these regulations and their potential impact on our business, our amended and restated articles of incorporation and amended and restated bylaws prohibit persons or entities who fail to comply with informational or other regulatory requirements under applicable gaming laws, who are found unsuitable to hold our common stock by gaming authorities, whose stock ownership adversely affects our gaming licenses, or is a purported transferee of a stockholder who acquires shares made invalid pursuant to our amended and restated articles of incorporation and amended and restated bylaws, from owning stock in our company.

Any person who holds, directly or indirectly, any beneficial ownership of our securities, and, to the extent applicable, fails or refuses to apply for a license or a finding of suitability within the time period prescribed by the applicable gaming authorities, may be denied a license or found unsuitable, as applicable, and may be found guilty of a criminal offense. The same restrictions may also apply to a record owner who fails or refuses to identify a beneficial owner of our securities. Furthermore, we may be subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we:

- pay that person any dividend or interest upon our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise;
- make any payment to the unsuitable person by way of principal, redemption, conversation, exchange, liquidation or similar transaction; or
- fail to pursue all lawful efforts to terminate our relationship with that person, including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Notification and Approval of Certain Transactions or Changes in Directors and Officers

Depending on the jurisdiction, we may be required to notify, or obtain approval from gaming authorities with respect to certain transactions to which we or any of subsidiaries are a party, including the following:

- material loans, leases, sales of securities and similar financing transactions;
- a public offering of our securities (or those of our subsidiaries) if the securities or their proceeds are intended to be used for certain gaming expenditures;
- repurchases of our voting securities (such as repurchases that treat security holders differently) above the current market price; and
- recapitalizations proposed in response to tender offers.

In addition, change of control transactions (whether through merger, consolidation, stock or asset acquisitions or otherwise) require prior approval of gaming authorities in certain jurisdictions. Entities seeking to acquire control of us or one of our subsidiaries must satisfy a variety of stringent standards established by the gaming authorities prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship with the proposed acquirer to be investigated and licensed as part of the approval process relating to a change of control transaction.

Any change in our directors or officers, including the directors or officers of our licensed subsidiaries, must be reported to or, if such change relates to a position in which the individual is required to be licensed, qualified, found suitable or approved by the requisite gaming authority.

Testing and Approvals for Gaming Products

In Nevada and in most other jurisdictions, gaming devices and systems may not be sold unless they have been approved by the relevant regulatory authority (or an agency of such authority). The authority will conduct rigorous testing of the gaming device or system and related equipment through a testing laboratory (which may be run by such gaming authority or by an independent third party) and may require a field trial of the gaming device, platform or system before determining that the gaming device, platform or system meets the agency's strict technical standards. As part of the approval process, gaming authorities may require equipment and software modifications and several rounds of approval.

We do not have control over the length of time that any regulatory agency or testing laboratory takes to review our products. However, we work closely with the gaming authority's staff, or the staff of the independent testing laboratory, as the case may be, to timely respond to inquiries and assist where possible in the evaluation, inspection and review of our products.

Federal Registration

The Federal Gambling Devices Act of 1962 (commonly known as the Johnson Act) generally makes it unlawful for a person to manufacture, transport or receive gaming machines or components across state lines unless that person has first registered with the Criminal Division of the United States Department of Justice. As required by the Johnson Act, certain of our entities must register and renew their registration annually with the Criminal Division of the United States Department of Justice in order to manufacture, sell, distribute, or operate gaming equipment. The Johnson Act also imposes on us various record-keeping and equipment-identification requirements. A violation of the Johnson Act may result in the seizure and forfeiture of gaming equipment, as well as the imposition of other penalties.

Native American Regulation

Numerous Native American tribes have become engaged in or have licensed gaming activities on Native American tribal lands as a means of generating revenue for tribal governments. Gaming on Native American lands, including the terms and conditions under which gaming equipment and systems can be sold or leased to Native American tribes, is or may be subject to regulation under the laws of the tribes, the laws of the state, and the Indian Gaming Regulatory Act of 1988 ("IGRA"), which includes regulation and oversight by the National Indian Gaming Commission ("NIGC") and the Secretary of the United States Department of the Interior. Furthermore, gaming on Native American lands may also be subject to the provisions of contracts (known as compacts) between states and Native American tribes, which are also administered by the Secretary of the United States Department of the Interior.

The IGRA classifies legalized gaming into three categories: "Class I" gaming consists of traditional Native American social and ceremonial games; "Class II" gaming consists of bingo, electronic aids to bingo, and, if played at the same location where bingo is offered, pull-tabs and other games similar to bingo; and "Class III" gaming consists of all other forms of gaming that are not included in either Class I or Class II, including traditional casino gaming machines.

Class I gaming is regulated exclusively at the Native American tribe level. We do not currently offer Class I gaming products or services.

Class II gaming is regulated by the NIGC and the laws of the Native American tribe conducting such gaming. Subject to the detailed requirements of the IGRA, federally recognized Native American tribes are typically permitted to conduct Class II gaming on Indian lands pursuant to tribal ordinances approved by the NIGC.

The IGRA generally permits Native American tribes to conduct Class III gaming activities on reservation lands subject to the detailed requirements of the IGRA, including NIGC approval of the Native American tribe's gaming ordinance and the entering into of a tribal-state compact between the Native American tribe and the state in which the Native American tribe

intends to conduct Class III gaming activities on its trust lands. Tribal-state compacts vary from state to state. Many require that gaming suppliers meet ongoing registration and licensing requirements established by the state and/or the tribe and some impose background check requirements on the gaming suppliers' officers, directors and shareholders.

Under the IGRA, tribes are required to regulate gaming on their tribal lands under ordinances approved by the NIGC. These ordinances may impose standards and technical requirements on hardware and software and may impose registration, licensing and background check requirements on gaming suppliers and their officers, directors and shareholders.

International Regulation

We engage in the manufacture, distribution and operation of gaming equipment and systems and related products, as well as license our games and intellectual property, in various international markets worldwide. Many foreign jurisdictions permit the importation, sale and/or operation of gaming equipment in casino and non-casino environments. Where importation is permitted, some jurisdictions prohibit or restrict the payout feature of the traditional gaming machine or limit the operation of gaming machines to a controlled number of casinos or casino-like locations. Each gaming machine must comply with the individual jurisdiction's regulations. Some jurisdictions require the licensing of gaming suppliers.

In the U.K., the Gambling Act of 2005, and the accompanying secondary legislation, regulates, among other things, the type of licensed gaming activity that is carried out by operators, the licensing of the various types of venues for the conduct of licensed gaming activities, the categories and number of gaming machines allowed in each type of venue, the licensing and regulation of the supply and operation of those machines and the issuance of technical specifications, standards and licensing requirements for each category of gaming device. As of October 2019, the UK Government reduced the maximum stake on a fixed odds betting terminal (also known as a category B2 gaming machine), which we supply to land-based bookmakers, from £100 to £2. As part of the pending UK Government review of the Gambling Act 2005 there have been calls to introduce stake limits for online gambling. The UK Government is currently considering submissions, following a call for evidence, and the delayed White Paper is expected to be published in May 2022. As of April 2019, remote gaming duty was increased to 21%.

Violation of Gaming Laws

If we or any of our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we could be subject to substantial fines. Furthermore, a violation of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, a violation of applicable gaming laws by us or any of our subsidiaries could have a material adverse effect on our financial condition, prospects and results of operations.

FINANCIALS

2020 Annual Report

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

FORM 10-K

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

For the fiscal year ended: December 31, 2020

OR

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

For the transition period from to

Commission file number: 001-11693

SCIENTIFIC GAMES CORPORATION

(Exact name of registrant as specified in its charter)

Nevada	**81-0422894**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6601 Bermuda Road, Las Vegas, Nevada 89119
(Address of principal executive offices)
(Zip Code)
(702) 897-7150
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $.001 par value	SGMS	The NASDAQ Stock Market
Preferred Stock Purchase Rights		The NASDAQ Stock Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2020, the market value of voting and non-voting common equity held by non-affiliates of the registrant was $877,187,305[(1)].

Common shares outstanding as of February 23, 2021 were 95,389,898.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement relating to the 2021 annual meeting of stockholders are incorporated by reference in Part III. The proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the conclusion of the registrant's fiscal year ended December 31, 2020.

(1) For this purpose only, "non-affiliates" excludes directors and executive officers.

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Glossary of Terms

The following terms or acronyms used in this Form 10-K are defined below:

Term or Acronym	Definition
2021 Notes	6.625% senior subordinated notes due 2021 issued by SGI
2025 Secured Notes	5.000% senior secured notes due 2025 issued by SGI
2026 Secured Euro Notes	3.375% senior secured notes due 2026 issued by SGI
2026 Unsecured Euro Notes	5.500% senior unsecured notes due 2026 issued by SGI
2022 Unsecured Notes	10.000% senior unsecured notes due 2022 issued by SGI
2025 Unsecured Notes	8.625% senior unsecured notes due 2025 issued by SGI
2026 Unsecured Notes	8.250% senior unsecured notes due 2026 issued by SGI
2028 Unsecured Notes	7.000% senior unsecured notes due 2028 issued by SGI
2029 Unsecured Notes	7.250% senior unsecured notes due 2029 issued by SGI
AEBITDA	Adjusted EBITDA, our performance measure of profit or loss for our business segments
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
Bally	Bally Technologies, Inc.
CMS	casino-management system
Coin-in	the amount wagered
COVID-19	Coronavirus disease first identified in 2019 (declared a pandemic by the World Health Organization on March 11, 2020)
CSG	Beijing CITIC Scientific Games Technology Co., Ltd.
D&A	depreciation, amortization and impairments (excluding goodwill)
ERP	enterprise resource planning
ESPP	employee stock purchase plan
ETS	electronic table system
Exchange Act	Securities Exchange Act of 1934, as amended
FASB	Financial Accounting Standards Board
GDPR	General Data Protection Regulation
GLB	Beijing Guard Libang Technology Co., Ltd.
Hellenic Lotteries	Hellenic Lotteries S.A.
KPIs	Key Performance Indicators
LAP	local-area progressive
LBO	licensed betting office
LIBOR	London Interbank Offered Rate
LNS	Lotterie Nazionali S.r.l.
Net win	Coin-in less payouts
Northstar New Jersey	Northstar New Jersey Lottery Group, LLC
Note	a note in the Notes to Consolidated Financial Statements in this Annual Report on Form 10-K, unless otherwise indicated
NOL	net operating loss
Participation	with respect to our Gaming business, refers to gaming machines provided to customers through service or leasing arrangements in which we earn revenues and are paid based on: (1) a percentage of the amount wagered less payouts; (2) fixed daily-fees; (3) a percentage of the amount wagered; or (4) a combination of (2) and (3), and with respect to our Lottery business, refers to a contract or arrangement in which we earn revenues and are paid based on a percentage of retail sales
PASPA	Professional and Amateur Sports Protection Act
PMA	private management agreement
POS	percentage of retail sales
PPU	price-per-unit
PTG	proprietary table games
R&D	research and development
RCN	Roberts Communications Network, LLC
RFP	request for proposal
RMG	real-money gaming
RSU	restricted stock unit
SciPlay	SciPlay Corporation, formerly referred to as our Social business segment
SEC	Securities and Exchange Commission

Secured Notes	refers to the 2025 Secured Notes and 2026 Secured Euro Notes, collectively
Securities Act	Securities Act of 1933, as amended
Senior Notes	the Secured Notes and the Unsecured Notes
SciPlay Revolver	$150 million revolving credit facility agreement entered into by SciPlay Holding Company, LLC, a subsidiary of SciPlay Corporation, that matures in May 2024
SG&A	selling, general and administrative
SGC	Scientific Games Corporation
SGEP	Scientific Games Enhanced Partnership
SGI	Scientific Games International, Inc., a wholly-owned subsidiary of SGC
SG Gaming	SG Gaming, Inc. (formerly known as Bally Gaming, Inc.)
Shufflers	various models of automatic card shufflers, deck checkers and roulette chip sorters
Unsecured Notes	refers to the 2026 Unsecured Euro Notes, 2026 Unsecured Notes, 2028 Unsecured Notes and 2029 Unsecured Notes, collectively
U.S. GAAP	accounting principles generally accepted in the U.S.
U.S. jurisdictions	the 50 states in the U.S. plus the District of Columbia, U.S. Virgin Islands and Puerto Rico
VGT	video gaming terminal
VLT	video lottery terminal
WAP	wide-area progressive
WMS	WMS Industries, Inc.

Intellectual Property Rights

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PART I

FORWARD-LOOKING STATEMENTS

Throughout this Annual Report on Form 10-K, we make "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements describe future expectations, plans, results or strategies and can often be identified by the use of terminology such as "may," "will," "estimate," "intend," "plan," "continue," "believe," "expect," "anticipate," "target," "should," "could," "potential," "opportunity," "goal," or similar terminology. The forward-looking statements contained in this Annual Report on Form 10-K are generally located in the material set forth under the headings "Business," "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" but may be found in other locations as well. These statements are based upon management's current expectations, assumptions and estimates and are not guarantees of timing, future results or performance. Therefore, you should not rely on any of these forward-looking statements as predictions of future events. Actual results may differ materially from those contemplated in these statements due to a variety of risks and uncertainties and other factors, including, among other things:

- the impact of the COVID-19 pandemic and any resulting unfavorable social, political, economic and financial conditions, including the temporary and potentially recurring closure of casinos and lottery operations on a jurisdiction-by-jurisdiction basis;
- slow growth of new gaming jurisdictions, slow addition of casinos in existing jurisdictions and declines in the replacement cycle of gaming machines;
- risks relating to foreign operations, including anti-corruption laws, fluctuations in currency rates, restrictions on the payment of dividends from earnings, restrictions on the import of products and financial instability, including the potential impact to our business resulting from the continuing uncertainty following the U.K.'s withdrawal from the European Union ("EU");
- difficulty predicting what impact, if any, new tariffs imposed by and other trade actions taken by the U.S. and foreign jurisdictions could have on our business;
- U.S. and international economic and industry conditions;
- level of our indebtedness, higher interest rates, availability or adequacy of cash flows and liquidity to satisfy indebtedness, other obligations or future cash needs;
- the discontinuation or replacement of LIBOR, which may adversely affect interest rates;
- inability to reduce or refinance our indebtedness;
- restrictions and covenants in debt agreements, including those that could result in acceleration of the maturity of our indebtedness;
- competition;
- inability to win, retain or renew, or unfavorable revisions of, existing contracts, and the inability to enter into new contracts;
- the impact of U.K. legislation approving the reduction of fixed-odds betting terminals maximum stakes limit on LBO operators, including the related closure of certain LBO shops;
- inability to adapt to, and offer products that keep pace with, evolving technology, including any failure of our investment of significant resources in our R&D efforts;
- changes in demand for our products and services;
- inability to benefit from, and risks associated with, strategic equity investments and relationships;
- inability to achieve some or all of the anticipated benefits of SciPlay being a standalone public company;
- dependence on suppliers and manufacturers;
- SciPlay's dependence on certain key providers;
- ownership changes and consolidation in the gaming industry;
- fluctuations in our results due to seasonality and other factors;
- security and integrity of our products and systems, including the impact of any security breaches or cyber-attacks;
- protection of our intellectual property, inability to license third-party intellectual property and the intellectual property rights of others;
- reliance on or failures in information technology and other systems;
- litigation and other liabilities relating to our business, including litigation and liabilities relating to our contracts and licenses, our products and systems, our employees (including labor disputes), intellectual property, environmental laws and our strategic relationships;

- reliance on technological blocking systems;
- challenges or disruptions relating to the implementation of a new global enterprise resource planning system;
- laws and government regulations, both foreign and domestic, including those relating to gaming, data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information and other consumer data, and environmental laws, and those laws and regulations that affect companies conducting business on the internet, including online gambling;
- legislative interpretation and enforcement, regulatory perception and regulatory risks with respect to gaming, especially internet wagering, social gaming and sports wagering;
- changes in tax laws or tax rulings, or the examination of our tax positions;
- opposition to legalized gaming or the expansion thereof and potential restrictions on internet wagering;
- significant opposition in some jurisdictions to interactive social gaming, including social casino gaming and how such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming or social casino gaming specifically, and how this could result in a prohibition on interactive social gaming or social casino gaming altogether, restrict our ability to advertise our games, or substantially increase our costs to comply with these regulations;
- expectations of shift to regulated online gaming or sports wagering;
- inability to develop successful products and services and capitalize on trends and changes in our industries, including the expansion of internet and other forms of interactive gaming;
- the continuing evolution of the scope of data privacy and security regulations, and our belief that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions;
- incurrence of restructuring costs;
- goodwill impairment charges including changes in estimates or judgments related to our impairment analysis of goodwill or other intangible assets;
- stock price volatility;
- failure to maintain adequate internal control over financial reporting;
- dependence on key executives
- natural events that disrupt our operations or those of our customers, suppliers or regulators;
- possibility that the 2018 renewal of the LNS concession to operate the Italian instant games lottery is not final (pending appeal against existing court rulings relating to third-party protest against the renewal of the concession); and
- expectations of growth in total consumer spending on social casino gaming.

Additional information regarding risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated in forward-looking statements is included from time to time in our filings with the SEC, including under Part I, Item 1A “Risk Factors” in this Annual Report on Form 10-K. Forward-looking statements speak only as of the date they are made and, except for our ongoing obligations under the U.S. federal securities laws, we undertake no and expressly disclaim any obligation to publicly update any forward-looking statements whether as a result of new information, future events or otherwise.

You should also note that this Annual Report on Form 10-K may contain references to industry market data and certain industry forecasts. Industry market data and industry forecasts are obtained from publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of that information is not guaranteed. Although we believe industry information to be accurate, it is not independently verified by us and we do not make any representation as to the accuracy of that information. In general, we believe there is less publicly available information concerning the international gaming, lottery, social and digital gaming industries than the same industries in the U.S.

Due to rounding, certain numbers presented herein may not precisely agree or add up on a cumulative basis to the totals previously reported.

ITEM 1. BUSINESS

Unless otherwise specified or the context otherwise indicates, all references to the words "Scientific Games," "we," "us," "our" and the "Company" refer to SGC and its consolidated subsidiaries.

General

SGC was incorporated in the state of Delaware on July 2, 1984. On September 18, 2017, SGC entered into an Agreement and Plan of Merger with SG Nevada Merger Company, a Nevada corporation and SGC's wholly owned subsidiary ("Newco"), providing for the merger of SGC with and into Newco with Newco surviving the merger (the "Surviving Corporation"), for the sole purpose of changing SGC's state of incorporation from Delaware to Nevada (the "reincorporation merger"). The reincorporation merger was approved by the affirmative vote of holders of a majority of outstanding shares of Class A common stock of SGC entitled to vote thereon at a special meeting of SGC's stockholders on November 27, 2017. On January 10, 2018, the reincorporation merger was consummated. Following the consummation of the reincorporation merger, each outstanding share of Class A common stock of SGC, par value $0.01 per share, automatically converted into one share of common stock of the Surviving Corporation, par value $.001 per share. The reincorporation merger did not result in any change in SGC's name, headquarters, business, management, location of offices, assets, liabilities or net worth, other than as a result of the costs incident to the reincorporation merger. Our management, including all directors and officers, immediately prior to the reincorporation merger remained the same immediately following the reincorporation merger and assumed identical positions with the Surviving Corporation.

We are 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, CMSs 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 and other mobile games to retail customers; and providing a comprehensive suite of digital RMG 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, SciPlay and Digital—representing our different products and services.

Strategy

We strive to provide high quality products and services to our customers across all four of our business segments—Gaming, Lottery, SciPlay and Digital. During the third and fourth quarters of 2020 and as more fully described in "Management's Discussion and Analysis of Financial Condition and Results of Operations - Business Overview", we reconstituted our board of directors. The reconstituted board of directors has commenced comprehensive review, evaluation and establishment of enhanced strategic and business plans.

To those ends, we are focused on the following strategies:

- *Focus on accelerating de-leveraging and improving cash flow from operations* — We are actively evaluating all strategic options to accelerate de-leveraging, strengthen our balance sheet and maximize stockholder value. This focus encompasses broad evaluation of our business and product portfolio, current and new markets, prudent fiscal management, working capital management, integrated business planning, and optimization of our supply chain.
- *Strengthening a corporate culture and high performance organization*— We are creating a culture of high performance organization by building a strong and diverse global team that cultivates open minds and focuses on driving innovation and enabling an efficient and flexible operation that is structured to support our business strategies.
- *Drive innovation* — We place great emphasis on producing innovative and high-performing Gaming, Lottery, SciPlay and Digital content, products and services that provide differentiated value to our customers. We seek to leverage our expansive content library and portfolio of proprietary and licensed intellectual property, and use our extensive player and customer research in order to bring innovation to our products, services and processes.

Gaming Segment

The gaming industry is characterized by the continuous development of new technologies, products and game content. Gaming products and services are used by a diverse group of gaming operators and U.S. and international lotteries which may offer VLTs and other forms of gaming, such as bingo and sports wagering.

Our products are installed in all of the major regulated U.S. gaming jurisdictions, and in approximately 188 international gaming jurisdictions. Growth of gaming in land-based venues is driven by the opening of new casinos in both new and existing jurisdictions and the expansion of existing casinos. In addition, the land-based gaming supply business is

significantly impacted by the rate at which casinos and other gaming operators replace their gaming machines, which depends on a number of factors, including their capital budgets. Virtually all sectors of the gaming industry are impacted by changes in economic conditions that impact players' disposable incomes.

A substantial portion of our U.K. gaming business benefits from a contract with the large U.K. bookmaker Ladbrokes Coral Group (which was acquired by Entain (formerly GVC Holdings PLC) in March 2018), which represents a significant portion of our U.K. LBO server-based gaming business.

Competition

The gaming machine sector is highly competitive and is characterized by the continuous introduction of new games, gaming machines and related technologies. We compete primarily with Ainsworth Game Technology, Aristocrat Leisure Ltd., ("Aristocrat"), Aruze Gaming America, Inc., Everi Games, Inc., International Game Technology ("IGT") (a subsidiary of International Game Technology PLC), Inspired Entertainment Inc., Konami Digital Entertainment, Inc. ("Konami"), the Novomatic Group of Companies and PlayAGS, Inc. ("AGS"). Our principal direct competitor in our U.K. LBO business is Inspired Entertainment Inc.

The CMS business is also highly competitive. Product features and functionality, accuracy, reliability, service level and pricing are among the factors that determine how successful systems providers are in selling their systems. Our principal competitors in CMSs include Aristocrat, IGT and Konami. Competition for these products is intense due to the number of providers and the limited number of casinos and jurisdictions in which they operate.

With respect to our table products, we compete on the basis of the breadth of our Shuffler products and services and PTGs, product reliability, service, the strength of our intellectual property and our extensive sales, regulatory and distribution channels.

Our automated Shufflers also compete against hand shuffling, which remains the most competitive shuffling option for casino card games around the world. Finally, since the need for our Shuffler products depends upon the casino's use of live table games, our Shufflers also compete against any products that live table games compete against.

Competition for PTG content is based on player appeal, brand recognition, price and the strength of the underlying intellectual property. We compete on this basis, and on the strength of our extensive sales, service, marketing and distribution channels. We also compete with non-PTGs such as blackjack and baccarat, and several companies that primarily develop and license PTGs such as AGS, Galaxy Gaming, Inc. and Masque Publishing, Inc. Finally, some of our product lines may compete against each other for space on the casino floor.

Lottery Segment

There are approximately 180 lotteries throughout the world, operated by U.S. and international governmental authorities and their licensees. Governments typically authorize lotteries as a means of generating revenues without imposing additional taxes. Many jurisdictions have come to rely on the proceeds from lottery game sales as a significant source of funding for programs for which net lottery proceeds are designed to fund. Although there are many types of lottery games worldwide, the two principal categories of products offered are draw lottery games and instant lottery products sold both at retail and through internet (iLottery). Currently, 48 U.S. jurisdictions offer instant product lotteries and/or draw lotteries. Lottery operations in international jurisdictions can vary widely depending on the number of new lotteries entering the market, the number of lottery licenses issued within each market and the discontinuance of lotteries and operating licenses.

An instant lottery product is typically played by removing a scratch-off protective coating from a preprinted ticket to reveal if it is a winner. Draw lottery games, such as *POWERBALL*® and *MEGA MILLIONS*®, are based on a random selection of a series of numbers, and prizes are generally based on the number of winners who share the prize pool, although set prizes are also offered. Draw lottery games are generally provided through a lottery system in which lottery terminals in retail outlets are continuously connected to a central computer system for the sale and validation of lottery games and related functions. A lottery system may also be used to activate, sell and validate instant lottery products to confirm that a ticket is a winner and prevent duplicate payments. In some jurisdictions, separate instant game validation systems may be installed. Digital versions of these games are also available in many global jurisdictions and sold through mobile/internet systems referred to as iLottery.

Lotteries may offer a range of other games including sports betting, high-frequency monitor games and casino-style games via retail and internet. In the U.S., a number of lotteries offer these high frequency monitor games such as keno, which is typically played every four to five minutes in restricted social settings, such as bars, and is usually offered as an extension of the lottery system.

The table below lists our more significant Lottery contracts as of December 31, 2020, representing approximately 31% of our Lottery revenue. Also included are instant or draw lottery game retail sales (as applicable), if publicly available, for each jurisdiction.

Lottery/Operator	Fiscal 2020 State Instant Game or Lottery Systems Retail Sales (in millions)		Type of Contract	Commencement Date of Current Contract	Expiration Date of Current Contract (before any exercise of remaining renewal options)[1]	Current Renewal Options Remaining
LNS (Italy)	€	8,176	Instant Products - PPU	October 2010	September 2028	None
Florida	$	5,665	Instant Products - Participation SGEP	October 2019	March 2027	7 years
Camelot (U.K. Lottery)	£	3,368	Instant Products - POS	November 2013	January 2023	None
Pennsylvania	$	4,596	Lottery Systems	January 2009	September 2021	None
	$	3,203	Instant Products - Participation SGEP	August 2007	September 2021	None
Georgia	$	3,428	Instant Products - Participation SGEP	September 2003	September 2025	None

(1) Our lottery contracts with U.S. state governmental authorities generally contain termination for convenience clauses, which may be exercised at the election of the state government.

Competition

The instant lottery products market segment is highly competitive and continues to be subject to intense price-based competition. Our principal instant products competitors in the U.S. are IGT and Pollard Banknote Limited. Internationally, a number of instant lottery product vendors compete with us including the competitors noted above and diversified printers in India, China and Latin America. Our principal competitors in the supply of lottery-related licensed games, promotional entertainment and loyalty or rewards programs are Alchemy3 LLC, IGT, Intralot S.A. and Pollard Banknote Limited.

The lottery systems business is also highly competitive and continues to be subject to intense price-based competition. Our principal competitors in this business are IGT and Intralot S.A. We also compete with various suppliers of lottery system components, such as terminals and computer systems, and lottery operators that internally develop their own systems.

As certain countries liberalize gaming regulations, lotteries may expand their scope by offering sports wagering, gaming machines, interactive gaming or other forms of gaming, which may introduce new suppliers that compete with us for lottery customers. In some jurisdictions, the liberalization of gaming regulations has included the privatization or outsourcing of all or a portion of the lottery operations via a competitive bidding process to a lottery operator or a license holder. We believe Camelot Group plc, IGT, Intralot, S.A. and the Sazka Group to be among those competitors operators who may also bid on such opportunities. These operators in most cases are customers we serve as a supplier and could also be partners or competitors when we participate as an operator.

SciPlay Segment

Our SciPlay business segment is a leading developer and publisher of digital games on mobile and web platforms. SciPlay operates in the social gaming market, which is characterized by gameplay online, on mobile phones or on tablets that are social and competitive, and self-directed in pace and session length. Our SciPlay business segment includes social gaming where we generate substantially all of our revenue from the sale of virtual coins, chips or bingo cards (“coins, chips and cards”), which players can use to play slot games, table games or bingo games. Once obtained, coins, chips and cards (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play within our apps. SciPlay currently offers seven core games, including social casino games *Jackpot Party® Casino*, *Gold Fish® Casino*, *Hot Shot Casino®* and *Quick Hit® Slots*, and casual games *MONOPOLY Slots*, *Bingo Showdown®*, *88 Fortunes® Slots*, and recently added a solitaire social game targeted toward casual game players as a part of the Come2Play acquisition on various platforms referenced herein. See Note 9 for further information regarding the Come2Play acquisition. SciPlay’s social casino games typically include slots-style game play and occasionally include table games-style game play, while SciPlay’s casual games blend slots-style or bingo game play with adventure game features. All of SciPlay’s games are offered and played across multiple platforms, including *Apple*, *Google*, *Facebook* and *Amazon*, with some games available on *Microsoft* and other web and mobile platforms. In addition to SciPlay’s internally created game content, SciPlay’s content library includes recognizable, real-world slot and table games content from Scientific Games. This content allows players who like playing land-based slot machines to enjoy some of those same titles in our free-to-play games. SciPlay has access to Scientific Games' library of more than 1,500 iconic casino titles, including titles and content from third-party licensed brands such as *MONOPOLY™*, *JAMES BOND™*, *THE FLINTSTONES™*, *MICHAEL JACKSON™*, and *PLAYBOY™*. SciPlay’s access to this content, coupled with our years of experience developing in-house content, uniquely positions SciPlay to create compelling social games.

A number of trends and opportunities are driving significant changes in digital gaming, which we believe are causing growth in the casual games market and providing opportunities for SciPlay to grow our social casino games and expand into other areas of the casual games market, such as:

- Digital gaming is an engaging form of entertainment;
- Mobile devices are a leading medium to consume content such as games;
- Increasing number of players with the emergence of casual games;
- Scale is increasingly strategic in order to succeed in mobile gaming;
- Social casino gaming is an attractive market within digital gaming; and
- Additional market opportunities within the broader mobile gaming landscape.

Competition

Our SciPlay business segment faces significant competition in all aspects of its business. SciPlay's primary social casino game competitors include Playtika, Product Madness/Big Fish Games (subsidiaries of Aristocrat), Zynga Inc., DoubleU Games/Double Down Interactive, GSN/Bash Gaming and Huuuge Games. SciPlay's competitors in the broader social game market include Glu Mobile, Activision Blizzard, Electronic Arts, Kabam, Rovio and Tencent Holdings. On the broadest scale, SciPlay competes for the leisure time, attention and discretionary spending of players versus other forms of online entertainment, including social media, reading and other video games on the basis of a number of factors, including quality of player experience, brand awareness and reputation and access to distribution channels.

Digital Segment

Our Digital business segment provides highly customizable software design, development, licensing, maintenance and support services from a comprehensive suite of technology solutions. Our interactive casino solutions allow interactive casino operators to utilize our distribution platform, including full gaming process support services, brand and player management services, and iLottery and RMG offerings through our remote gaming servers. Our sports betting services enable our customers to operate sports books, including betting markets across both fixed-odds and pari-mutuel betting styles, a distribution platform, full gaming process support services, and brand and player management.

Competition

In our Digital gaming business, we compete for the discretionary spending of consumers with other digital gaming entertainment companies that offer real-money digital casino games and sports wagering services and/or platforms. Our primary real-money digital casino games competitors include IGT, Microgaming Software Systems Ltd., Evolution Gaming, and Playtech Limited. Our primary competitors in sports wagering platform solutions are other "first-party" solutions, IGT, and Kambi.

Research and Development

We believe our ability to attract new Gaming, Lottery, SciPlay and Digital customers and retain existing customers depends in part on our ability to evolve and continue to develop our product lines and service offerings by continually developing differentiating products, hardware and systems technology and functionality to enhance player entertainment and customer profitability. We are also focused on expanding use of the internet, mobile phones and other interactive technologies to increase play. Our gaming machines are usually designed and programmed by our internal engineering staff, and our game content is designed primarily by internal game development studios who consider market trends and customer feedback.

We have Gaming R&D personnel located in our Las Vegas, Nevada and Chicago, Illinois facilities. A large portion of our Lottery R&D team is based in our Alpharetta, Georgia facilities. We have SciPlay personnel located primarily in Austin, Texas; Cedar Falls, Iowa; and Tel Aviv, Israel. We have Digital R&D personnel based primarily in the United Kingdom, Greece and India. We also have game development studios in Las Vegas; Sydney, Australia; Manchester, England; and India (including Bangalore, Chennai and Pune), with additional R&D staff in other locations, including Reno, Nevada and Vienna, Austria.

Intellectual Property

Many of our products use intellectual property rights, including trademarks, trade dress, copyrights, patents and trade secrets. We consider our intellectual property rights to be, in the aggregate, material to our business. We protect our investment in R&D by seeking intellectual property protection as appropriate for our technologies and content. We also acquire and license intellectual property from third parties.

The terms of our patents vary based on the type of patent and the date and jurisdiction of filing or grant. The term of U.S. design patents expires 15 years from the date of grant, and the term of utility patents generally expires 20 years from the date of filing of the first non-provisional patent application in a family of patents. The actual protection afforded by a patent depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the applicable country.

Certain technologies, which are material to our businesses, are the subject of patents issued and patent applications currently pending in the U.S. and certain other countries. Our Lottery business uses our patented and patent-pending technologies in the production, secure printing, validation and distribution of instant lottery products. Our Gaming, SciPlay and Digital businesses use our patented and patent-pending technologies in games and associated platforms and systems. In addition, under a patent cross-licensing agreement with IGT, we can offer games using patented game features from the patent portfolios of other members of IGT's slot game features program.

We market many of our products under trademarks and copyrights that provide product differentiation and recognition and promote our portfolio of product offerings. All of our games feature elements that are subject to copyright rights and protection. In addition, we generally obtain trademark protection and often seek to register trademarks for the names and designs under which we market and license our products and games. Protections for trademarks exist in many countries, including the U.S., for as long as the trademark is registered and/or used. Registrations are generally issued for fixed, but renewable terms, although trademark rights may exist whether or not a mark is registered and the duration of the registrations varies by country.

We believe that our use of both our own and third-party licensed brand names and related intellectual property contributes to the appeal and success of our products, and that our future ability to license, acquire or develop new brand names is important to our continued success. Therefore, we continue to invest in the recognition of our brands and brands that we license. Certain of our games are based on popular brands licensed from third parties, such as Hasbro International, Inc., Fremantle Media North America, CBS Studios Inc., Warner Bros. Consumer Products Inc., Playboy Enterprises International, Inc., Paramount Pictures Corporation, EON Productions Limited, Danjaq LLC, MGM Interactive Inc., MGM Consumer Products, and Mattel Inc.

From time to time, we become aware of potential infringement of our intellectual property by competitors and other third parties and consider what action, if any, to take in that regard, including litigation where appropriate. We are also subject to threatened or actual intellectual property-related claims by third parties from time to time. See the risk factors captioned "Our business depends on the protection of our intellectual property and proprietary information", "We rely on the ability to use the intellectual property rights of third parties", and "The intellectual property rights of others may prevent us from developing new products and services, entering new markets or may expose us to liability or costly litigation" under the heading "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K for additional information.

Production Processes, Sources and Availability of Components

We currently produce substantially all of our gaming machines through a mix of our manufacturing facilities and contracted parties. We have finishing lines in Las Vegas; Sydney, Australia; Barcelona, Spain; Midrand, South Africa; and Manchester, England. These finishing lines allow for the completion and testing of our gaming machine assemblies from our facilities. We also refurbish used gaming machines primarily at our Las Vegas and Manchester facilities.

Manufacturing commitments are generally based on expected quarterly sales orders from customers. Due to uneven order flow from customers, component parts for gaming machines are purchased and assembled into partial products that are scheduled for just in time delivery to allow final assembly lead time to meet agreed customer delivery dates. Our gaming machine manufacturing processes generally consist of assembling component parts and sub-assemblies into a complete gaming machine. The level of completion and assembly varies by product platform and geographic region.

Shufflers are assembled in our Las Vegas facility and by third parties near Salzburg, Austria and Juarez, Mexico, which includes various levels of sub-assemblies with completion and testing at one of our finishing lines described above.

Hardware and component parts associated with our CMSs are purchased directly from the contract manufacturers and flow through our Las Vegas facilities with some assembly and testing. These parts do not require a significant amount of assembly and are used primarily in systems implementations, which take place at customer locations.

Our dedicated computer-controlled printing process is specifically designed to produce secure instant lottery products. We also have the capability to track instant products from the point of production through delivery to retailers. Instant products are delivered finished and ready for distribution by the lottery authority (or by us under certain contracts). An instant product that has been removed at any point in the distribution chain in an unauthorized manner can be flagged and invalidated in the event that it is used to claim winnings.

Production of our lottery terminals (and related component products) primarily involves the assembly of electronic and mechanical components into more complex systems and products. Third-party vendors generally manufacture and assemble our lottery terminals. We normally have sufficient lead time between reaching an agreement and the commencement of operations so that we are able to provide our Lottery customers with a fully functioning system that is customized to meet their

requirements. We believe that this is consistent with our competitors' lead times and is also consistent with the needs of our customers.

We place advance orders for certain gaming and lottery components with long lead times based on projected customer demand.

We believe we have an adequate supply of component parts and raw materials used in manufacturing our gaming machines, shufflers, CMSs and lottery terminals.

Seasonality

Our results of operations can fluctuate due to seasonal trends and other factors. Sales of our gaming machines to casinos are generally strongest in the spring and slowest in the summer, while revenue from our Participation gaming machines is generally highest in the spring and summer. Player activity for SciPlay is generally slower in the second and third quarters of the year, particularly during the summer months. Player activity for our Digital business, specifically digital casino operations, is generally slower in the third quarter during the summer months and is generally higher in the fourth quarter and varies based on seasons of different popular sports such as soccer, professional and collegiate football, and professional and collegiate basketball. Historical seasonality has been significantly impacted by COVID-19 business disruptions and could continue to be impacted in future periods, particularly for our Gaming business and sales of our gaming machines. See the risk factor captioned "Our results of operations fluctuate due to seasonality and other factors, and, therefore, our periodic operating results are not guarantees of future performance" under the heading "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K for additional information.

Human Capital

We are a leading developer of technology-based products and services and associated content for the worldwide gaming, lottery, social and digital gaming industries. Our global reach is made possible through the expertise, skill and dedicated efforts of our employees who serve customers in more than 100 countries on 6 continents.

As of December 31, 2020, we employed approximately 9,000 persons worldwide, with approximately 4,200 employed domestically and 4,800 employed internationally.

Diversity, Equity and Inclusion

Diversity, equity and inclusion are embedded in our core value of team spirit, by which we collaborate as one diverse and inclusive team with an upbeat, inventive passion for building great entertainment. In support of this core value, we have formulated a diversity, equity and inclusion strategic plan and established a Diversity, Equity and Inclusion Council and task force in 2020 to make key decisions, review progress, communicate results and identify areas that require further development. We have invested in analysis of our diversity, equity and inclusion data and continue to implement hiring, training, recruiting and retention initiatives across our workforce in line with our diversity, equity and inclusion strategic plan.

We are committed to creating an inclusive global gaming industry as a founding member of the All-In Diversity Project, a non-profit organization creating tools to advance the industry's diversity, inclusion and workplace equality. As a founding member, we work collaboratively with additional partners to determine diversity, equity and inclusion expectations and standards for the gaming industry, while driving a conversation to establish global standards.

We also help drive diversity across our industry by including minority, women, disabled, and/or veteran-owned businesses in our supply chain and by counting some small businesses and businesses in historically underutilized business zones among our suppliers. As one of the leading global suppliers of products and services to gaming operations and lotteries, we believe that diversity in our supplier base is good business. Our supplier diversity program encourages diverse businesses to provide materials and services that offer value and competitive pricing. We are proud to be a national corporate member of the National Minority Supplier Development Council.

Safety

The health and safety of our employees is a top priority of our leaders. In light of the COVID-19 pandemic, we have implemented new work procedures that allow employees to work from home and collaborate remotely. We have also taken measures to keep our workforce safe by monitoring and reducing the impact of the outbreak, including putting in place a global crisis monitoring team, protocols for responding when employees are infected and enhanced cleaning procedures at all sites.

Compensation and Benefits

Scientific Games provides a competitive and comprehensive benefits program that is aligned with our business objectives and attempts to inspire employees to drive innovation and improve Company performance. In addition to cash

compensation, Scientific Games offers medical, dental and vision plans; employee stock purchase plans; paid time off and paid holidays; company-paid disability; life insurance; 401(k) plans; flexible spending accounts; and employee assistance programs.

Government Regulation

General

Each of our business segments is generally subject to extensive and evolving regulation. For the Gaming and Lottery business segments, regulation customarily includes some form of licensing or regulatory screening of operators, suppliers, manufacturers and distributors and their applicable affiliates, their major shareholders, officers, directors and key employees. In addition, certain of our gaming products and technologies must be certified or approved in certain jurisdictions in which we operate. Regulators review many facets of an applicant or holder of a license, including its financial stability, integrity and business experience. Any failure to receive a license or the loss of a license that we currently hold could have a material adverse effect on us or on our results of operations, cash flow or financial condition. Each of our business segments is subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the internet and over mobile networks, especially in relation to privacy and security. Furthermore, for the SciPlay business segment, there is also significant opposition in some jurisdictions to interactive social gaming, including social casino gaming. For our Digital business segment, although some states are expanding the availability of interactive gaming, there have also been various state and federal bills proposed recently in the U.S. to restrict or prohibit interactive gaming and lottery sales. Significant resources are being devoted to supporting these efforts. Although these efforts have generally not been successful, we cannot assure that laws restricting interactive gaming or lottery sales will not be passed at either the federal or state level.

While we believe that we are in compliance with all material gaming and lottery laws and regulatory requirements applicable to us, we cannot assure that our activities or the activities of our customers will not become the subject of any regulatory or law enforcement proceeding or that any such proceeding would not have a material adverse impact on us or our results of operations, cash flow or financial condition.

We have developed and implemented a rigorous internal compliance program in an effort to ensure that we comply with legal requirements imposed in connection with our Gaming, Lottery, SciPlay and Digital activities, and legal requirements generally applicable to all publicly traded companies. The compliance program is run on a day-to-day basis by our Chief Compliance Officer with legal advice provided by attorneys in our legal and compliance departments and outside experts. The compliance program is overseen by the Compliance Committee of our Board of Directors, which is comprised of employee and non-employee directors and a non-employee gaming law expert. While we are firmly committed to full compliance with all applicable laws, we cannot assure that our compliance program will prevent the violation of one or more laws or regulations, or that a violation by us or an employee will not result in the imposition of a monetary fine or suspension or revocation of one or more of our licenses.

In the EU, various judgments by the Court of Justice of the European Union (“CJEU”) have addressed the approaches adopted by certain member states to restrict and/or regulate gaming. Topics addressed in those judgments include the ability of member states to grant, or to maintain, monopolies for gaming and lottery activities and the power of member states to limit access by gaming and/or lottery providers established elsewhere in the EU. Several cases on these subjects are currently pending in the CJEU. However, in December 2017, the European Commission dropped all enforcement actions related to gambling in an effort to change the way it enforces EU law, leaving compliance with EU laws to national courts. Notwithstanding this development, the European Commission adopted a decision in April 2018 requesting the European Committee for Standardization (a group of EU regulators and industry bodies) to draft a European standard on reporting in support of supervision of online gambling services.

While we believe that we have developed appropriate procedures and policies to comply with the requirements of these evolving laws and legal pronouncements, we cannot assure that our activities or the activities of our customers will not become the subject of law enforcement proceedings or that any such proceedings would not have a material adverse impact on us or our business plans. Furthermore, laws and regulations applicable to lotteries and gaming in U.S. and international jurisdictions are subject to change and the effect of such changes on our ongoing and potential operations cannot be predicted with certainty.

From time to time, we retain government affairs representatives in various U.S. and international jurisdictions to advise elected and appointed officials and the public concerning our views on gaming and lottery-related legislation, and to monitor such legislation and to advise us in our relations with gaming and lottery authorities.

Gaming

We provide our games, gaming machines, gaming systems, table products and related products and services in legal gaming jurisdictions worldwide. The manufacture, distribution, provision and operation of our gaming products and services is

subject to regulation and approval by various city, county, state, provincial, federal, tribal and foreign agencies. The primary purposes of these rules are to (1) ensure the responsibility, financial stability and character of the parties involved in these activities through licensing and registration requirements, (2) ensure the integrity and compliance of our gaming products and services and (3) prohibit the use of gaming products and services at unauthorized locations or for the benefit of undesirable parties.

Typically, gaming regulations in the jurisdictions in which we operate are established by statute and are administered by a regulatory agency with broad authority to interpret gaming regulations and to regulate gaming activities. Among other things, gaming authorities in the various jurisdictions in which we are licensed:

- adopt additional rules and regulations under the implementing statutes;
- investigate violations of gaming regulations;
- enforce gaming regulations and impose disciplinary sanctions for violations of such laws, including fines, penalties and revocation of gaming licenses;
- review the character and fitness of manufacturers, distributors and operators of gaming products and services and make determinations regarding their suitability or qualification for licensure;
- grant licenses for the manufacture, distribution and operation of gaming products and services;
- review and approve transactions (such as acquisitions, material commercial transactions, securities offerings and debt transactions); and
- establish and collect related fees and/or taxes.

We believe we hold all of the licenses and permits necessary to conduct our business. We are authorized to sell, lease or operate our gaming products and services in approximately 466 jurisdictions worldwide (including jurisdictions that do not require licensing), including approximately 188 international gaming jurisdictions.

In addition, a number of U.S. states authorize wagering on VLTs at state regulated and licensed facilities. Although some states restrict VLTs to already existing wagering facilities, others permit these machines to be placed at venues such as bars, restaurants, truck stops and other specifically licensed gaming facilities. In addition, all of the Canadian provinces and various other international jurisdictions have authorized VLTs.

Regulatory requirements vary among jurisdictions, but the majority of jurisdictions require licenses, permits or findings of suitability for our company, individual officers, directors, major stockholders and key employees. Our gaming hardware and software also must be approved either by a gaming authority laboratory or a private laboratory authorized by the gaming authority.

Lottery

Currently, 48 U.S. jurisdictions offer instant game lotteries and/or draw lotteries. The operation of lotteries in the U.S. and internationally is subject to extensive regulation. Although certain features of a lottery, such as the percentage of gross revenues that must be paid back to players in prize money, are usually set by legislation, lottery regulatory authorities generally exercise significant discretion, including with respect to the determination of the types of games played, the price of each wager, the manner in which the lottery is marketed and the selection of suppliers of equipment, technology and services and retailers of lottery products.

To ensure the integrity of contract awards and lottery operations, most jurisdictions require detailed background disclosure on a continuous basis from, and conduct background investigations of, vendors and their officers, directors, subsidiaries, affiliates and principal stockholders. Background investigations of the vendors' employees who will be directly responsible for the operation of lottery systems are also generally conducted and most states reserve the right to require the removal of employees who they deem to be unsuitable or whose presence they believe may adversely affect the operational security or integrity of the lottery. Certain jurisdictions also require extensive personal and financial disclosure and background checks from persons and entities that hold a specified percentage (typically five percent or more) of a vendor's securities either legally, beneficially and/or through voting rights. The failure of such holders of our securities to submit to background checks and provide such disclosure could result in the imposition of penalties and could jeopardize the award of a lottery contract to us or provide grounds for termination of an existing lottery contract.

The award of lottery contracts and ongoing operations of lotteries in international jurisdictions are also extensively regulated, although international regulations typically vary from those prevailing in the U.S. Restrictions are frequently imposed on foreign companies seeking to do business in such jurisdictions and, as a consequence, we have in a number of instances allied ourselves with local companies when seeking international lottery contracts.

SciPlay

SciPlay is subject to a number of foreign and domestic laws and regulations that affect companies operating online, including over the internet and mobile networks, many of which are still evolving and being interpreted. We are also subject to a number of federal, state, local and foreign laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information and other consumer data. The scope of data privacy and security regulations continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions.

There is also significant opposition in some jurisdictions to interactive social gaming, including social casino gaming. Some states or countries have anti-gaming groups that specifically target social casino games. Such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming or social casino gaming specifically. These could result in a prohibition on interactive social gaming or social casino gaming altogether, restrict our ability to advertise our games, or substantially increase our costs to comply with these regulations.

We continue to devote significant attention to monitoring these developments. However, we cannot predict the timing, scope or terms of any state, federal or foreign regulations relating to SciPlay.

Digital

In the U.S., the Unlawful Internet Gambling Enforcement Act of 2006 ("UIGEA") prohibits among other things, the acceptance by a business of a wager by means of the internet where such wager is prohibited by any federal or state law where initiated, received or otherwise made. Under UIGEA severe criminal and civil sanctions may be imposed on the owners and operators of such systems and on financial institutions that process wagering transactions. The law contains a safe harbor for wagers placed within a single state (disregarding intermediate routing of the transmission) where the method of placing the bet and receiving the bet is authorized by that state's law, provided the underlying regulations establish appropriate age and location verification.

Until 2011, there was uncertainty as to whether the Federal Wire Act of 1961 (the "Wire Act") prohibited states from conducting intrastate lottery transactions via the internet if such transactions crossed state lines. In late 2011, the Office of Legal Counsel of the DOJ (the "OLC") issued an opinion which concluded that the prohibitions of the Wire Act were limited to sports gambling and thus did not apply to state lotteries at all (the "2011 DOJ opinion").

Following the issuance of the 2011 DOJ opinion, a number of states have adopted or are considering adopting legislation to specifically authorize online poker, online gambling and sports wagering. On May 14, 2018 the Supreme Court of the U.S. overturned the PASPA, a decision that opened up a path to legalization of sports wagering across the country. Following this ruling, at least 25 states have legalized sports wagering, with some of those states permitting online sports wagering. Other states are considering legislation that would permit legal sports wagering, both land based and online. Additionally, six state lotteries offer (and other lotteries are considering offering) internet instant game sales to in-state lottery customers, and a number of other states allow subscription sales of draw games over the internet. Pennsylvania's gaming expansion bill in October 2017, which authorized online casino and land based and online sports wagering, also authorized Pennsylvania's lottery to distribute lottery products, including instant ticket games, through numerous channels including web applications, mobile applications, mobile web, tablets and social media.

In 2018, at the request of the Criminal Division, the OLC reconsidered the 2011 DOJ opinion's conclusion that the Wire Act was limited to sports gambling. On January 14, 2019, the OLC published a legal opinion dated November 2, 2018 (the "2018 DOJ opinion"), which concluded that the 2011 DOJ opinion had incorrectly interpreted the Wire Act. In the 2018 DOJ opinion, the OLC concluded that the restrictions on the transmission in interstate or foreign commerce of bets and wagers in the Wire Act were not limited to sports gambling but instead applied to all bets and wagers. These restrictions therefore apply equally to our iGaming, iLottery, and sports betting solutions and services. The OLC also found that the enactment of the UIGEA described above did not modify the scope of the Wire Act. The DOJ later issued memoranda directing federal law enforcement agencies to refrain from enforcing the conclusions of the 2018 DOJ opinion for activities other than sports betting until June 30, 2020. No official extension of the forbearance period has been announced. On January 20, 2021, the U.S. Court of Appeals for the First Circuit issued an opinion that the Wire Act applies only to the interstate transmission of wire communications related to sports gambling and not to all bets and wagers. At this time, we are unable to determine whether the 2018 DOJ opinion will be upheld by other courts or what impact the 2018 DOJ opinion or the impact of any other challenge to the 2018 DOJ opinion will have on us or our customers.

Although some states are expanding the availability of interactive gaming, there have also been various state and federal bills proposed recently in the U.S. to restrict or prohibit interactive gaming and lottery sales, and significant resources are being devoted to supporting these efforts. Although these efforts have generally not been successful, we cannot assure that laws restricting interactive gaming or lottery sales will not be passed at either the federal or state level. For instance, in May

2015, the Minnesota legislature passed an amendment to the state's lottery law prohibiting the sale of instant win lottery tickets over the internet. Furthermore, changes in the executive branches of government at the state and federal level could affect federal and state policies on gaming as well.

On December 19, 2019, the U.K. Government confirmed the proposed review of the Gambling Act 2005. The review started on December 8, 2020 with the publication of terms of reference and an initial 16 week call for evidence. To varying degrees, a number of European governments have taken steps to change the regulation of internet wagering (also known as online gambling) through the implementation of new or revised licensing and taxation regimes, with increasingly stringent requirements particularly on B2Cs in relation to responsible gambling and affordability checks. Also, some jurisdictions impose sanctions on unlicensed providers. Countries outside Europe and the U.S. have also begun evaluating interactive gaming regulation and an increase in regulated markets outside of the U.S. and Europe is likely to continue. Some of our competitors may be more willing to provide internet wagering in countries where the relevant laws and regulations are unclear or not uniformly enforced, putting us at a competitive disadvantage if we do not provide services related to internet wagering in such countries.

We continue to devote significant attention to monitoring these developments. However, we cannot predict the timing, scope or terms of any state, federal or foreign regulations relating to interactive gaming and lottery sales.

Additional Information Regarding Government Regulations

We are subject to specific gaming requirements in the different jurisdictions in which we operate. For additional information, we have filed a summary of the gaming regulations that govern our businesses as an exhibit to this Annual Report on Form 10-K. See Exhibit 99.4 "Gaming Regulations". In addition, see "Risk Factors" in Part I, Item 1A of this Annual Report on Form 10-K for a discussion of risk factors related to regulations to which we may be subject.

Executive Officers of the Company

Certain information regarding each of our executive officers is set forth below.

Name	Age	Position
Barry L. Cottle	59	President and Chief Executive Officer and Director
Michael C. Eklund	52	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary
James Sottile	60	Executive Vice President and Chief Legal Officer
Matthew Wilson	39	Executive Vice President and Group Chief Executive, Gaming
Patrick J. McHugh	56	Executive Vice President and Group Chief Executive, Lottery
Michael F. Winterscheidt	50	Senior Vice President and Chief Accounting Officer
Stephen E. Richardson	53	Senior Vice President, Chief Compliance Officer and Director of Corporate Security

Barry L. Cottle has served as President and Chief Executive Officer since June 2018. Mr. Cottle has also served as Executive Chairman of the Board of Directors of SciPlay since April 2019. Mr. Cottle joined SGC as Chief Executive, SG Interactive, in August 2015 to lead the strategy and growth plans of the Interactive group. Before joining SGC, 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.

Michael C. Eklund has served as Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary for Scientific Games since July 2020. Most recently, he served as Chief Financial Officer of IRI, a global leader in innovative data and analytic solutions and services for consumer, retail and media companies. Previously, Mr. Eklund held many senior leadership roles at Dell Technologies.

James Sottile has served as Executive Vice President and Chief Legal Officer since September 2018. Prior to this role, Mr. Sottile was with Jones Day, where he was a partner in its New York office. Mr. Sottile was named a notable practitioner by Chambers USA: America's Leading Business Lawyers from 2005 to 2018 and was recognized in The Best Lawyers in America from 2011 to 2018.

Patrick J. McHugh has served as Executive Vice President and Group Chief Executive, Lottery since January 2019. Prior to this role, Mr. McHugh served as the Company's Senior Vice President, Global Lottery Systems from November 2015 to December 2018, and prior to that, Mr. McHugh served in various positions at the Company, including on the leadership executive team.

Matthew Wilson has served as Executive Vice President and Group Chief Executive, Gaming since March 2020. Mr. Wilson has over sixteen years of gaming industry experience. Prior to his role at Scientific Games, he was the Managing Director of the Americas at Aristocrat Leisure Ltd. ("Aristocrat") from February 2017 until August 2019. Mr. Wilson began his tenure at Aristocrat 2004 and held several significant positions in a variety of Aristocrat's markets during his time there, including serving as Senior Vice President Sales & Marketing Americas from September 2014 until October 2015. His other roles at Aristocrat include Regional Sales Manager and Vice President of Marketing for the Americas.

Michael F. Winterscheidt has served as Chief Accounting Officer since February 2017 and was appointed Senior Vice President and Chief Accounting Officer in February 2019. Mr. Winterscheidt has also served as Chief Accounting Officer and Secretary of SciPlay since April 2019. Previously, he served as the Company's Vice President and Corporate Controller. Prior to joining SGC, Mr. Winterscheidt served three years with Caesars Entertainment Corporation, ending his tenure as Vice President and Corporate Controller. Prior to that, he had leadership roles leading the corporate accounting and financial reporting organizations of Delta Airlines, Inc. and Microsoft Corporation. He was previously a manager in the audit practice of the global accounting firm of Arthur Andersen LLP.

Stephen E. Richardson has served as Senior Vice President, Chief Compliance Officer and Director of Corporate Security since April 2018. Previously, Mr. Richardson served the Federal Bureau of Investigation over a 20-year decorated career, most recently as the Assistant Director of the FBI's Criminal Investigative Division in Washington, DC.

Access to Public Filings

We file annual reports, quarterly reports, current reports, proxy statements and other documents with the SEC under the Exchange Act. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at www.sec.gov.

We make the following information, among others, available free of charge through the Investors link on our website at www.scientificgames.com/investors and we use our website as a means of disclosing material information to the public in a broad, non-exclusionary manner for purposes of the SEC's Regulation Fair Disclosure (Reg FD):

- our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they are filed electronically with or furnished to the SEC;
- Section 16 ownership reports filed by our executive officers, directors and 10% stockholders on Forms 3, 4 and 5 and amendments to those reports as soon as reasonably practicable after they are filed electronically with the SEC; and
- our Code of Business Conduct, which applies to all of our officers, directors and employees (which is also our required code of ethics applicable to our Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer in keeping with the Sarbanes-Oxley Act of 2002).

The above details about our website and its content are only for information. The contents of our website are not, nor shall they be deemed to be, incorporated by reference in this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

The risks described below are not the only risks facing us. Please be aware that additional risks and uncertainties not currently known to us or that we currently deem to be immaterial could also materially and adversely affect our business operations. You should also refer to the other information contained in our periodic reports, including the Forward-Looking Statements section, our consolidated financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations for a further discussion of the risks, uncertainties and assumptions relating to our business. Except where the context otherwise indicates, references below to the "Company," "we," "our," "ours" and "us" include all of our subsidiaries.

Risk Factors Summary

The following is a summary of some of the risks and uncertainties that could materially adversely affect our business, financial condition and results of operations. You should read this summary together with the more detailed description of each risk factor contained below.

Risks Relating to Economic and Current Conditions Impacting us and our Business

- The recent COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, significantly disrupted our operations and adversely affected and continue to adversely affect our business, results of operations, cash flows and financial condition.
- Our future results of operations may be negatively impacted by slow growth or declines in the replacement cycle of gaming machines and by the slow growth of new gaming jurisdictions or slow addition of casinos in existing jurisdictions.
- We have foreign operations which expose us to business and legal risks, including compliance with anti-corruption laws, and a portion of our revenue and expenses are denominated in British Pounds Sterling, Australian Dollars and Euros, which subjects us to foreign currency exchange rate fluctuations and other risks.

Risks Relating to our Capital Structure

- Our level of indebtedness could adversely affect our results of operations, cash flows and financial condition.
- We may not have sufficient cash flows from operating activities to service all of our indebtedness and other obligations, and may be forced to take other actions to satisfy our obligations, which may not be successful.
- Agreements governing our indebtedness impose certain restrictions that may affect our ability to operate our business. Failure to comply with any of these restrictions could result in the acceleration of the maturity of our indebtedness and require us to make payments on our indebtedness. Were this to occur, we would not have sufficient cash to pay our accelerated indebtedness.
- We may not have sufficient cash flows from operating activities, cash on hand and available borrowings under our credit agreement to finance required capital expenditures under new contracts and meet our other cash needs or satisfy our minimum liquidity covenant. These obligations require a significant amount of cash, which would reduce our available liquidity.

Risks Relating to our Business and our Industries

- We operate in highly competitive industries, and our success depends on our ability to effectively compete with numerous domestic and foreign businesses.
- We heavily depend on our ability to win, maintain and renew our customer contracts, including our long-term Lottery contracts, and we could lose substantial revenue if we are unable to renew certain of our contracts on substantially similar terms or at all.
- Our success depends upon our ability to adapt to, and offer products and services that keep pace with, changing technology and evolving industry standards.
- We invest significant resources in our R&D efforts, which may not lead to successful or commercially viable new technologies, services or products.
- Our success depends on our ability to produce new and innovative products and services that respond to customer demand and create strong and sustained player appeal.
- We may not succeed in realizing the anticipated benefits of our strategic equity investments and relationships.
- We may not achieve some or all of the anticipated benefits of SciPlay being a standalone public company, which could negatively impact our business, financial condition and results of operation.

Risks Relating to our Technology

- Our success depends on the security and integrity of the systems and products we offer, and security breaches or other disruptions could compromise our information or the information of our customers and expose us to liability, which would cause our business and reputation to suffer.
- Our business depends on the protection of our intellectual property and proprietary information.
- We rely on the ability to use the intellectual property rights of third parties.

Risks Relating to Legal, Political or Other Regulatory Factors

- We and our industries are subject to strict government regulations that may limit our existing operations, have an adverse impact on our ability to grow and affect our license eligibility or expose us to fines or other penalties.
- Legislative interpretation and enforcement of certain gaming or sports wagering activities could adversely affect financial performance and reputation.
- We may not be able to capitalize on the expansion of internet or other forms of interactive gaming or other trends and changes in the gaming, lottery, social and digital gaming industries, including due to laws and regulations governing these industries.

- The continuing uncertainty following the U.K.'s withdrawal from the EU may adversely affect our business.
- Changes in tax laws or tax rulings, or the examination of our tax positions, including in light of recent stockholder transactions, could materially affect our financial condition and results of operations.

General Risks

- We have incurred, and may continue to incur, restructuring costs, the benefits of which are unpredictable and may not be achieved.
- We may incur additional impairment charges.
- We depend on our key employees and rely on skilled employees with creative and technical backgrounds.

You should carefully consider the following risks and other information in this Annual Report on Form 10-K in evaluating us and our common stock. The risk factors generally have been separated into six groups: risks relating to economic and current conditions impacting us and our business, risks relating to our capital structure, risks relating to our business and our industries, risks relating to our technology, risks relating to legal, political and other regulatory factors and general risk factors.

Risks Relating to Economic and Current Conditions Impacting us and our Business

The recent COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, significantly disrupted our operations and adversely affected and continue to adversely affect our business, results of operations, cash flows and financial condition.

The recent outbreak of a novel strain of coronavirus, COVID-19, and public perception thereof, have contributed to consumer unease and decreased discretionary spending and consumer travel, which have had, and will continue to have, a negative effect on us, especially in our Gaming and Lottery businesses. Other future health epidemics or contagious disease outbreaks could do the same. We cannot predict the ultimate effects that the outbreak of COVID-19, any resulting unfavorable social, political and economic conditions and decrease in discretionary spending or travel would have on us, as they would be expected to impact our customers, suppliers and business partners in varied ways in different communities. In our Gaming business, especially our Participation gaming business, our Digital business, and our Lottery business, our revenue is largely driven by players' disposable incomes and level of gaming activity and lottery purchases. The recent outbreak of COVID-19 has led to economic and financial uncertainty for many consumers and has reduced, and may continue to reduce, the disposable incomes of players across all of our business units. This resulted in fewer patrons visiting casinos and fewer players purchasing lottery products, whether land-based or online, and lower amounts spent per casino visit or lottery purchase and may result in, reduced spend on online gambling activities, which negatively impact the results of operations, cash flows and financial condition of our casino customers, their ability to purchase or lease our products and services, revenues to lotteries and, therefore, our Lottery business revenue, and revenues to our online casino and sportsbook partners and, therefore, our Digital business revenue.

The outbreak of COVID-19 and the resulting unfavorable economic conditions have also impacted, and could continue to impact, the ability of our customers to make timely payments to us. These unfavorable conditions have caused, and could continue to or may cause, some of our Gaming and Lottery customers to temporarily close gaming venues and lottery operations, decrease spending on marketing of or purchases of Lottery products or declare bankruptcy, which would adversely affect our business. In recent years, our Gaming business has expanded the use of extended payment term financing for gaming machine purchases, and we expect to continue to provide a higher level of extended payment term financing in this business until demand from our customers for such financings abates or our business model changes. These arrangements may increase our collection risk, and if customers are not able to pay us, whether as a result of financial difficulties, bankruptcy or otherwise, we may incur provisions for bad debt related to our inability to collect certain receivables. In addition, both extended payment term financing and operating leases result in a delay in our receipt of cash, which reduces our cash balance, liquidity and financial flexibility to respond to changing economic events. We have also seen a negative impact on future demand of certain Gaming products as a result of COVID-19, which has resulted and could continue to result in material inventory charges, which could increase our cost of products and decrease our gross margin. During the year ended December 31, 2020, we recorded $48 million in charges related to inventory in our Gaming business segment. The recent outbreak also resulted in significant volatility in both the credit and equity markets, potentially leading to an economic downturn. The difficulty or inability of our customers to generate or obtain adequate levels of capital to finance their ongoing operations may reduce their ability to purchase our products and services. In our Lottery business, we believe that difficult economic conditions have contributed, or may contribute, to reductions in spending on marketing by our customers and, in certain instances, less favorable terms under our contracts, as many of our customers face budget shortfalls and seek to cut costs. In our Digital business, the suspension or cancellation of the majority of sporting events which has and could continue to negatively impact the financial condition of our sportsbook customers, their ability to purchase development and other services, their risk of payment default, or their spending

levels as they seek to reduce costs, each of which could negatively impact our Digital business revenue. In addition, suppliers to our Digital business may suffer financial difficulties and may not be able to offer their services and products, which could restrict the provision of our services and negatively impact our business, results of operations, cash flows or financial condition.

Various gambling regulators have implemented additional responsible and safer gambling measures relating to our Digital casino business as a result of the COVID-19 outbreak, including the implementation of bet limits, spin speeds, deposit limits and bonusing, which could negatively impact on our business, results of operations, cash flows or financial condition, particularly if additional gambling regulators follow suit.

Furthermore, this outbreak of COVID-19 has caused, and may continue to cause us and certain of our suppliers, to implement temporary adjustment of work schemes allowing employees to work from home and collaborate remotely. We have taken measures to monitor and reduce the impact of the outbreak, including putting in place a global crisis monitoring team, protocols for responding when employees are infected and enhanced cleaning procedures at all sites, but we cannot assure these will be sufficient to mitigate the risks faced by our and our partners' work forces. We have also taken measures to reduce operating costs and ensure liquidity given the uncertain impact of COVID-19 on revenue, deferred all non-critical capital expenditures, have implemented a number of employee-related actions and are actively considering further actions. However, we have experienced and may still experience lower work efficiency and productivity, which may adversely affect our service quality, and our business operations have been and could be disrupted if and/or when any of our employees has been or is suspected of infection, since this has and may cause our employees to be quarantined and/or our offices to be temporarily shut down. We will continue to incur costs for our operations, and our revenues during this period are difficult to predict. As a result of any of the above developments, our business, results of operations, cash flows or financial condition for the full fiscal year of 2020, have been and will continue to be adversely affected by the COVID-19 outbreak. The extent to which this outbreak impacts our results of operations, cash flows and financial condition will depend on future developments, which are highly uncertain and unpredictable, including new information which may emerge concerning the severity and duration of this outbreak and the actions taken by governmental authorities and us to contain it or treat its impact. For more information on the impact of COVID-19 pandemic on each of our business segments and measures taken by us in response to COVID-19, see section captioned "Business Overview – Highlights, including recent developments – Impacts of COVID-19" in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Our future results of operations may be negatively impacted by slow growth or declines in the replacement cycle of gaming machines and by the slow growth of new gaming jurisdictions or slow addition of casinos in existing jurisdictions.

Demand for our Gaming products and services is driven by the replacement of existing gaming machines in existing casinos, the establishment of new jurisdictions, the opening of additional casinos in existing jurisdictions and the expansion of existing casinos. Slow growth or declines in the replacement cycle of gaming machines have reduced and will continue to reduce the demand for our products and negatively impact our results of operations, cash flows and financial condition, and have resulted and could continue to result in material inventory charges, which could increase our cost of products and decrease our gross margin. We recorded charges related to inventory of $48 million in the year ended December 31, 2020 in our Gaming business segment primarily due to the COVID-19 disruption impacting future demand combined with a reassessment of our Gaming product strategy.

The opening of new casinos, expansion of existing casinos and replacement of existing gaming machines in existing casinos fluctuate with demand, economic conditions, regulatory approvals and the availability of financing and have been negatively affected by the recent COVID-19 pandemic. In addition, the expansion of gaming into new jurisdictions can be a protracted process. In the U.S., U.K. and other international jurisdictions in which we operate, governments usually require a public referendum and legislative action before establishing or expanding gaming. Any of these factors could delay, restrict or prohibit the expansion of our business and negatively impact our results of operations, cash flows and financial condition.

We have foreign operations which expose us to business and legal risks, including compliance with anti-corruption laws, and a portion of our revenue and expenses are denominated in British Pounds Sterling, Australian Dollars and Euros, which subjects us to foreign currency exchange rate fluctuations and other risks.

We are a global business and derive a substantial portion of our revenue from operations outside of the U.S. For the year ended December 31, 2020, we derived approximately 33% of our revenue from sales to customers outside of the U.S.

Our consolidated financial results are affected by currency exchange rate fluctuations. We are exposed to currency exchange rate fluctuations because portions of our revenue and expenses are denominated in currencies other than the U.S. dollar, particularly the British Pound Sterling, the Australian dollar and the Euro. We are also exposed to currency exchange rate fluctuations in the British Pound Sterling due to continuing uncertainties surrounding Brexit. See the risk factor below captioned "The continuing uncertainty following the U.K.'s withdrawal from the EU may adversely affect our business." Exchange rate fluctuations have in the past adversely affected our results of operations, cash flows and financial condition and

may adversely affect our results of operations, cash flows and financial condition and the value of our assets outside the U.S. in the future. If a foreign currency is devalued in a jurisdiction in which we are paid in such currency, we may require our customers to pay higher amounts for our products, which they may be unable or unwilling to pay. In addition, a portion of our debt is denominated in Euros, and the re-introduction of individual currencies in one or more member states of the EU or, in extreme circumstances, the possible dissolution of the Euro entirely, could adversely affect the value of our Euro-denominated debt, and the treatment of debt obligations previously denominated in Euros would be uncertain. This uncertainty could have a material adverse effect on our foreign operations, including on our Euro-denominated debt. In addition, if such events occurred, the financial and capital markets within and outside Europe could constrict and negatively impact our ability to finance our business. Such events could also cause a substantial reduction in consumer confidence and spending that could negatively impact our customers and our business.

Our operations in foreign jurisdictions subject us to additional risks customarily associated with such operations, including: the complexity of foreign laws, regulations and markets; the uncertainty of enforcement of remedies in foreign jurisdictions; the impact of foreign labor laws and disputes; the ability to attract and retain key personnel in foreign jurisdictions; the economic, tax and regulatory policies of local governments; compliance with applicable anti-money laundering, anti-bribery and anti-corruption laws, including the Foreign Corrupt Practices Act, U.K. Bribery Act and other anti-corruption laws that generally prohibit us and our agents from offering, promising, authorizing or making improper payments to foreign government officials for the purpose of obtaining or retaining business; compliance with applicable sanctions regimes regarding dealings with certain persons or countries; import and export restrictions and other trade barriers, including imposition of tariffs; and increased trade tensions between countries or political and economic unions. Certain of these laws also contain provisions that require accurate record keeping and further require companies to devise and maintain an adequate system of internal accounting controls. Although we have policies and controls in place that are designed to ensure compliance with these laws, if those controls are ineffective or an employee or intermediary fails to comply with the applicable regulations, we may be subject to criminal and civil sanctions and other penalties. Any such violation could disrupt our business and adversely affect our reputation, results of operations, cash flows and financial condition.

In addition, our international business operations could be interrupted and negatively affected by terrorist activity, political unrest or other economic or political uncertainties. Further, U.S. and foreign jurisdictions could impose tariffs, quotas, trade barriers and other similar restrictions on our international sales.

For example, in 2018 the U.S. announced certain trade actions under Section 232, and Section 301 of the Trade Expansion Act of 1962, including tariff increases on several imported products. These U.S. tariffs, along with other U.S. trade actions, have triggered retaliatory actions by certain affected countries, such as the People’s Republic of China (“PRC”), and other foreign governments have initiated or are considering imposing trade measures on U.S. goods. In January 2020, the United States and the PRC signed a limited trade deal in which the PRC agreed to purchase more products from the U.S. in exchange for a reduction in planned and existing tariffs. Given the uncertainty regarding the scope and duration of these trade actions by the U.S. and other countries, and trade negotiations between the U.S. and the PRC, we cannot predict whether, or to what extent, tariffs and other trade restrictions may be imposed on or otherwise become applicable to our product offerings or supply chain, and the impact of these trade actions on our business remains uncertain. While tariffs and other trade actions by the U.S. and other countries have not yet had a significant impact on our business and we are implementing measures to limit the impact of tariffs on our cost structure, we cannot predict further developments. Tariffs and other trade actions could result in increases in our cost of doing business and in the sale prices of certain of our products and could negatively impact demand for our products, which could materially adversely affect our results of operations, cash flows and financial conditions.

In addition, our ability to expand successfully in foreign jurisdictions involves other risks, including difficulties in integrating foreign operations, risks associated with entering jurisdictions in which we may have little experience and the day-to-day management of a growing and increasingly geographically diverse company. Our investment in foreign jurisdictions within the Lottery segment often entails entering into joint ventures or other business relationships with locally based entities, which can involve additional risks arising from our lack of sole decision-making authority, our reliance on a partner’s financial condition, inconsistency between our business interests or goals and those of our partners and disputes between us and our partners, see the risk factors above captioned “We may not succeed in realizing the anticipated benefits of our strategic equity investments and relationships.”

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

Unfavorable U.S. and international economic conditions, or decreased discretionary spending or travel due to other factors such as terrorist activity or threat thereof, civil unrest, health epidemics, contagious disease outbreaks, or public perception

thereof or other economic or political uncertainties, have adversely affected our business, results of operations, cash flows and financial condition.

Unfavorable economic conditions, including recession, economic slowdown, decreased liquidity in the financial markets, decreased availability of credit and relatively high rates of unemployment, have had, and may continue to have, a negative effect on our business. Socio-political factors such as terrorist activity or threat thereof, civil unrest or other economic or political uncertainties, or health epidemics, contagious disease outbreaks, or public perception thereof that contribute to consumer unease may also result in decreased discretionary spending or travel by consumers and have a negative effect on our businesses. We cannot fully predict the effects that unfavorable social, political and economic conditions, economic uncertainties and public health crises and any resulting decrease in discretionary spending or travel would have on us, as they would be expected to impact our customers, suppliers and business partners in varied ways. For a description of the impact of the outbreak of COVID-19 and other public health crises, see the risk factor captioned "The recent COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, significantly disrupted our operations and adversely affected and continue to adversely affect our business, results of operations, cash flows and financial condition."

In our Gaming business, especially our Participation gaming business, our revenue is largely driven by players' disposable incomes and level of gaming activity. Unfavorable economic conditions have reduced, or may reduce, the disposable incomes of casino patrons and resulted, or may result, in fewer patrons visiting casinos, whether land-based or online, and lower amounts spent per casino visit. A further or extended decline in disposable income has resulted in reduced play levels on our Participation gaming machines, causing our results of operations and cash flows from these products to decline. Additionally, higher travel and other costs may adversely affect the number of players visiting our customers' casinos. Adverse changes in discretionary consumer spending or consumer preferences, resulting in fewer patrons visiting casinos and reduced play levels, could also be driven by factors such as an unstable job market, outbreaks of contagious diseases or public perception thereof or fears of terrorism or other violence. A decline in play levels has negatively impacted the results of operations, cash flows and financial condition of our casino customers and their ability to purchase or lease our products and
services.

Unfavorable economic conditions have also impacted, and could continue to impact, the ability of our Gaming customers to make timely payments to us. These conditions, and the concentration of certain outstanding Gaming segment receivables, may increase our collection risks and materially impact our estimate of receivables allowance for credit losses. We increased our allowance for credit losses by $56 million for the year ended December 31, 2020. In addition, unfavorable economic conditions have caused, and could continue to cause, some of our Gaming customers to temporarily close gaming venues or ultimately declare bankruptcy, which would adversely affect our business. Consistent with other suppliers in the gaming industry, our Gaming business has recently expanded the use of extended payment term financing for gaming machine purchases, and we expect to continue to provide a higher level of extended payment term financing in this business until demand from our customers for such financings abates or our business model changes. These financing arrangements may increase our collection risk, and if customers are not able to pay us, whether as a result of financial difficulties, bankruptcy or otherwise, we may incur provisions for bad debt related to our inability to collect certain receivables. In addition, both extended payment term financing and operating leases result in a delay in our receipt of cash, which reduces our cash balance, liquidity and financial flexibility to respond to changing economic events. Unfavorable economic conditions may also result in volatility in the credit and equity markets. The difficulty or inability of our customers to generate or obtain adequate levels of capital to finance their ongoing operations may reduce their ability to purchase our products and services. Refer to Note 6 for international locations with significant concentrations of our receivables with terms longer than one year.

In our Lottery business, we believe that difficult economic conditions have contributed, or may contribute, to reductions in spending on marketing by our customers and, in certain instances, less favorable terms under our contracts, as many of our customers face budget shortfalls and seek to cut costs.

In our Digital business based on a Participation model, our revenue is largely driven by disposable incomes and level of player activity. Unfavorable economic conditions has reduced and may continue to reduce the disposable incomes of end users consuming the services, which could negatively impact revenues for the Digital business. The outbreak of COVID-19 has resulted in the suspension or cancellation of the majority of sporting events which has and could continue to negatively impact the financial condition of our sportsbook customers, their ability to purchase development and other services, their risk of payment default, or their spending levels as they seek to reduce costs, each of which could negatively impact our Digital business revenue. In addition, suppliers to our Digital business may suffer financial difficulties and may not be able to offer their services and products, which could restrict the provision of our services and negatively impact our revenues. Various gambling regulators have implemented additional responsible and safer gambling measures relating to our Digital casino business as a result of the COVID-19 outbreak, including the implementation of bet limits, spin speeds, deposit limits and bonusing, which could negatively impact on our revenues, particularly if additional gambling regulators follow suit.

There are ongoing concerns regarding the debt burden of certain countries, particularly in Europe and South America, and their ability to meet their future financial obligations, which have resulted in downgrades of the debt ratings for these countries. We currently operate in, and our growth strategy may involve pursuing expansion or business opportunities in certain of these jurisdictions, such as Argentina, Brazil, Greece, Italy, Puerto Rico, Turkey and Ukraine among others. These sovereign debt concerns, whether real or perceived, could result in a recession, prolonged economic slowdown, or otherwise negatively impact the general health and stability of the economies in these countries or more broadly. In more severe cases, this could result in a limitation on the availability or flow of capital, thereby restricting our liquidity and negatively impacting our results of operations, cash flows and financial condition.

Risks Relating to our Capital Structure

Our level of indebtedness could adversely affect our results of operations, cash flows and financial condition.

We are a highly leveraged company. As of December 31, 2020, we had total indebtedness of $9,303 million, net of unamortized discounts and deferred financing costs, consisting primarily of borrowings under our credit agreement, and Senior Notes. As of December 31, 2020, our total available liquidity (excluding our SciPlay business segment) was $850 million, which included $103 million of undrawn availability under SGI's revolving credit facility. On July 1, 2020, we completed the issuance of $550 million in aggregate principal amount of 2025 Unsecured Notes and on July 17, 2020 we redeemed all $341 million of our 2021 Notes (see Note 15).

Our level of indebtedness could affect our ability to obtain financing or refinance existing indebtedness; require us to dedicate a significant portion of our cash flow from operations to interest and principal payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate purposes; increase our vulnerability to adverse general economic, industry or competitive developments or conditions; and limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate or in pursuing our strategic objectives. In addition, we are exposed to the risk of higher interest rates as a significant portion of our borrowings are at variable rates of interest. If interest rates increase, the interest payment obligations under our non-hedged variable rate indebtedness would increase even if the amount borrowed remained the same, and our results of operations, cash flows and financial condition would be negatively impacted. All of these factors became more severe given the unfavorable economic conditions and uncertainties and decrease in discretionary spending and consumer travel as a result of the outbreak of COVID-19 and could place us at a competitive disadvantage compared to competitors that may have less debt than we do.

Certain of our variable rate debt, including debt under our credit agreement and the SciPlay Revolver, relies on LIBOR as a benchmark for establishing the interest rate. The U.K. Financial Conduct Authority announced in 2017 that it intends to phase out LIBOR by the end of 2021. In addition, other regulators have suggested reforming or replacing other benchmark rates. The discontinuation, reform or replacement of LIBOR or any other benchmark rates may have an unpredictable impact on contractual mechanics in the credit markets or cause disruption to the broader financial markets. Uncertainty as to the nature of such potential discontinuation, reform or replacement may negatively impact the cost of our variable rate debt. We may in the future pursue amendments to the agreements underlying this debt to provide for a transition mechanism or other reference rate in anticipation of LIBOR's discontinuation, but we may not be able to reach agreement with our lenders on any such amendments. As a result, additional financing to replace our LIBOR-based debt may be unavailable, more expensive or restricted by the terms of our outstanding indebtedness.

We may not have sufficient cash flows from operating activities, to service all of our indebtedness and other obligations, and may be forced to take other actions to satisfy our obligations, which may not be successful.

Our ability to make payments on and to refinance our indebtedness and other obligations depends on our results of operations, cash flows and financial condition, which in turn are subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness and our other obligations. Our results of operations and general economic and financial conditions have been negatively affected by the recent COVID-19 pandemic, which made it more difficult for us to meet our debt obligations from cash flows from operating activities.

We are required to make scheduled payments of principal on the term loans borrowed under our credit agreement, and our credit agreement requires that a portion of our excess cash flow be applied to prepay amounts borrowed under our credit agreement. We are also required to repay the entire principal amount of our Senior Notes at their maturity (see Note 15). We have also, from time to time, repurchased or otherwise retired or refinanced our debt, through our subsidiaries or otherwise and may continue to do so in the future. Such activities, if any, will depend on prevailing market conditions, contractual restrictions and other factors, and the amounts involved may or may not be material. If we need to refinance all or part of our indebtedness at or before maturity, we cannot assure that we will be able to obtain new financing or to refinance any of our indebtedness on

commercially reasonable terms or at all, especially under the current unfavorable economic conditions and uncertainties as a result of the COVID-19 pandemic.

Our lenders, including the lenders participating in our revolving credit facility under our credit agreement or in the SciPlay Revolver, may become insolvent or tighten their lending standards, which could make it more difficult for us to borrow under our revolving credit facility or the SciPlay Revolver or to obtain other financing on favorable terms or at all. Our results of operations, cash flows and financial condition would be adversely affected if we were unable to draw funds under our revolving credit facility or the SciPlay Revolver because of a lender default or to obtain other cost-effective financing. Any default by a lender in its obligation to fund its commitment under our revolving credit facility or the SciPlay Revolver (or its participation in letters of credit) could limit our liquidity to the extent of the defaulting lender's commitment. If we are unable to generate sufficient cash flow in the future to meet our commitments, we will be required to adopt one or more alternatives, such as refinancing or restructuring our indebtedness, selling material assets or operations or seeking to raise additional debt or equity capital. We cannot assure that any of these actions could be completed on a timely basis or on satisfactory terms or at all, or that these actions would enable us to continue to satisfy our capital requirements. Moreover, our existing debt agreements contain, and our future debt agreements may contain, restrictive covenants that may prohibit us from adopting these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of all of our debt.

Agreements governing our indebtedness impose certain restrictions that may affect our ability to operate our business. Failure to comply with any of these restrictions could result in the acceleration of the maturity of our indebtedness and require us to make payments on our indebtedness. Were this to occur, we would not have sufficient cash to pay our accelerated indebtedness.

Agreements governing our indebtedness, including our credit agreement and the SciPlay Revolver and the indentures governing our Senior Notes, impose, and future financing agreements are likely to impose, operating and financial restrictions on our activities that may adversely affect our ability to finance future operations or capital needs or to engage in new business activities. Subject to certain exceptions, our credit facilities and/or indentures restrict our ability to, among other things:

- declare dividends or redeem or repurchase capital stock;
- prepay, redeem or purchase other debt;
- incur liens;
- make loans, guarantees, acquisitions and investments;
- incur additional indebtedness;
- engage in sale and leaseback transactions;
- amend or otherwise alter debt and other material agreements;
- engage in mergers, acquisitions or asset sales;
- engage in transactions with affiliates;
- enter into arrangements that would prohibit us from granting liens or restrict our subsidiaries' ability to pay dividends, make loans or transfer assets; and
- alter the business we conduct.

In addition, prior to the Credit Agreement Amendment and the Credit Agreement Extension Agreement, the SGI credit agreement contained a covenant that was tested at the end of each fiscal quarter and required us to not exceed a maximum consolidated net first lien leverage ratio of 5.00x Consolidated EBITDA (as defined in the credit agreement), with this ratio stepping down to 4.75x beginning with the fiscal quarter ended December 31, 2020 and 4.50x beginning with the fiscal quarter ending December 31, 2021. We amended the consolidated net first lien leverage ratio covenant in the credit agreement with the requisite lenders under SGI's revolving credit facility on May 8, 2020 (the "Credit Agreement Amendment") and subsequently extended the Credit Agreement Amendment on October 8, 2020 (the "Credit Agreement Extension Amendment") to implement a financial covenant relief period, which extends the relief period through the first quarter of 2022. As a result, (a) SGI is not required to maintain compliance with the consolidated net first lien leverage ratio covenant during the Covenant Relief Period, (b) the step down of the consolidated net first lien leverage ratio covenant following the Covenant Relief Period was revised, © SGI must maintain liquidity (excluding SciPlay) of at least $275 million during the Covenant Relief Period, (d) SGI is restricted in its ability to further incur indebtedness and liens, make restricted payments and investments and prepay junior indebtedness during the Covenant Relief Period, subject to certain exceptions and further subject, in some instances, to maintaining minimum liquidity (excluding SciPlay) of at least $400 million and (e) a LIBOR floor of 0.500% was established on borrowings under the revolving credit facility during the Covenant Relief Period.

The following table summarizes the revised consolidated net first lien leverage ratio and Consolidated EBITDA:

Revised Consolidated Net First Lien Leverage Ratio Covenant Calculation

Period ending	Revised Consolidated Net First Lien Leverage Ratio Covenant	Consolidated EBITDA multiplier[1]
3/31/2022	6.00x	4x Q1-2022
6/30/2022	6.00x	2x YTD Q2-2022
9/30/2022	5.75x	1.33x YTD Q3-2022
12/31/2022	5.75x	N/A - Calculated based on the previous 12 month period including the quarter being tested
3/31/2023	5.25x	
6/30/2023	5.25x	
9/30/2023	4.75x	
12/31/2023	4.75x	
3/31/2024 and thereafter	4.50x	

(1) Consolidated EBITDA is defined in the Credit Agreement Extension Amendment and is calculated as testing year-to-date period-end consolidated EBITDA times multiplier.

Additionally, the SciPlay Revolver requires that SciPlay maintain a maximum total net leverage ratio not to exceed 2.50x and maintain a minimum fixed charge coverage ratio of no less than 4.00x. Future financing arrangements may impose similar requirements.

Various risks, uncertainties and events beyond our control could affect our ability to comply with these covenants. The recent outbreak of COVID-19 has had, and will continue to have, a negative effect on us, especially in our Gaming and Lottery businesses. Accordingly, we cannot assure that we will continue to maintain liquidity sufficient to satisfy our current obligations or comply with the minimum liquidity requirement set forth in SGC's credit agreement or return to compliance with the consolidated net first lien leverage ratio covenant following the Covenant Relief Period.

We also cannot assure that we will be granted waivers or amendments to the agreements governing our indebtedness if for any reason we are unable to comply with these obligations or that we will be able to refinance our debt on terms acceptable to us, or at all.

We may not have sufficient cash flows from operating activities, cash on hand and available borrowings under our credit agreement to finance required capital expenditures under new contracts and meet our other cash needs or satisfy our minimum liquidity covenant. These obligations require a significant amount of cash, which would reduce our available liquidity.

Our Gaming operations and Lottery systems businesses generally require significant upfront capital expenditures for gaming machine or lottery terminal assembly, software customization and implementation, systems and equipment installation and telecommunications configuration. In connection with a renewal or bid of a Gaming operations or Lottery systems contract, a customer may seek to obtain new equipment or impose new service requirements, which may require additional capital expenditures in order to retain or win the contract. In connection with the renewal of LNS' exclusive concession to operate the Italian instant games lottery, we paid our pro rata share, or €160 million (€10 million paid in 2017 and the remaining €150 million paid in 2018), of the €800 million payment LNS was required to make to obtain the concession.

Historically, we have funded these upfront costs through cash flows generated from operations, available cash on hand and borrowings under our credit agreement. In addition, we have seen an increase in lottery RFPs, some involving PMAs, which include economic terms that expose us to increased risk, such as requiring the guarantee of specific income thresholds or significant upfront payments. In addition, to the extent we are compensated under any of our contractual arrangements based on a share of our customers' revenue rather than payment for our expenses and services, we may incur upfront costs (which may be significant) prior to receipt of any revenue under such arrangements. Our ability to generate revenue and to continue to procure new contracts will depend on, among other things, our then present liquidity levels or our ability to obtain additional financing on commercially reasonable terms, which are negatively affected by the recent COVID-19 pandemic.

If we do not have adequate liquidity or are unable to obtain financing for these upfront costs and other cash needs on favorable terms or at all, we may not be able to bid on certain contracts, which could result in our losing business or restrict our ability to grow, which could have a material adverse effect on our results of operations, cash flows and financial condition. Moreover, we may not realize the return on investment that we anticipate on new or renewed contracts due to a variety of factors, including lower than anticipated retail sales or amounts wagered, higher than anticipated capital or operating expenses and unanticipated regulatory developments or litigation. We may not have adequate liquidity to pursue other aspects of our

strategy, including bringing our products and services to new customers or new or underpenetrated geographies (including through equity investments) or pursuing strategic acquisitions. In the event we pursue significant acquisitions or other expansion opportunities, conduct significant repurchases of our outstanding securities, or refinance or repay existing debt, we may need to raise additional capital either through the public or private issuance of equity or debt securities or through additional borrowings under our existing financing arrangements, which sources of funds may not necessarily be available on terms acceptable to us, if at all, especially under the current unfavorable economic conditions and uncertainties as a result of the COVID-19 pandemic.

On May 8, 2020, the Company and the requisite lenders under SGI's revolving credit facility entered into the Credit Agreement Amendment that, among other things, imposes a minimum liquidity requirement (excluding SciPlay) of at least $275 million during the Covenant Relief Period and further restricts our ability to incur indebtedness and liens, make restricted payments and investments and prepay junior indebtedness during the Covenant Relief Period, subject to certain exceptions and further subject, in some instances, to maintaining minimum liquidity (excluding SciPlay) of at least $400 million. The Covenant Relief Period was extended for an additional three quarters on October 8, 2020 when SGC and the requisite lenders under SGI's revolving credit facility entered into the Credit Agreement Extension Amendment. See Note 1 for additional details regarding the Credit Agreement Amendment and the Credit Agreement Extension Amendment. Therefore, even if we do have liquidity available to support our current cash needs, we may not be able to access that liquidity while still remaining in compliance with the minimum liquidity covenant. We cannot assure that we will be granted waivers or amendments to the minimum liquidity covenant, or will be able to obtain additional liquidity to cure such a violation, if for any reason we are unable to comply with that obligation.

Risks Relating to our Business and our Industries

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

Gaming

Our Gaming business faces significant competition, not only from traditional gaming suppliers, but also from a number of other domestic and foreign providers, some of which have substantially greater financial resources and/or experience than we do. In some cases, we compete against gaming operators, including illegal or unregulated operators. Additionally, we face competition from smaller gaming companies that have established certain competitive products in recent years and are able to focus their resources on developing a smaller number of high-performing products.

We compete on the basis of the content, features, quality, functionality, accuracy, reliability, price and financing terms of our products and services, and the responsiveness of our services. If we do not consistently deliver popular, high-quality games in a timely manner, or if consumers prefer competing products, our business might suffer. Consumer preferences for games are usually cyclical and difficult to predict, and even the most successful content remains popular for only limited periods of time, unless refreshed with new content or otherwise enhanced. In order to remain competitive, we must continuously develop new products or enhancements to our existing products. These products or enhancements may not be well-received by consumers, even if well-reviewed and of high quality. Further, competitors may develop content that imitates or competes with our best-selling games, potentially taking sales away from them or reducing our ability to charge the same prices we have historically charged for our products. We have experienced pricing pressures in the past, including in 2020 and expect to continue to face pricing pressure in 2021. These competing products may take a larger share of consumer spending than anticipated, which could cause product sales to fall below expectations. We also compete based on the extent of our sales, service, marketing and distribution channels. We on occasion provide extended payment term financing for product purchases, and we expect to continue to provide extended payment term financing until the impacts of COVID-19 and demand for such financing abate. We have also offered customers discounts and other offers and modified pricing and other contractual terms in connection with the sale or placement of our products and services. Our competitors may provide a greater amount of financing or better offers and terms than we do, and this may impact demand for our Gaming products and services. We cannot assure that competitive pressure will not cause us to increase the incentives that we offer to our customers or agree to modify contractual terms in ways that are unfavorable to us, which could adversely impact our results of operations, cash flows and financial condition.

We also compete to obtain space and favorable placement on casino gaming floors, and some of our product lines may compete against each other for this space. Consolidation of casino and other operators, increased competition among operators and reductions in capital expenditures by operators have significantly increased the level of competition among gaming suppliers and may do so in the future. Casino operators focus on performance, longevity, player appeal and price when making their purchasing decisions. Competitors with a larger installed base of gaming machines and more game themes than ours may have an advantage in obtaining and retaining placements in casinos. Our Shufflers also compete against hand shuffling, which remains the most competitive shuffling option for casino card games around the world.

We also face high levels of competition in the supply of products and services for newly legalized gaming jurisdictions and for openings of new or expanded casinos. Our success depends on our ability to successfully enter new markets and compete successfully for new business, especially in the face of declining demand and lengthened cycles for gaming machine replacements as a result of COVID-19 disruptions.

Lottery

Our Lottery business faces competition from a number of domestic and foreign businesses, some of which have substantially greater financial resources than we do, which impacts our ability to win new contracts and renew existing contracts. In addition, the U.S. lottery industry has matured with 48 U.S. jurisdictions offering instant game lotteries and/or draw lotteries. As some jurisdictions seek to privatize or outsource lottery operations (including partial privatizations through PMAs or otherwise), we face competition from both traditional and new competitors with respect to these opportunities. In some cases, we may find it necessary or desirable to enter into strategic relationships with third parties, including competitors, and may be required to commit significant sums of money in order to pursue these opportunities.

We continue to operate in an industry of intense price-based competition, which has affected and could continue to affect the number and the profitability of the lottery contracts we win. We believe our principal competitors in the instant lottery product business have increased, and are expected to continue to increase, their production capacity, resulting in pricing pressures in the instant lottery product business. This may adversely affect our ability to win or renew instant lottery product contracts or may reduce the profitability of instant lottery product contracts that we do win. We also compete in the international instant lottery product business with low-price printers whose quality we believe is lower than ours in regulated environments where laws are being reinterpreted to create competition from non-traditional lottery vendors and products. Our U.S. instant lottery product business could be adversely affected if additional foreign competitors operating in Canada export their lottery products to the U.S. or if other foreign competitors establish printing facilities in the U.S. or Canada to supply the U.S.

We face increased price competition in our Lottery systems business from our two principal competitors in that business. This may adversely affect our ability to win or renew lottery systems contracts or reduce the profitability of lottery systems contracts that we do win. We routinely bid against IGT and Intralot in lottery systems bids. Since 2016, we have taken away several of their incumbent supplier contracts including Arizona lottery systems (IGT), Kansas lottery systems (IGT), Turkey sports betting system (Intralot), and Turkey national lottery systems (IGT).

Any future success of our Lottery business will also depend, in part, on the success of the lottery industry in attracting and retaining players in the face of increased competition for these players' entertainment dollars, and our own success in developing innovative products and systems to achieve this goal. Our failure to achieve this goal could reduce our revenue from our Lottery operations. Additionally, pressure on state and other government budgets could lead to other forms of gaming being legalized, which could adversely impact our Lottery business.

SciPlay

SciPlay, which includes social casino games and from which we derive substantially all of our SciPlay revenue, is a rapidly evolving industry with low barriers to entry. Businesses can easily launch online or mobile platforms and applications at nominal cost by using commercially available software or partnering with various established companies in these markets. The market for our games is also characterized by rapid technological developments, frequent launches of new games and features, changes in player needs and behavior, disruption by innovative entrants and evolving business models and industry standards. As a result, our industry is constantly changing games and business models in order to adopt and optimize new technologies, increase cost efficiency and adapt to player preferences.

Successful execution of our strategy depends on our continuous ability to attract and retain players, adapt to the emergence of new mobile hardware or operating systems, expand the market for our games, maintain a technological edge and offer new capabilities to players. We also compete with social gaming companies, including those that offer social casino games such as Playtika, Product Madness/Big Fish Games (Aristocrat), Zynga Inc., DoubleU Games/Double Down Interactive, GSN/Bash Gaming and Huuuge games, some of which have no connection to regulated real money gaming, and many of those companies have a base of existing players that is larger than ours. In some cases, we compete against real money gaming operators who have expanded their games to include social casino games and have in the past leveraged their land-based gaming relationship with us to license social casino game content from us. In those cases, customers of such real money gaming operators may choose to play our content as it is offered by the operator and not as it is offered by our social casino games, detrimentally impacting our results.

Some of our current and potential competitors enjoy substantial competitive advantages, such as greater name recognition, longer operating histories, greater financial, technical, and other resources and, in some cases, the ability to rapidly combine online platforms with traditional staffing and contingent worker solutions. These companies may use these advantages

to develop different platforms and services to compete with our games, spend more on advertising and brand marketing, invest more in research and development or respond more quickly and effectively than we do to new or changing opportunities, technologies, standards, regulatory conditions or player preferences or requirements. As a result, our players may decide to stop playing our games or switch to our competitors' games.

Moreover, current and future competitors may also make strategic acquisitions or establish cooperative relationships among themselves or with others, including our current or future third-party suppliers. By doing so, these competitors may increase their ability to meet the needs of existing or prospective players. These developments could limit our ability to obtain revenue from existing and new buyers. If we are unable to compete effectively, successfully and at reasonable cost against our existing and future competitors, our results of operations, cash flows and financial condition could be adversely impacted.

We offer players regular free play and frequent discounts for purchases of virtual coins to extend play in connection with our social casino gaming business. We cannot assure that competitive pressure will not cause us to increase the incentives that we offer to our players, which could adversely impact our results of operations, cash flows and financial condition.

Digital

Our Digital business is also subject to significant competition. Our RMG business focuses on the supply of game content to online casino operators, and there are a number of competitors in that industry, including from illegal or unregulated operators.

On May 14, 2018, the Supreme Court of the U.S. overturned the PASPA, a decision that opened up a path to legalization of sports wagering across the country. Following this ruling, at least 25 states and the District of Columbia have legalized sports wagering, with some of those states permitting online sports wagering. Other states are considering legislation that would permit legal sports wagering, both land based and online. As a result of the change in regulations, we expanded, and expect to further expand, our sports wagering business.

The ongoing evolution of regulations governing sports wagering could lead to increased competition over time as large land-based gaming operators, games companies and other online entertainment companies may seek to enter the sports wagering market. Such organizations, some with long established and trusted brands, may buy or build capabilities to allow them to effectively compete with us or our customers. This could lead to a reduction in customers' revenue and profitability, which would in turn negatively impact our financial performance. Several of our competitors, such as IGT and Kambi have already taken steps to expand their presence in the sports wagering market. We are unable to predict the impact additional competition, including the expansion of sports wagering, will have on our business. The success of sports wagering within our RMG business also depends on the strength of our customers' brands. Maintaining and enhancing these brands requires significant expense. As the market becomes more competitive, the value of these brands may not be maintained or enhanced.

In jurisdictions that authorize internet gaming, we cannot assure that we will be successful in offering our technology, content and services to internet gaming operators as we expect to face intense competition from our traditional competitors in the gaming and lottery industries and a number of other domestic and foreign providers (or, in some cases, the operators themselves), some of which have substantially greater financial resources and/or experience in this area than we do. In addition, there is a risk that the authorization of the sale of gaming and lottery offerings via interactive channels in a particular jurisdiction could, under certain circumstances, adversely impact our Gaming and Lottery offerings through traditional channels in such jurisdiction. Any such adverse impact would be magnified to the extent we are not involved in, and generating revenue from, the provision of interactive gaming and lottery products or services in such jurisdiction.

In order to stay competitive in our Digital business, we will need to continue to create and market game content and sports betting solutions that attract players and invest in new and emerging technologies. Some of our competitors may be more willing to provide internet wagering (including sports wagering) in countries where the relevant laws and regulations are unclear or not uniformly enforced, putting us at a competitive disadvantage if we do not provide services related to internet wagering (including sports wagering) in such countries.

We offer and have in the past offered customers discounts, free trials and free spins in connection with our Digital business. We cannot assure that competitive pressure will not cause us to increase the incentives that we offer to our customers, which could adversely impact our results of operations, cash flows and financial condition.

We heavily depend on our ability to win, maintain and renew our customer contracts, including our long-term Lottery contracts, and we could lose substantial revenue if we are unable to renew certain of our contracts on substantially similar terms or at all.

Generally, our Lottery contracts contain initial multi-year terms, with optional renewal periods at the discretion of the customer. Upon the expiration of any such contract, including any extensions thereof, a new contract may be awarded through a

competitive bidding process. Conversely, in some instances, Lottery customers are authorized to extend contracts beyond the term initially agreed in the applicable contract without subjecting the contract to competitive bidding, thereby eliminating the possibility of obtaining that new business.

We cannot assure that our current contracts will be extended or that we will be awarded new contracts as a result of competitive bidding processes or otherwise in the future. In addition, it is common for competitors to protest the award of Lottery contracts to us. Such protests could delay or prevent our ability to enter into a new contract. In addition, the recent outbreak of COVID-19 has caused some lotteries to delay the competitive bidding process, which in turn has delayed awards of new contracts. The termination, expiration or failure to renew one or more of our contracts could cause us to lose substantial revenue, which could have an adverse effect on our ability to win or renew other contracts or pursue growth initiatives. We cannot assure that new or renewed contracts will contain terms that are as favorable as our current terms or will contemplate the same scope of products and services as our current contracts, and any less favorable contract terms or diminution in scope could negatively impact our results of operations, cash flows and financial condition. For example, we are currently in negotiations with the Pennsylvania Lottery, our largest Lottery customer, on both the Lottery Systems and Instant Products - Participation SGEP contracts, and we cannot assure that these contracts will be renewed or will be renewed with terms that are as favorable as our current terms; the termination or renewal on less favorable terms could negatively impact our results of operations, cash flows and financial condition. For additional information regarding the potential expiration dates of certain of our more significant Lottery contracts, see the table in “Lottery Segment” in Part I, Item 1 of this Annual Report on Form 10-K.

We are also required by certain of our customers to provide surety or performance bonds in connection with our contracts. As of December 31, 2020, we had $253 million of outstanding performance bonds. We cannot assure that we will continue to be able to obtain surety or performance bonds on commercially reasonable terms or at all. Our inability to provide such bonds would materially and adversely affect our ability to renew existing or obtain new Lottery contracts.

A substantial portion of our Gaming revenue depends on repeat customers. In certain regions, our business may be concentrated with a small number of customers, such as our U.K. LBO business. We cannot assure that our current contracts will be extended or that we will be awarded new contracts.

Given the increased competition in the sports wagering landscape in the U.S., it is crucial that we remain innovative in this field in order to preserve our first-mover advantage, maintain current contracts and gain new contracts.

Our success depends upon our ability to adapt to, and offer products and services that keep pace with, changing technology and evolving industry standards.

Our ability to anticipate or respond to changing technology and evolving industry standards and to develop and introduce new and enhanced products and services, including, but not limited to, gaming and lottery content, gaming machines, CMSs, table products and interactive gaming products and services, on a timely basis or at all is a significant factor affecting our ability to remain competitive, retain existing contracts or business and expand and attract new customers and players. We cannot assure that we will achieve the necessary technological advances or have the financial resources needed to introduce new products or services on a timely basis or at all.

Introducing new and innovative products and services requires us to adapt and refine our manufacturing, operations and delivery capabilities to meet the needs of our product innovation. If we cannot efficiently adapt our manufacturing infrastructure to meet the needs associated with our product innovations, or if we are unable to develop products or upgrade our production capacity in a timely manner, our business could be negatively impacted. In the past, we have experienced delays in launching new products and services due to the complex or innovative technologies embedded in our products and services. Such delays can adversely impact our results of operations, cash flows and financial condition.

We invest significant resources in our R&D efforts, which may not lead to successful or commercially viable new technologies, services or products.

We have invested, and intend to make future investments of, significant resources in R&D efforts. We invest in a number of areas, including product development for game and system-based hardware, software and game content. In addition, because of the sophistication of our newer products and the resources committed to their development, they are generally more expensive to produce and, for SciPlay and Digital technologies, to maintain. If our new services and products do not gain market acceptance or the increase in the average selling price of these new products is not proportionate to the increase in production cost, in each case as compared to our prior products, or if the average cost of production does not go down over time, whether by reason of long-term customer acceptance, our ability to find greater efficiencies in the manufacturing process as we refine our production capabilities or a general decrease in the cost of the technology, our margins will suffer and could negatively impact our business, results of operations, cash flows and financial condition. We cannot assure that our investment in R&D will lead to successful new technologies or products. If a new service or product is not successful, we may not recover our development, regulatory approval or promotion costs.

Our success depends on our ability to produce new and innovative products and services that respond to customer demand and create strong and sustained player appeal.

Our success depends upon our ability to respond to dynamic customer demand by producing new and innovative products and services. The process of developing new products and services is inherently complex and uncertain. If we fail to accurately anticipate customer needs and end user preferences through the development of new products and services, we could lose business to our competitors, which would adversely affect our results of operations, cash flows and financial condition.

Our businesses develop and source game content both internally and through third-party suppliers. We also seek to secure third-party brands for incorporation into our game content. We believe that creative and appealing game content produces more revenue for our gaming machine customers and provides them with a competitive advantage, which in turn enhances our revenue and our ability to attract new business and to retain existing business. In our Lottery business, we believe that innovative game concepts and game content, such as multiplier games and game content that incorporates licensed brands, can enhance the revenue of our lottery customers and distinguish us from our competitors. We cannot assure that we will be able to sustain the success of our existing game content or effectively develop or obtain from third parties game content or licensed brands that will be widely accepted both by our customers and players.

Our success also depends on creating products and services with strong and sustained player appeal. We are under continuous pressure to anticipate player reactions to, and acceptance of, our new products, avoid declining play levels on our leased gaming machines and continue to provide successful products that generate a high level of play. In some cases, a new game or gaming machine will only be accepted by our casino or interactive gaming customers if we can demonstrate that it is likely to produce more revenue and Net win and/or has more player appeal than our existing products and services or our competitors' products and services. WAP, premium and daily fee Participation gaming machines are replaced on short notice by casino operators if they do not meet and sustain revenue and profitability expectations. Customers may cancel pending orders with us if our products are not performing to expectations at other casinos.

In addition, the social gaming landscape is rapidly evolving and is characterized by major fluctuations in the popularity of social products and platforms, such as the dramatic increase in the popularity of mobile platforms. We may be unable to develop products at a rate necessary to respond to these changes, or at all, or that anticipate the interests of social players. Likewise, our SciPlay offerings operate largely through *Facebook*, *Google*, *Apple*, *Amazon* and *Microsoft* platforms. If alternative platforms increase in popularity, we could be adversely impacted if we fail to timely create compatible versions of our products.

Competition is intense in the digital gaming landscape. The increased importance of digital content delivery in our industry increases the potential competition in our SciPlay and Digital businesses, as the minimum capital needed to produce and publish a digitally delivered game, particularly a new game for mobile platforms, may be significantly less than that needed to produce and publish one that is purchased through retail distribution. Recently, there has been additional significant competition in the sports wagering market as a result of the legislative changes that have encouraged new market participants. Refer to "Government Regulation - Digital" in Part I, Item 1 of this Annual Report on Form 10-K for a discussion of such legislative changes. As more competitors enter the market, our operating results may be negatively impacted.

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

Under certain circumstances we pursue growth through strategic equity investments, including joint ventures, as a means to, among other things, gain access to new and important geographies, business opportunities and technical expertise, while simultaneously offering the potential for reducing capital requirements.

Our strategic equity relationships include investments in LNS, Northstar New Jersey, Hellenic Lotteries, GLB, CSG and RCN. For additional information regarding our equity investments, see Note 12.

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

Furthermore, our strategic equity investments and other strategic relationships pose risks arising from our reliance on our partners and our lack of sole decision-making authority, which may give rise to disputes between us and our partners. For instance, our investments in LNS and Northstar New Jersey are minority investments in ventures whose largest equity holder is

Lottomatica and Gtech Corporation (now known as IGT), respectively, and, although certain corporate actions require our prior consent, we do not unilaterally control decisions relating to the governance of these entities. We are party to strategic agreements with a subsidiary of Playtech Limited relating to gaming machines that contemplate our license of, and reliance on, the subsidiary's back-end technology platform in certain jurisdictions, particularly in the U.K. Our equity partners, licensors and other third parties with which we have strategic relationships may have economic or business interests or goals that are inconsistent with our interests and goals, take actions contrary to our objectives or policies, undergo a change of control, experience financial and other difficulties or be unable or unwilling to fulfill their obligations under our arrangements.

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

We may not achieve some or all of the anticipated benefits of SciPlay being a standalone public company, which could negatively impact our business, financial condition and results of operation.

We may not be able to achieve all of the anticipated strategic and financial benefits expected as a result of SciPlay being a standalone public company, or such benefits may be delayed or not occur at all. The anticipated benefits include the following:

- allowing investors to evaluate the distinct merits, performance and future prospects of the SciPlay business, independent of our other businesses;
- improving the SciPlay business's strategic and operational flexibility and increasing management focus as SciPlay continues to implement its strategic plan and allowing the SciPlay business to respond more effectively to different player needs and the competitive environment for its business;
- allowing the SciPlay business to adopt a capital structure better suited to its financial profile and business needs, without competing for capital with our other businesses;
- creating an independent equity structure that will facilitate the SciPlay business's ability to effect future acquisitions utilizing its capital stock; and
- facilitating incentive compensation arrangements for employees more directly tied to the performance of the SciPlay business, and enhancing employee hiring and retention by, among other things, improving the alignment of management and employee incentives with performance and growth objectives of the SciPlay business.

We may not achieve the anticipated benefits of SciPlay being a standalone public company for a variety of reasons, and it could adversely affect our operating results and financial condition.

The consummation of the SciPlay initial public offering ("IPO") in 2019 diluted our economic interest in the SciPlay business, and as a result we only benefit from a portion of any profits and growth of that business, and from any dividends and other distributions from that business, if any. We currently do not expect SciPlay to declare or pay any cash dividends, other than tax distributions and certain cash distributions related to the impact of taxes pursuant to the TRA. If SciPlay discontinues the payment of, or is unable to pay, such distributions to us, this will reduce our available liquidity as SciPlay generates 41% of our operating cash flows. Furthermore, the terms of any indebtedness incurred by SciPlay business may, and the terms of the SciPlay Revolver will, limit the ability of SciPlay business to pay dividends or make other distributions to us, or to amend the agreements between SciPlay and us and our other subsidiaries.

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

Our production of instant lottery products, in particular, depends upon a continuous supply of raw materials, supplies, power and natural resources. Our operating results could be adversely affected by an interruption or cessation in the supply of these items or a serious quality assurance lapse, including as a result of the insolvency of any of our key suppliers.

Similarly, the operation of our instant ticket printing presses and the manufacture and maintenance of our gaming machines and gaming and lottery systems are dependent upon a regular and continuous supply of raw materials and components, many of which are manufactured or produced outside of the U.S. Certain of the components we use are customized for our products. The assembly of certain of our products and other hardware is performed by third parties. Any interruption or cessation in the supply of these items or services or any material quality assurance lapse with respect thereto could materially adversely affect our ability to fulfill customer orders, results of operations, cash flows and financial condition. We may be unable to find adequate replacements for our suppliers within a reasonable time frame, on favorable commercial terms or at all. The impact of the foregoing may be magnified as we continue to seek to streamline our gaming supply chain by reducing the number of our suppliers. Further, manufacturing costs may unexpectedly increase and we may not be able to successfully recover any or all of such cost increases.

In our Lottery systems business, we transmit certain wagering data using cellular technology and satellite transponders, generally pursuant to long-term contracts. The technical failure of any of these cellular or satellite services would require us to obtain other communication services, including other cellular or satellite access. In some cases, we employ backup systems to limit our exposure in the event of such a failure. While these networks are inherently highly redundant, we cannot assure access to such other cellular services or satellites or, if available, the ability to obtain the use of such other cellular services or satellites on favorable terms or in a timely manner. While cellular and satellite failures are infrequent, the operation of each is outside of our control.

In addition, in all of our businesses, we rely upon a number of significant third-party suppliers and vendors delivering parts, equipment and services on schedule in order for us to meet our contractual commitments. Furthermore, we outsource the manufacturing of certain of our sub-assemblies to third parties in the U.S., Europe, Central America and Asia. The willingness of such third parties to provide their services to us may be affected by various factors. Changes in law or regulation in any jurisdiction in which we operate may make the provision of key services to us unlawful in such jurisdictions. To the extent that third parties are unwilling or unable to provide services to us, this may have an adverse impact on our operations, financial performance and prospects. Failure of these third parties to meet their delivery commitments could result in us being in breach of, and subsequently losing, the affected customer orders, which loss could have a material adverse effect on our results of operations, cash flows and financial condition. We rely on network and/or telecommunications services for certain of our products. For instance, any disruption to our network or telecommunications could impact our linked or networked games, which could reduce our revenue.

In our Digital sports business, we rely on providers of third party sports data feeds. The outbreak of COVID-19 has resulted in the suspension or cancellation of the majority of sporting events which has and could continue to negatively impact the financial condition of our sportsbook customers, their ability to purchase development and other services, their risk of payment default, or their spending levels as they seek to reduce costs, each of which could negatively impact our Digital business revenue.

In our Lottery, SciPlay and Digital businesses, we often rely on third-party data center providers to, among other things, host our remote game servers. Our Lottery, SciPlay and Digital businesses could be adversely impacted by breaches of or disruptions to these third-party data centers, including through disruptions in our RMG and lottery businesses, potential service level penalties with respect to our customers, reputational harm, the disclosure of proprietary information or the information of our customers or the theft of our or our customers assets, and to the extent any such data center provider was unable or unwilling to continue to provide services to us.

In certain regions, we enter into agreements with local distributors for the distribution of our land-based gaming products to one or more customers. Changes to these distributor relationships, including modification or termination of our agreements or difficulties with any such distributor could prevent us from delivering products or services to our customers on a timely basis, or at all, and could negatively impact our business. Additionally, the outbreak of COVID-19 and any resulting unfavorable social, political and economic conditions have negatively impacted our suppliers and contract manufacturers in varied ways in different communities, which could lead to interruption or cessation of services provided to us. For more information on the impact of the outbreak of COVID-19, see the risk factor captioned “The recent COVID-19 pandemic and similar health epidemics, contagious disease outbreaks and public perception thereof, significantly disrupted our operations and adversely affected and continue to adversely affect our business, results of operations, cash flows and financial condition.”

Our SciPlay business largely depends upon our relationships with key third-party platform providers, who we rely on to make our games available to players and to collect revenue, and changes in those relationships could negatively impact our SciPlay business.

In our SciPlay business, our services operate largely through *Facebook*, *Google*, *Apple*, and *Amazon* platforms, with some games available on the *Microsoft* platform, which also serve as significant online distribution platforms for our games. In 2020 and 2019, substantially all of our SciPlay revenue was generated by players using those platforms. Consequently, our expansion and prospects of our SciPlay offerings depend on our continued relationships with these providers, and any emerging platform providers that are widely adopted by our target player base. Our relationships with *Facebook*, *Google*, *Apple*, *Amazon* and *Microsoft* are not governed by contracts but rather by these platform providers’ standard terms and conditions for application developers, which govern the promotion, distribution and operation of games and other applications on their platforms, and which the platform providers can change unilaterally on short or without notice. Our SciPlay business will be adversely impacted if we are unable to continue these relationships in the future or if the terms and conditions offered by these providers are altered to our disadvantage. For instance, if any of these providers were to increase their fees, our results of operations, cash flows and financial condition would suffer.

In addition, our SciPlay business would be harmed if:

- these platform providers discontinue or limit our access to their platforms;
- governments or private parties, such as internet providers, impose bandwidth restrictions or increase charges or restrict or prohibit access to those platforms;
- these platforms decline in popularity;
- these platforms modify their current discovery mechanisms, communication channels available to developers, respective terms of service or other policies, including fees;
- these platforms impose restrictions or make it more difficult for players to buy coins, chips and cards; or
- these platforms change how the personal information of players is made available to developers or develop their own competitive offerings.

If alternative platforms increase in popularity, we could be adversely impacted if we fail to create compatible versions of our games in a timely manner, or if we fail to establish a relationship with such alternative platforms. Likewise, if our platform providers alter their operating platforms, we could be adversely impacted as our offerings may not be compatible with the altered platforms or may require significant and costly modifications in order to become compatible. If our platform providers were to develop competitive offerings, either on their own or in cooperation with one or more competitors, our growth prospects could be negatively impacted. If our platform providers do not perform these functions in accordance with our platform agreements, we could be adversely impacted.

In the past, some of these platform providers have been unavailable for short periods of time or experienced issues with their features that permit our players to purchase coins, chips and cards. For example, in the second and third quarters of 2018, we were negatively impacted by data privacy protection changes implemented by *Facebook*, which impaired our players' ability to access their previously acquired coins, chips and cards and purchase additional coins, chips and cards. If similar events recur on a prolonged basis or other similar issues arise that impact players' ability to download our games, access social features or purchase coins, chips and cards, it could have a material adverse effect on our revenue, operating results and brand.

Our future results of operations may be negatively impacted by ownership changes and consolidation in the gaming industry, including by casino operators.

As repeat customers represent a substantial part of our Gaming business revenue, our business, results of operations, cash flow and financial condition could be negatively affected if our casino customers are sold to or merge with other entities. Such entities may purchase more products and services from our competitors, reduce spending on our products or cause downward pricing pressures. Consolidation among casino operators could result in order cancellations or a slowing in the replacement cycle for existing gaming machines, or could require our current customers to purchase our competitors' products, any of which could negatively impact our Gaming business.

Our results of operations fluctuate due to seasonality and other factors and, therefore, our periodic operating results are not guarantees of future performance.

Our results of operations can fluctuate due to seasonal trends and other factors. Sales of our gaming machines to casinos are generally strongest in the spring and slowest in the summer, while revenue from our Participation gaming machines is generally strongest in the spring and summer. Player activity for our SciPlay business is generally slower in the second and third quarters of the year, particularly during the summer months. Player activity for our Digital business, specifically digital casino operations, is generally slower in the third quarter during the summer months and is generally higher in the fourth quarter and varies based on seasons of different popular sports such as soccer, professional and collegiate football, and professional and collegiate basketball. Certain other seasonal trends and factors that may cause our results to fluctuate include: the geographies where we operate; holiday and vacation seasons; climate; weather; economic and political conditions; timing of the release of new products; significant equipment sales or the introduction of gaming or lottery activities in new jurisdictions or to new customers; the size and duration of draw lottery game jackpots; and other factors.

In addition, it is difficult for us to forecast the timing of revenue from sports wagering in our Digital business because our sports wagering customers typically invest substantial time, money and other resources researching their needs and available competitive alternatives before deciding to purchase our solutions. Typically, the larger the potential sale, the more time, money and other resources will be invested by customers. Our sports wagering sales cycles also vary depending on the products and technology our prospective customers are looking to license. As a result, it may take many months after our first contact with a customer before a sale can actually be completed. In addition, we rely on our technology team to integrate our sports wagering software with that of the customer's, and therefore, our sales efforts are vulnerable to delays at both the customer level and the integration level. During these long sales cycles, events may occur that affect the size or timing of the launch, or even cause it to be cancelled, including: purchasing decisions may be postponed during periods of economic uncertainty; we or our competitors may announce or introduce new solutions; our competitors may offer lower prices; technology problems of customers may arise to slow deadlines or launch targets; or budget and purchasing priorities of

customers may change. If any of these events were to occur, sales of our sports wagering solutions or services may be cancelled or delayed, which would reduce our revenue and income.

In light of the foregoing, results for any quarter are not necessarily indicative of the results that may be achieved in another quarter or for the full fiscal year. We cannot assure that the seasonal trends and other factors that have impacted our historical results will repeat in future periods as we cannot influence or forecast many of these factors.

Risks Relating to our Technology

Our success depends on the security and integrity of the systems and products we offer, and security breaches or other disruptions could compromise our information or the information of our customers and expose us to liability, which would cause our business and reputation to suffer.

We believe that our success depends, in large part, on providing secure products, services and systems to our customers, and on our ability to avoid, detect, replicate and correct software and hardware anomalies and fraudulent manipulation of our products and services. Our businesses sometimes involve the storage, processing and transmission of players' proprietary, confidential and personal information. We also maintain certain other proprietary and confidential information relating to our business and personal information of our personnel. All of our products and services are designed with security features to prevent fraudulent activity. However, we cannot guarantee that these security features will effectively stop all fraudulent activities. Despite our security measures, our products, services and systems are vulnerable to attacks by hackers, customers, retailers, vendors or employees or breached due to malfeasance or other disruptions. Any security breach or incident that we experience could result in unauthorized access to, misuse of, or unauthorized acquisition of our or our players' data, the loss, corruption or alteration of this data, interruptions in our operations or damage to our computers or systems or those of our players or third-party platforms. Any of these could expose us to claims, litigation, fines and potential liability. Our ability to prevent anomalies and monitor and ensure the quality and integrity of our products and services is periodically reviewed and enhanced, but may not be sufficient to prevent future attacks, breaches or disruptions. Similarly, we regularly assess the adequacy of our security systems, including the security of our games and software, to protect against any material loss to any of our customers and our players, as well as the integrity of our products and services to end users and the integrity of our games to players. Expanded use of the internet and other interactive technologies may result in increased security risks for us and our customers. We cannot assure that our business or a business we acquire will not be or has not been affected by fraudulent activities or a security breach or lapse, which could have a material adverse impact on our results of operations, cash flows and financial condition.

Online transactions may be subject to sophisticated schemes to defraud, launder money or other illegal activities. There is a risk that our products or systems may be used for those purposes by our customers' players. There is also a risk that we will be subject to fraudulent activities by our employees. In addition, our gaming machines have experienced anomalies and fraudulent manipulation in the past. Games and gaming machines may be replaced by casinos and other gaming machine operators if they do not perform according to expectations, or they may be shut down by regulators. The occurrence of anomalies in, or fraudulent manipulation of, our gaming machines or our other products and services (including our SciPlay and Digital products and services), may give rise to claims from players or customers, may lead to claims for lost revenue and profits and related litigation by our customers and may subject us to investigation or other action by regulatory authorities, including suspension or revocation of our licenses or other disciplinary action. Additionally, in the event of the occurrence of any such issues with our products and services, substantial engineering and marketing resources may be diverted from other projects to correct these issues, which may delay other projects and the achievement of our strategic objectives.

An increasing number of online services have disclosed security breaches, some of which have involved sophisticated and highly targeted attacks on portions of their services. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not foreseeable or recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any actual or perceived breach of our security, or the security of a business we acquire, occurs, public perception of the effectiveness of our security measures and brand, or the security measures and brand of a business we acquire, could be harmed, and we could lose players. Data security breaches and other data security incidents may also result from non-technical means, for example, actions by employees or contractors. Any compromise of our security, or the security of a business we acquire, could result in a violation of applicable privacy and other laws, regulatory or other governmental investigations, enforcement actions, and legal and financial exposure, including potential contractual liability that is not always limited to the amounts covered by our insurance. Any such compromise could also result in damage to our reputation and a loss of confidence in our security measures. Any of these effects could have a material adverse impact on our results of operations, cash flows and financial condition.

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

We believe that our success depends, in part, on protecting our intellectual property in the U.S. and in foreign countries. Our intellectual property includes certain patents, trademarks and copyrights relating to our products and services (including gaming machines, interactive gaming products, table games, shufflers and accessories, instant lottery products and gaming and lottery systems), and proprietary or confidential information that is not subject to patent or similar protection. Our success may depend, in part, on our ability to obtain protection for the trademarks, trade dress, names, logos or symbols under which we market our products and to obtain copyright and patent protection for our proprietary technologies, designs, software and innovations. We cannot assure that we will be able to build and maintain consumer value in our trademarks, obtain patent, trademark or copyright protection or that any patent, trademark or copyright will provide us with competitive advantages. In particular, the U.S. Supreme Court recently tightened the standard for patent eligibility of software patents. Despite revised U.S. Patent and Trademark Office guidelines in 2019, similar decisions in the future may negatively impact the validity or enforceability of certain of our patents, our ability to protect our inventions, innovations and new technology and the value of our substantial patent portfolio. Under a patent cross-licensing agreement with IGT, which relates to technology that is used in substantially all of our gaming machines, we can offer games using patented game features from the patent portfolios of other members of IGT's slot game features program, and such members can likewise offer games using patented game features from our patent portfolio. This arrangement may diminish the competitive advantage our slot games may derive from our patents.

Our intellectual property protects the integrity of our games, systems, products and services. For example, our intellectual property is designed to ensure the security of the printing of our instant lottery products and to provide simple and secure validation of our lottery tickets. Competitors may independently develop similar or superior products, software or systems, which could negatively impact our results of operations, cash flows and financial condition. In cases where our technology or product is not protected by enforceable intellectual property rights, such independent development may result in a significant diminution in the value of such technology or product.

We also rely on trade secrets and proprietary knowledge. We enter into confidentiality agreements with our employees and independent contractors regarding our trade secrets and proprietary information, but we cannot assure that the obligation to maintain the confidentiality of our trade secrets and proprietary information will be honored.

We are currently making, and in the future may make, claims of infringement, invalidity or enforceability against third parties. For example, with the emergence of interactive gaming, we have increased enforcement against parties that infringe our intellectual property.

This enforcement could:

- cause us to incur greater costs and expenses in the protection of our intellectual property;
- potentially negatively impact our intellectual property rights;
- cause one or more of our patents, trademarks, copyrights or other intellectual property interests to be ruled or rendered unenforceable or invalid; or
- divert management's attention and our resources.

We rely on the ability to use the intellectual property rights of third parties.

We rely on products, technologies and intellectual property that we license from third parties, including from our competitors, for use in our Gaming, Lottery, SciPlay and Digital businesses. Substantially all of our gaming machines and portions of our SciPlay and Digital offerings and services use intellectual property licensed from third parties. The future success of our business may depend, in part, on our ability to obtain, retain and/or expand licenses for popular technologies and games in a competitive market. We cannot assure that these third-party licenses, or support for such licensed products and technologies, will continue to be available to us on commercially reasonable terms, if at all. In the event that we cannot renew and/or expand existing licenses, we may be required to discontinue or limit our use of the products that include or incorporate the licensed intellectual property.

Some of our license agreements contain minimum guaranteed royalty payments to the third party. If we are unable to generate sufficient revenue to offset the minimum guaranteed royalty payments, it could have a material adverse effect on our results of operations, cash flows and financial condition. Our license agreements typically contain restrictions on our ability to use or transfer the licensed rights in connection with certain strategic transactions. Certain of our license agreements grant the licensor rights to audit our use of the licensor's intellectual property. Disputes with licensors over uses or terms could result in the payment of additional royalties or penalties by us, cancellation or non-renewal of the underlying license or litigation.

The regulatory review process and licensing requirements also may preclude us from using technologies owned or developed by third parties if those parties are unwilling to subject themselves to regulatory review or do not meet regulatory requirements. Some gaming authorities require gaming manufacturers to obtain approval before engaging in certain transactions, such as acquisitions, mergers, reorganizations, financings, stock offerings and share repurchases. Obtaining such

approvals can be costly and time consuming, and we cannot assure that such approvals will be granted or that the approval process will not result in delays or disruptions to our strategic objectives.

We rely on information technology and other systems, and any failures in our systems or errors, defects or disruptions in our products and services could diminish our brand and reputation, subject us to liability and have disrupted and could disrupt our business and adversely impact our results.

We rely on information technology systems that are important to the operation of our business, some of which are managed by third parties. These third parties are typically under no obligation to renew agreements and there is no guarantee that we will be able to renew these agreements on commercially reasonable terms, or at all. These systems are used to process, transmit and store electronic information, to manage and support our business operations and to maintain internal control over our financial reporting. In addition, we collect and store certain data, including proprietary business information, and may have access to confidential or personal information in certain of our businesses that is subject to privacy and security laws, regulations and customer-imposed controls. We could encounter difficulties in developing new systems, maintaining and upgrading current systems and preventing security breaches. Among other things, our systems are susceptible to damage, outages, disruptions or shutdowns due to fire, floods, power loss, break-ins, cyber-attacks, network penetration, denial of service attacks and similar events. While we have and will continue to implement network security measures and data protection safeguards, our servers and other computer systems are vulnerable to any number of threats, including viruses, malicious software, hacking, break-ins or theft, data privacy or security breaches, third-party security breaches, employee error or malfeasance and similar events. Failures in our systems or services or unauthorized access to or tampering with our systems and databases could have a material adverse effect on our business, reputation, results of operations, cash flows and financial condition. Any failures in our computer systems or telecommunications services could affect our ability to operate our linked games or otherwise conduct business.

A meaningful portion of our SciPlay and Digital gaming traffic is hosted by third-party data centers, such as *Amazon Web Services*, or *AWS*, *Continent 8* and *Claranet*. Such third parties provide us with computing and storage capacity, and *AWS* is under no obligation to renew the agreements related to these services with us on commercially reasonable terms or at all. If we are unable to renew these agreements on commercially reasonable terms, or if one of our data center operators is acquired, we may be required to transfer our servers and other infrastructure to new data center facilities and we may incur significant costs and possible lengthy service interruptions in connection with doing so, potentially causing harm to our reputation. If a game is unavailable or operates more slowly than anticipated when a player attempts to access it, that player may stop playing the game and be less likely to return to the game.

Portions of our information technology infrastructure, including those operated by third parties, have and may again experience interruptions, delays or cessations of service or produce errors in connection with systems integration or migration work that takes place from time to time. We may not be successful in implementing new systems and transitioning data, which could cause business disruptions and be more expensive, time consuming, disruptive and resource-intensive. We have no control over third parties that provide services to us and those parties could suffer problems or make decisions adverse to our business. We have contingency plans in place to prevent or mitigate the impact of these events. However, such disruptions could materially and adversely impact our ability to deliver products or services to customers and interrupt other processes. For example, in 2019, *Flash* was removed from the *Google Chrome* browser, resulting in player friction and disruptions in delivering our SciPlay and Digital services to our customers. If our information systems do not allow us to transmit accurate information, even for a short period of time, to key decision makers, the ability to manage our business could be disrupted and our results of operations, cash flows and financial condition could be materially and adversely affected. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could materially and adversely affect our reputation, competitive position, results of operations, cash flows and financial condition.

Several of our products and services rely on data transferred over the internet. Access to the internet in a timely fashion is necessary to provide a satisfactory user experience to the consumers of our products. Third parties, such as telecommunications companies, could prevent access to the internet or limit the speed of our data transmissions, with or without reason, causing an adverse impact on our user experience that may materially and adversely affect our reputation, competitive position, results of operations, cash flows and financial condition. In addition, telecommunications companies may implement certain measures, such as increased cost or restrictions based on the type or amount of data transmitted, that would impact consumers' ability to access our products, which could materially and adversely affect our reputation, competitive position, results of operations, cash flows and financial condition. Furthermore, internet penetration may be adversely affected by difficult global economic conditions or the cancellation of government programs to expand broadband access.

If we or a company we acquire sustains cyber-attacks or other privacy or data security incidents that result in security breaches, we could suffer a loss of sales and increased costs, exposure to significant liability, reputational harm, regulatory fines or punishment and other negative consequences.

Our information technology systems and infrastructure are subject to cyber-attacks, viruses, malicious software, break-ins, theft, computer hacking, employee error or malfeasance or other security breaches. Hackers and data thieves are increasingly sophisticated and operate large-scale and complex automated attacks. Threats to our information technology systems and infrastructure include:

- experienced computer programmers and hackers who are able to penetrate our security controls and misappropriate or compromise sensitive personal, proprietary or confidential information, create system disruptions or cause shutdowns or who are able to develop and deploy malicious software programs that attack our systems or otherwise exploit any security vulnerabilities;
- security incidents, acts of vandalism or theft, coordinated attacks by activist entities, misplaced or lost data, human errors or other similar events that could negatively affect our systems and the data stored on those systems, and the data of our business partners;
- third parties, such as hosted solution providers, that provide services to us, are also a source of security risk in the event of a failure of their own security systems and infrastructure.

The costs to eliminate or address the foregoing security threats and vulnerabilities before or after a cyber incident could be significant. Our remediation efforts may not be successful and could result in interruptions, delays or cessation of service, and loss of existing or potential suppliers or customers. In addition, breaches of our security measures and the unauthorized dissemination of sensitive personal, proprietary or confidential information about us, our business partners or other third parties could expose us to significant potential liability and reputational harm. As threats related to cyber-attacks develop and grow, we may also find it necessary to make further investments to protect our data and infrastructure, which may impact our results of operations. Although we have insurance coverage for protecting against damages resulting from cyber-attacks, it may not be sufficient to cover all possible claims, and we may suffer losses that could have a material adverse effect on our business. Our insurance coverage for protecting against damages resulting from cyber-attacks does not cover incidents which occur at companies we acquire after such cyber-attack. As a global enterprise, we could also be negatively impacted by existing and proposed U.S. and non U.S. laws and regulations, and government policies and practices related to cybersecurity, data privacy, data localization and data protection. In addition, our customers may encourage, or require, compliance with certain security standards, such as the voluntary cybersecurity framework released by the National Institute of Standards and Technology (NIST), which consists of controls designed to identify and manage cyber-security risks, and we could be negatively impacted to the extent we are unable to comply with such standards.

The intellectual property rights of others may prevent us from developing new products and services, entering new markets or may expose us to liability or costly litigation.

Our success depends in part on our ability to continually adapt our products and systems to incorporate new technologies and to expand into markets that may be created by new technologies. If technologies are protected by the intellectual property rights of others, including our competitors, we may be prevented from introducing products based on these technologies or expanding into markets created by these technologies. If the intellectual property rights of others prevent us from taking advantage of innovative technologies, our prospects, results of operations, cash flows and financial condition may be adversely affected.

We cannot assure that our business activities, games, products, services and systems will not infringe upon the proprietary rights of others, or that other parties will not assert infringement claims against us. In addition to infringement claims, third parties may allege claims of invalidity or unenforceability against us or against our licensees or manufacturers in connection with their use of our technology. A successful challenge to, or invalidation of, one of our intellectual property interests, a successful claim of infringement by a third party against us, our products or services, or one of our licensees in connection with the use of our technologies, or an unsuccessful claim of infringement made by us against a third party or its products or services could adversely affect our business or cause us financial harm. Any such claim and any resulting litigation, should it occur, could:

- be expensive and time consuming to defend or require us to pay significant amounts in damages;
- invalidate our proprietary rights;
- cause us to cease making, licensing or using products or services that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products or services or limit our ability to bring new products and services to the market in the future;
- require us to enter into costly or burdensome royalty, licensing or settlement agreements in order to obtain the right to use a product, process or component;
- impact the commercial viability of the products and services that are the subject of the claim during the pendency of such claim; and/or

- require us by way of injunction to remove products or services on lease or stop selling or leasing new products or services.

Failure of our technological blocking systems could result in violations of laws or regulations and have a material adverse effect on our operations, financial performance and prospects.

There is no guarantee that the technical blocks we implement and which our customers implement will be effective. These systems and controls are intended to ensure that our customers do not accept bets from end-users located in those jurisdictions where we have made a decision not to offer all or certain of our products and services. Any failure of such systems and controls may result in violations of applicable laws or regulations. Any claims in respect of any such violations could have cost, resource, and, in particular if successful, reputational implications, and implications on our ability to retain, renew or expand our portfolio of licenses, and so have a material adverse effect on our operations, financial performance and prospects.

Moreover, there is an additional, ongoing risk that the current list of jurisdictions from which our customers and the Company must block access is enlarged, as there is a possibility that regulators who grant licenses to customers and/or the Company will require the blocking of specific additional jurisdictions. Similarly, jurisdictions may update their laws or regulations in such a way as to render the supply of gaming or sports wagering services into that jurisdiction legally or commercially unsustainable. In all such circumstances, additional blocking activity may have a detrimental effect on our financial position.

If we are unable to successfully implement our global enterprise resource planning system, it could disrupt our business or have a material adverse effect on our results of operations, cash flows and financial condition.

We are engaged in a multi-year implementation of a new global ERP system. The ERP system is designed to accurately maintain our books and records and provide information on our operations to management. Our ERP system implementation will continue to require significant investment of human and financial resources. There are inherent risks associated with upgrading or changing systems, including inaccurate data or reporting. The process of upgrading and standardizing our ERP system is complex, time-consuming and expensive. Although we believe we are taking appropriate action to mitigate these risks through, among other things, testing, training and staging implementations, we cannot assure that we will not experience data loss, disruptions, delays or negative business impacts from the upgrades. Any operational disruptions during the course of this process and any delays or deficiencies in the design and implementation of the new ERP system or in the performance of our legacy systems could materially and adversely affect our ability to operate our businesses. Additionally, while we have spent considerable efforts to plan and budget for the implementation of the new ERP system, changes in scope, timeline or cost could have a material adverse effect on our results of operations, cash flows and financial condition.

Risks Relating to Legal, Political or Other Regulatory Risks

We and our industries are subject to strict government regulations that may limit our existing operations, have an adverse impact on our ability to grow and affect our license eligibility or expose us to fines or other penalties.

In the U.S. and many other countries, the provision of Gaming, Lottery, SciPlay and Digital products and services is subject to extensive and evolving regulation. These regulatory requirements vary from jurisdiction to jurisdiction. Therefore, we are subject to a wide range of complex laws and regulations in the jurisdictions in which we are licensed or operate. Most jurisdictions require that we be licensed, that our key personnel and certain of our security holders be found suitable or be licensed, and that our products be reviewed and approved before placement. Licenses, approvals or findings of suitability may be revoked, suspended or conditioned. If a license, approval or finding of suitability is required by a regulatory authority and we fail to seek or do not receive the necessary approval, license or finding of suitability, or if it is granted and subsequently revoked, then we may be prohibited from providing our products or services for use in the particular jurisdiction. In addition, the loss of a license in one jurisdiction could trigger the loss of a license, or affect our eligibility for a license, in other jurisdictions. We may also become subject to regulation in any new jurisdictions in which we decide to operate in the future, including due to expansion of a customer's operations. Gaming authorities have levied and may levy fines against us or seize certain of our assets if we violate gaming regulations. We cannot assure that we will be able to obtain or maintain the necessary licenses or approvals or that the licensing process will not result in delays or adversely affect our operations. The failure to obtain or retain a required license or approval in any jurisdiction would decrease the geographic areas where we are permitted to operate and generate revenue, may limit our ability to obtain a license in other jurisdictions and may put us at a disadvantage relative to our competitors.

We cannot assure that authorities will not seek to restrict our business in their jurisdictions or institute enforcement proceedings against us. We cannot assure that any instituted enforcement proceedings will be favorably resolved, or that such proceedings will not have a material adverse impact on our ability to retain and renew existing licenses or to obtain new

licenses in other jurisdictions. Our reputation may also be damaged by any legal or regulatory investigation, regardless of whether or not we are ultimately accused of, or found to have committed, any violation.

Often, our games, Gaming product hardware and software and our Digital RMG and sports wagering offerings and services must be approved in the jurisdictions in which they are operated, and we cannot assure you that such products or services will be approved in any jurisdiction. Our networked gaming technology requires regulatory approval in gaming jurisdictions prior to the shipment or implementation of any gaming machines, products or services and, although we have received approvals from the jurisdictions in which we currently operate this technology, we cannot assure you that we will receive the approvals necessary to offer it in additional gaming jurisdictions. Many of our customers are required to be licensed, and delays in approvals of our customers' operations or expansions may adversely affect our results of operations, cash flows and financial condition. In addition, current regulations in a number of jurisdictions where our customers operate, such as Macau SAR and Singapore, limit the amount of space allocated to our products or limit the amount of new product available to operators to an amount that has been pre-approved by regulators. Substantial changes in any such regulations could adversely affect demand for our products.

A substantial portion of our legacy U.K. Gaming reporting unit revenue is concentrated with Ladbrokes Coral Group (which was acquired by Entain (formerly GVC Holdings PLC) in March 2018), which operates LBOs in the U.K. Effective as of April 1, 2019, fixed-odds betting terminals maximum stakes limit was required to be reduced from £100 to £2. As a result of this change, a number of LBO operators commenced a rationalization of their retail operations, which among other measures has included closure of certain LBO shops. The rationalization is likely to continue for the foreseeable future.

Effective as of April 14, 2020, the U.K. Gambling Commission banned gambling businesses from allowing consumers in Great Britain to use credit cards to gamble in all online and offline gambling products, with the exception of non-remote lotteries. The U.K. Gambling Commission announced changes to license conditions, effective as of March 31, 2020, which required all online gambling operators to participate in a multi-operator self-exclusion scheme, GAMSTOP, which allowed consumers to self-exclude from online operators with one request. We will continue to monitor the impact of the ban and the changes to license conditions on our Digital and Gaming business segments and overall business, but believe the impact will continue to be immaterial. The U.K. government's pending review of the U.K.'s Gambling Act 2005 and anticipated increased regulatory scrutiny in 2021 as a result could negatively affect our ability to operate in the U.K..

We and certain of our affiliates, major stockholders (generally persons and entities beneficially owning a specified percentage (typically 5% or more) of our equity securities), directors, officers and key employees are subject to extensive background investigations and suitability standards in our businesses. For additional details regarding the background investigations, the risk of failure of any such individuals or entities to submit to such background investigations, the significant approval and licensing discretion of regulatory authorities, and the authority granted to these regulatory authorities, see "Government Regulation" in Part I, Item 1 of this Annual Report on Form 10-K and Exhibit 99.4 "Gaming Regulations." Our failure, or the failure of any of our major stockholders, directors, officers, key employees, products or technology, to obtain or retain a required license or approval in one jurisdiction could negatively impact our ability (or the ability of any of our major stockholders, directors, officers, key employees, products or technology) to obtain or retain required licenses and approvals in other jurisdictions.

In light of these regulations and the potential impact on our business, our amended and restated articles of incorporation and amended and restated bylaws allow for the restriction of stock ownership by persons or entities who fail to comply with informational or other regulatory requirements under applicable gaming laws, who are found unsuitable to hold our stock by gaming authorities, whose stock ownership adversely affects our ability to obtain, maintain, renew or qualify for a license, contract, franchise or other regulatory approval from a gaming authority or a purported transferee of a stockholder who acquires shares made invalid pursuant to our amended and restated articles of incorporation and amended and restated bylaws. The licensing procedures and background investigations of the authorities that regulate our businesses and the restriction in our amended and restated articles of incorporation and amended and restated bylaws may inhibit potential investors from becoming significant stockholders or inhibit existing stockholders from retaining or increasing their ownership.

There are instances where a state in which a Native American tribe conducts Class III gaming activities disagrees with such tribe regarding the regulation of gaming, including the regulation of gaming suppliers. In those instances, we make every effort to comply with both state and tribal regulation and fulfill our contractual obligations. However, there may be and have been situations where any such disagreement impedes or creates uncertainty with respect to our ability to supply gaming products and services to such tribal customer or otherwise negatively impacts our relationship with such customer or gaming regulators. There are additional complexities that may impact disputes or other interactions with Native American tribe customers. For example, Native American tribes generally enjoy sovereign immunity from lawsuits, similar to the sovereign immunity enjoyed by the individual states and the U.S. In addition, certain commercial agreements with Native American tribes are subject to review by regulatory authorities such as the National Indian Gaming Commission, and, among other things, any

such review could require substantial modifications to any such agreement we enter into with a Native American tribe customer.

Our customers are required to comply with all applicable laws. In addition, we maintain and update a list of jurisdictions where we believe there is legal or regulatory risk associated with remote gaming and require that our customers contractually agree not to offer our games or accept wagers from end users in such jurisdictions. Despite our efforts, we cannot assure you that our customers will remain in compliance with laws or with the terms of their contracts with us or that a breach of any of the foregoing will be identified or cured in a timely manner.

We have developed and implemented an internal compliance program in an effort to ensure that we comply with legal requirements imposed in connection with our Gaming, Lottery, SciPlay and Digital activities and legal requirements generally applicable to all publicly traded companies. Refer to "Government Regulation- General" in Part I, Item 1 of this Annual Report on Form 10-K, for additional details about the compliance program. We cannot assure that such steps will prevent the violation of one or more laws or regulations, or that a violation by us or an employee will not result in the imposition of a monetary fine, suspension or revocation of one or more of our licenses or other penalties.

Laws and regulations relating to our SciPlay and Digital businesses (including sports wagering) are evolving. For additional discussion regarding risks associated with the evolving regulatory landscape for interactive gaming and sports wagering, see the risk factors captioned "We may not be able to capitalize on the expansion of internet or other forms of interactive gaming or other trends and changes in the gaming, lottery, social, and digital gaming industries, including due to laws and regulations governing these industries"; "Legislative interpretation and enforcement of certain gaming or sports wagering activities could adversely affect financial performance and reputation"; "Regulators and investors may perceive gaming or sports wagering suppliers and operators similarly, and consider their respective regulatory risk to be similar"; "Failure of our technological blocking systems could result in violations of laws or regulations and have a material adverse effect on our operations, financial performance and prospects"; "Expectations of a shift to regulated online gaming or sports wagering may not come to fruition"; "We may incur additional impairment charges"; and "We rely on the ability to use the intellectual property rights of third parties"; and "Government Regulation" in Part I, Item 1 of this Annual Report on Form 10-K.

See Exhibit 99.4 "Gaming Regulations" for additional information regarding certain of the regulations that govern our Gaming, Lottery, SciPlay and Digital businesses.

Legislative interpretation and enforcement of certain gaming or sports wagering activities could adversely affect financial performance and reputation.

Some jurisdictions are seeking to regulate gaming or sports wagering; others are seeking to prohibit it. We generate a portion of our operating results through licensing our proprietary software technology and games to enable gaming or sports wagering operators to provide gaming or sports wagering services to customers where such services are dependent on that software and the functionality it provides. Laws and regulations relating to the supply of such services are complex, inconsistent and evolving, and we may be subject to such laws either directly through explicit service provision or indirectly insofar as we have assisted the supply to customers who are themselves subject to such laws. For example, where supply by the Company to the customer is critical to the gaming or sports wagering transaction, there is a risk that a regulator could take direct enforcement action against us.

Many jurisdictions have not updated their laws to address the supply of remote gaming or sports wagering, which by its nature is a multi-jurisdictional activity. Moreover, the legality of such activities and related services is subject to uncertainties arising from differing approaches by legislatures, regulators and enforcement agents including in relation to determining in which jurisdiction the gaming takes place and therefore which law applies and in relation to regulations being interpreted in unfavorable or unanticipated ways.

We monitor legal and regulatory developments in all of our material gaming or sports wagering markets and generally seek to keep abreast of legal and regulatory developments affecting our industries. However, we do not necessarily monitor, on a continuous basis, the laws and regulations in every jurisdiction where we or our customers do business and, therefore, we or our customers may operate in jurisdictions where we may be unaware of the full extent of the legal or regulatory risk.

Sometimes we are able to take the additional precautionary step of blocking wagers from jurisdictions where we are aware of material legal or regulatory risk associated with remote gaming or sports wagering. In addition, the Company protects itself through contractual mechanisms with our customers explicitly allowing us to suspend or terminate services if such customers offer our games or accept wagers from end users in certain jurisdictions.

Despite the monitoring we have undertaken and the other precautions we take, it is possible that, due to the above factors, such measures are not sufficient and that criminal or regulatory actions could be brought against us or our employees or

directors, any or all of which could have a detrimental effect on the our financial performance and reputation. Furthermore, actions brought against our customers could also have a detrimental effect on our financial performance or reputation, including if such actions prevent or delay the receipt of revenue from such customers.

We may not be able to capitalize on the expansion of internet or other forms of interactive gaming or other trends and changes in the gaming, lottery, social and digital gaming industries, including due to laws and regulations governing these industries.

We participate in the new and evolving digital gaming and interactive lottery industries through our SciPlay, RMG and other interactive gaming and lottery offerings. Part of our strategy is to take advantage of the liberalization of interactive gaming, both within the U.S. and internationally. These industries involve significant risks and uncertainties, including legal, business and financial risks. The success of these industries and of our interactive gaming and lottery products and services may be affected by future developments in social networks, including *Facebook*, mobile platforms, regulatory developments, data privacy laws and other factors that we are unable to predict and are beyond our control. This fast-changing environment can make it difficult to plan strategically and can provide opportunities for competitors to grow their businesses at our expense. Consequently, our future results of operations, cash flows and financial condition relating to our Gaming, Lottery, SciPlay and Digital products and services are difficult to predict and may not grow at the rates we expect, and we cannot assure that these products and services will be successful in the long term.

In general, our ability to successfully pursue our digital, gaming and lottery strategy depends in part on the laws and regulations relating to wagering through interactive channels. Until 2011, there was uncertainty as to whether the Wire Act prohibited states from conducting intrastate lottery transactions via the internet if such transactions crossed state lines. In late 2011, the OLC issued an opinion which concluded that the prohibitions of the Wire Act were limited to sports gambling and thus did not apply to state lotteries at all. In 2018, at the request of the Criminal Division, the OLC reconsidered the 2011 DOJ opinion's conclusion that the Wire Act was limited to sports gambling. On January 14, 2019, the OLC published a legal opinion dated November 2, 2018, which concluded that the 2011 DOJ opinion had incorrectly interpreted the Wire Act. In the 2018 DOJ opinion, the OLC concluded that the restrictions on the transmission in interstate or foreign commerce of bets and wagers in the Wire Act were not limited to sports gambling but instead applied to all bets and wagers. These restrictions would therefore apply equally to our iGaming, iLottery and sports betting solutions and services. The OLC also found that the enactment of the UIGEA described above did not modify the scope of the Wire Act. The DOJ later issued memoranda directing federal law enforcement agencies to refrain from enforcing the conclusions of the 2018 DOJ opinion for activities other than sports betting until June 30, 2020. No official extension of the forbearance period has been announced. On January 20, 2021, the U.S. Court of Appeals for the First Circuit issued an opinion that the Wire Act applies only to the interstate transmission of wire communications related to sports gambling and not to all bets and wagers. At this time, we are unable to determine whether the 2018 DOJ opinion will be upheld by other courts or what impact the 2018 DOJ opinion or the impact of any other challenge to the 2018 DOJ opinion will have on us or our customers.

Despite the Supreme Court decision overturning the PASPA, as evidenced by the 2018 DOJ opinion, there are still significant forces working to limit or prohibit interactive gaming and lottery in the U.S. For additional information regarding proposed laws at the federal or state level, see "Government Regulation - Digital" in Part I, Item 1 of this Annual Report on Form 10-K. The enactment of internet gaming legislation that federalizes significant aspects of the regulation of internet gaming and/or limits the forms of internet wagering that are permissible at the state or federal level could have an adverse impact on our ability to pursue our interactive gaming and lottery strategy in the U.S.

Internationally, laws relating to internet gaming are evolving, particularly in Europe. For additional information, including steps taken by European governments, the European Commission dropping enforcement actions, and regulatory developments in countries outside Europe and the U.S., regarding how laws relating to internet gaming are evolving internationally, see "Government Regulation - Digital" in Part I, Item 1 of this Annual Report on Form 10-K. We cannot predict the timing, scope or terms of any such state, federal or foreign laws and regulations, or the extent to which any such laws and regulations will facilitate or hinder our interactive strategy.

Our business is subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the internet, and laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission and protection of personal information and other consumer data. The scope of data privacy and security regulations continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions. Our SciPlay and Digital businesses are subject to evolving regulations, and the status of any particular jurisdiction may change at any time. The regulatory structure surrounding certain aspects of these businesses is currently in flux in some jurisdictions. See the risk factor captioned "Gaming opponents persist in their efforts to curtail the expansion of legalized gaming, which, if successful, could limit the growth of our operations" and "Government Regulation - SciPlay" and "Government Regulation - Digital" in Part I, Item 1 of this Annual Report on Form 10-K for additional information on evolving regulations applicable to our SciPlay and Digital businesses.

Know-your-customer and geo-location programs and technologies supplied by third parties are an important aspect of certain internet and mobile gaming products and services because they confirm certain information with respect to players and prospective players, such as age, identity and location. Payment processing programs and technologies, typically provided by third parties, are also a necessary feature of interactive wagering products and services. These programs and technologies are costly and may have an adverse impact on our results of operations, cash flows and financial condition. Additionally, we cannot assure that products containing these programs and technologies will be available to us on commercially reasonable terms, if at all, or that they will perform accurately or otherwise in accordance with our required specifications. See the SciPlay and Digital sections in the risk factor captioned "We operate in highly competitive industries, and our success depends on our ability to effectively compete with numerous domestic and foreign businesses" for additional information on risks regarding internet and mobile gaming products and services.

The continuing uncertainty following the U.K.'s withdrawal from the EU may adversely affect our business.

On June 23, 2016, the U.K. held a referendum in which voters approved an exit from the EU, commonly referred to as "Brexit." As a result of the referendum, the British government began negotiations with the EU regarding the U.K.'s relationship with the EU following its exit from the EU. After years of negotiations to establish the framework for the future relationship between the U.K. and the EU, the U.K. formally left the EU on January 31, 2020. A transition period began on February 1, 2020, which lasted until December 31, 2020. On January 1, 2021, the U.K. left the European Union Single Market and Customs Union, as well as all EU policies and international agreements. As a result, the free movement of persons, goods, services and capital between the U.K. and the EU ended, and the U.K. and the EU formed two separate markets and two distinct regulatory and legal spaces. Prior to the U.K.'s departure, a trade and cooperation agreement (the "Trade Agreement") was reached between the U.K. and the EU on December 24, 2020, avoiding a no-deal Brexit. The Trade Agreement was approved by the EU's member states and the U.K. Parliament, and is expected to be formally ratified by the European Parliament. The Trade Agreement offers U.K. and EU companies preferential access to each other's markets, ensuring imported goods will be free of tariffs and quotas; however, economic relations between the U.K. and the EU will now be on more restricted terms than existed previously. While the Trade Agreement provides clarity for the future relationship between the U.K. and the EU, uncertainties remain and further negotiations are expected.

The continuing uncertainty following the U.K.'s withdrawal from the EU have resulted in political, legislative and regulatory uncertainty throughout the region and could adversely affect business activity, restrict the movement of capital and the mobility of personnel and otherwise impair political stability and economic conditions in the U.K., the EU and elsewhere. Any of these developments could have a material adverse effect on business activity, especially in the U.K. or the EU. Given that we conduct a substantial portion of our business in continental Europe and the U.K., any of these developments could have a material adverse effect on our business, results of operations, cash flows and financial condition.

The continuing uncertainty concerning the terms of Brexit could have a negative impact on the growth of the U.K. and EU economies, and potentially elsewhere, and has caused greater volatility in the British Pound Sterling, the Euro and other currencies. Changes in currency exchange rates may reduce the reported value of our revenues outside the U.S. The uncertainty around the withdrawal of the U.K. from the EU has caused volatility in global stock markets and currency exchange rate fluctuations, including the strengthening of the U.S. dollar against foreign currencies, and we expect such volatility to continue as further negotiations proceed.

Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the U.K. continues to determine which EU laws to replace or replicate. Additionally, Brexit may alter U.K. regulations affecting our industry, which may result in significant costs and potentially lost opportunities for us. It may also be time-consuming and expensive for us to alter our internal operations in order to comply with new regulations. The changes to U.K. border and immigration policy could likewise occur as a result of Brexit and could affect our ability to recruit and retain employees from outside the U.K.

Changes in tax laws or tax rulings, or the examination of our tax positions, including in light of recent stockholder transactions, could materially affect our financial condition and results of operations.

Tax laws are dynamic and subject to change as new laws are passed and new interpretations of the law are issued or applied. Our existing corporate structure and intercompany arrangements have been implemented in a manner that we believe is in compliance with current prevailing tax laws. However, the tax benefits that we intend to eventually derive could be undermined due to changing tax laws. In addition, the taxing authorities in the U.S. and other jurisdictions where we do business regularly examine our income and other tax returns and we expect that they may examine our income and other tax returns. The ultimate outcome of these examinations cannot be predicted with certainty.

Certain of our U.S. federal, state, and foreign tax attributes may be subject to annual limitations under Internal Revenue Code Section 382 ("Section 382") (or comparable provisions of state or foreign law) in the event that certain changes in ownership were to occur. Tax attributes that exceed the Section 382 limitation in any year continue to be allowed as carry

forwards until they expire and can be used to offset taxable income for years within the carryover period subject to the limitation in each year. Given the Company's significant U.S. tax attributes, we continuously monitor potential ownership changes under Section 382. In the fourth quarter of 2020, we experienced an ownership change, triggering the application of Section 382. We do not expect any resulting Section 382 limitations to have a significant impact on the use of our tax attributes.

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

There is significant debate over, and opposition to, land-based and interactive RMG. We cannot assure that this opposition will not succeed in preventing the legalization of gaming in jurisdictions where it is presently prohibited, prohibiting or limiting the expansion of gaming where it is currently permitted or causing the repeal of legalized gaming in any jurisdiction. Any successful effort to curtail the expansion of, or limit or prohibit, legalized gaming could have an adverse effect on our results of operations, cash flows and financial condition.

In addition, there is significant opposition in some jurisdictions to interactive social and digital gaming, including social casino gaming and sports wagering. Some states or countries have anti-gaming groups that specifically target social casino games and sports wagering. Such opposition could lead these jurisdictions to adopt legislation or impose a regulatory framework to govern interactive social gaming, social casino games or sports wagering specifically. These could result in a prohibition on interactive social gaming, social casino gaming or sports wagering altogether, restrict our ability to advertise our games, or substantially increase our costs to comply with these regulations, all of which could have an adverse effect on our results of operations, cash flows and financial condition. We continue to devote significant attention to monitoring these developments. However, we cannot predict the likelihood, timing, scope or terms of any state, federal or foreign legislation or regulations relating to our SciPlay and Digital businesses or the extent to which they may affect our SciPlay and Digital businesses.

Regulators and investors may perceive gaming or sports wagering suppliers and operators similarly, and consider their respective regulatory risk to be similar.

While operators that directly provide sports wagering services to their customers are generally perceived to be exposed to a greater degree of enforcement risk than their suppliers, in some jurisdictions laws extend to directly impact such suppliers. Furthermore, a supplier's nexus with a particular jurisdiction may expose it to specific enforcement risks, irrespective of whether there has been an attempt to bring proceedings against any supported operator. In some circumstances, enforcement proceedings brought against an operator may result in action being taken against a supplier (and even brought in the absence of the former).

Ultimately, the market may view, or in the future may view, the regulatory risk associated with the business of supplying software and services to sports wagering operators as being comparable with the regulatory risk attaching to operators themselves. In such circumstances, there is an associated risk that investors may apply valuation methods to any such supplier that are the same as the valuation methods used to value operators, and which build in the same regulatory risk even though, in many territories, such suppliers would be considered sufficiently removed from the transactional activity to warrant the application of a discrete risk analysis.

Expectations of a shift to regulated online gaming or sports wagering may not come to fruition.

Our business strategy includes a gradual shift into new, regulated online gaming and sports wagering markets. We expect there to be an opportunity to grow revenue by being among the first systems providers to obtain a license to operate online gaming systems in markets where end-users historically have been reliant on unregulated online gaming. However, there is no guarantee that end users who are currently engaging in unregulated online gaming (in the U.S. or elsewhere) will transition away from unregulated gaming to regulated gaming in the wake of regulation, which is itself uncertain as to timing and scope and varies on a jurisdiction by jurisdiction basis. Our ability to influence end-user tastes and habits is limited, and if the introduction of regulation fails to result in a migration of end-users from unregulated gaming to regulated gaming (from which we currently derive and are expected to derive revenue through revenue sharing and fixed fees arrangements with our sports wagering customers), this may have an adverse impact on our operations, financial performance and prospects.

On May 14, 2018, the Supreme Court of the U.S. overturned the PASPA, a decision that opened up a path to legalization of sports wagering across the country. Following this ruling, at least 25 states and the District of Columbia have legalized sports wagering with some of those states permitting online sports wagering. Other states are considering legislation that would permit legal sports wagering, both land based and online. As a result of the change in regulations, we expanded, and expect to further expand, our sports wagering business. Our ability to expand our online gaming and sports wagering operations depends on adoption of regulations permitting sports wagering in the U.S. We cannot assure when, or if, such regulations will be adopted, or the terms of such regulations, in certain of the jurisdictions in which we operate.

Data privacy and security laws and regulations in the jurisdictions in which we do business could increase the cost of our operations and subject us to possible sanctions and other penalties

We collect, process, store, use and share data, some of which contains personal information. Our businesses are therefore subject to a number of federal, state, local and foreign laws and regulations governing data privacy and security, including with respect to the collection, storage, use, transmission, sharing and protection of personal information and other consumer and employee data. Such laws and regulations may be inconsistent among countries or conflict with other rules. In particular, the EU has adopted strict data privacy and security regulations. Following certain developments in the EU, including the EU's GDPR and proposed Regulation on Privacy and Electronic Communications (the "ePrivacy Regulation"), data privacy and security compliance in the EU are increasingly complex and challenging. The GDPR created new compliance obligations applicable to our business and some of our players and it also imposes increased financial penalties for noncompliance (including possible fines of up to four percent of global annual revenue for the preceding financial year or €20 million (whichever is higher) for the most serious violations). Compliance with the GDPR and similar regulations increases our operational costs and can impact operational efficiencies.

The scope of data privacy and security regulations worldwide continues to evolve, and we believe that the adoption of increasingly restrictive regulations in this area is likely within the U.S. and other jurisdictions. For example, the California Consumer Privacy Act, or CCPA, went into effect on January 1, 2020. This law, among other things, requires new disclosures to California consumers, imposes new rules for collecting or using information about minors, and affords consumers new abilities to opt out of certain disclosures of personal information. It is unclear how courts will interpret the CCPA. The U.S. Congress may also pass a law to preempt all or part of the CCPA. Further, California recently passed the California Privacy Rights Act, or CPRA, which amends the CCPA to provide more comprehensive privacy protections to consumers once it becomes effective in January 2023. The effects of the CCPA and CPRA may be significant, and the CCPA required us to update our policies to include CCPA-specific clauses and procedures. A number of other proposals related to data privacy or security are pending before federal, state, and foreign legislative and regulatory bodies. For example, the European Union is contemplating the adoption of the ePrivacy Regulation, expected in 2021, that would govern data privacy and the protection of personal data in electronic communications, in particular for direct marketing purposes. Efforts to comply with these and other data privacy and security restrictions that may be enacted could require us to modify our data processing practices and policies and increase the cost of our operations. Failure to comply with such restrictions could subject us to criminal and civil sanctions and other penalties. In part due to the uncertainty of the legal climate, complying with regulations, and any applicable rules or guidance from self-regulatory organizations relating to privacy, data protection, information security and consumer protection, may result in substantial costs and may necessitate changes to our businesses practices, which may compromise our growth strategy, adversely affect our ability to attract or retain players, and otherwise adversely affect our businesses, financial condition and operating results.

Any failure or perceived failure by us to comply with our posted privacy policies, our privacy-related obligations to players or other third parties, or any other legal obligations or regulatory requirements relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our players to lose trust in us, and otherwise materially and adversely affect our reputation and businesses. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to us may limit the adoption and use of, and reduce the overall demand for, our games. Additionally, if third parties we work with violate applicable laws, regulations, or agreements, such violations may put our players' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our players to lose trust in us and otherwise materially and adversely affect our reputation and businesses. Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to our businesses, industry or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

General Risk Factors

We have incurred, and may continue to incur, restructuring costs, the benefits of which are unpredictable and may not be achieved.

In the past, we have implemented various business improvement, optimization and restructuring initiatives in an effort to streamline our organization, leverage our resources more efficiently, and reduce our operating costs. These initiatives encompassed a combination of headcount reductions, facilities streamlining, and reductions in other operating costs. We have engaged, and may continue to engage, in similar or additional restructuring initiatives, including in response to the COVID-19 pandemic and in the future. Because we are not able to predict with certainty when we will reorganize portions of our business, we cannot predict the extent, timing and magnitude of additional restructuring charges. We may also not realize the anticipated reduction in operating costs.

We may incur additional impairment charges.

We review our amortizable intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. We test goodwill and other indefinite-lived intangible assets for impairment at least annually. Factors that may indicate a change in circumstances, such that the carrying value of our goodwill, amortizable intangible assets or other non-amortizing assets may not be recoverable, include a decline in our stock price and market capitalization, reduced future cash flow estimates, and slower growth rates in industry segments in which we participate. We may be required to record a significant charge in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined, which would negatively affect our results of operations. In light of the COVID-19 pandemic and the resulting unfavorable social, political, economic and financial conditions, during the first quarter of 2020 we performed an interim goodwill impairment assessment, which resulted in a $54 million goodwill impairment charge for our legacy U.K. Gaming reporting unit further discussed below. For all of our reporting units, we concluded that as of December 31, 2020 it was not more likely than not that the fair value of these reporting units is below their carrying values and that the COVID-19 disruptions do not trigger an impairment. However, this could change in the future depending on prevailing conditions that could result in additional impairment charges. For more information on the assessment and the goodwill impairment charge, see section captioned “Business Overview – Highlights, including recent developments – Impacts of COVID-19” in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 10.

As discussed above and further detailed in Note 10, the COVID-19 disruptions resulted in the widespread closures of LBO shops across the U.K., which, along with global economic uncertainty, contributed to further deterioration in business conditions from our 2019 annual goodwill test date, which resulted in a goodwill impairment charge of $54 million during the first quarter of 2020. Any future adverse changes to our projections, could negatively impact the recoverability of the remaining carrying value of our goodwill and other assets for our legacy U.K. Gaming reporting unit, which might result in additional material impairment charges.

We believe there to be an elevated risk of goodwill impairment for the unimpaired Gaming segment reporting units if the adverse impact of the COVID-19 disruptions or overall recovery of the casino industry globally sustains over an extended period of time. The remaining goodwill balance for our legacy U.K. Gaming reporting unit as of December 31, 2020 was $129 million. Any future adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with investments included in our estimation of fair value for our legacy U.K. Gaming reporting unit could lead to additional future goodwill impairments, which could be material.

Moreover, application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. We cannot predict the occurrence of impairments, and we cannot assure that we will not have to record additional impairment charges in the future.

We depend on our key employees and rely on skilled employees with creative and technical backgrounds.

We depend on the continued performance of our executive officers and key personnel, including Barry Cottle, our President and Chief Executive Officer. Our ability to retain certain key employees and skilled technical workers has been and may continue to be impaired due to the COVID-19 pandemic. If we lose the services of any of our executive officers or key personnel and cannot find suitable replacements for such persons in a timely manner, it could have an adverse impact on our business. Our ability to expand is dependent on our ability to recruit and retain talented employees in the U.S. and internationally who are capable of leading our employees to achieve our strategic objectives.

We also rely on our highly skilled, technically trained and creative employees to develop new technologies and create innovative products. Such employees, particularly game designers, engineers and project managers with desirable skill sets are in high demand, and we devote significant resources to identifying, hiring, training, successfully integrating and retaining these employees. A lack of skilled technical workers could delay or negatively impact our business plans, ability to compete, results of operations, cash flows and financial condition.

If we are not able to maintain adequate internal control over our financial reporting, it could adversely affect our reputation and business.

We are responsible for establishing and maintaining adequate internal control over financial reporting. If we cannot maintain and execute adequate internal control over financial reporting or when necessary implement new or improved controls that provide reasonable assurance of the reliability of the financial reporting and preparation of our financial statements for external use, we may suffer harm to our reputation, fail to meet our public reporting requirements on a timely basis or be unable to properly report on our business and our results of operations, cash flows and financial condition. Additionally, the inherent limitations of internal controls over financial reporting may not prevent or detect all misstatements or fraud, regardless of the

adequacy of those controls. We are currently undertaking an ERP system implementation in our largest business segment. In addition, the adoption of any new accounting standards may require us to add new or change existing internal controls, which may not be successful. Each of the preceding changes could materially impact our internal control over financial reporting. As of December 31, 2020, we have concluded that our internal control over financial reporting was effective based on criteria outlined in Part II, Item 9A "Controls and Procedures" of this Annual Report on Form 10-K, however, we cannot assure that material weaknesses will not be identified in the future.

Our inability to complete acquisitions and integrate those businesses successfully could limit our growth or disrupt our plans and operations.

From time to time, we pursue strategic acquisitions. Our ability to succeed in implementing our acquisition strategy will depend to some degree upon our ability to identify and complete commercially viable acquisitions. We cannot assure that acquisition opportunities will be available on acceptable terms or at all, or that we will be able to obtain necessary financing or regulatory approvals to complete potential acquisitions.

We may not be able to successfully integrate any businesses that we acquire or do so within the intended timeframes. We could face significant challenges in managing and integrating our acquisitions and our combined operations, including acquired assets, operations and personnel. In addition, the expected cost synergies or any other anticipated benefits associated with such acquisitions may not be fully realized in the anticipated amounts or within the contemplated timeframes or cost expectations, which could result in increased costs and have an adverse effect on our prospects, results of operations, cash flows and financial condition. We expect to incur incremental costs and capital expenditures related to our contemplated integration activities.

Acquisition transactions may disrupt our ongoing business. The integration of acquisitions will require significant time and focus from management and may divert attention from the day-to-day operations of the combined business or delay the achievement of our strategic objectives.

Our results of operations, cash flows and financial condition could be affected by severe weather and other geological events in the locations where we or our customers, suppliers or regulators operate.

We may be impacted by severe weather and other geological events, including hurricanes, earthquakes, floods or tsunamis, that could disrupt our operations or the operations of our customers, suppliers, data service providers and regulators. Natural disasters or other disruptions at any of our facilities or our suppliers' facilities, such as *Amazon Web Services*, *Apple*, *Google*, *Facebook*, *Amazon* and *Microsoft* may impair or delay the operation, development, provisions or delivery of our products and services. Additionally, disruptions experienced by our regulators due to natural disasters or otherwise could delay our introduction of new products or entry into new jurisdictions where regulatory approval is necessary. While we insure against certain business interruption risks, we cannot assure that such insurance will compensate us for any losses incurred as a result of natural or other disasters. Any serious disruption to our operations, or those of our customers, our suppliers, data service providers, or our regulators, could have a material adverse effect on our results of operations, cash flows and financial condition.

We are subject to risks related to corporate and social responsibility and reputation.

Many factors influence our reputation, including the perception held by our customers, business partners and other key stakeholders. Our business faces increasing scrutiny related to environmental, social and governance activities. We risk damage to our reputation if we fail to act responsibly in a number of areas, such as diversity and inclusion, sustainability and social responsibility. Any harm to our reputation could impact employee engagement and retention, our corporate culture and the willingness of customers and our partners to do business with us, which could have a material adverse effect on our business, results of operations and cash flows.

We could incur costs in the event of violations of, or liabilities under, environmental laws, which may adversely affect our business and our results of operations, cash flows and financial condition.

Our operations and real property are subject to U.S. and foreign environmental laws and regulations, including those relating to air emissions, the management and disposal of hazardous substances and wastes and the cleanup of contaminated sites. We could incur costs, including cleanup costs, fines or penalties, and third-party claims as a result of violations of, or liabilities under, environmental laws, which could negatively impact our business and our results of operations, cash flows and financial condition. Some of our operations require environmental permits and controls to prevent or reduce environmental pollution, and these permits are subject to review, renewal and modification by issuing authorities.

Litigation may adversely affect our business and our results of operations, cash flows and financial condition.

We are and may become subject to litigation claims in the operation of our business, including, but not limited to, with respect to employee matters, alleged product and system malfunctions, alleged intellectual property infringement and claims relating to our contracts, licenses and strategic investments. We have incurred and may incur significant expense defending or settling any such litigation. Additionally, adverse judgments that have been and may be decided against us resulted and could result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business and our results of operations, cash flows and financial condition. For additional information regarding our litigation, see Note 21.

Failure to perform under our contracts may result in substantial monetary liquidated damages and contract termination.

Our contracts, including our Lottery contracts and our Gaming contracts relating to the provision of VLTs, typically permit a counterparty to terminate the contract at any time for a material failure to perform, other specified reasons and, in many cases, for no reason at all. Upon such a termination or failure to perform, we may be required to refund fees paid to us for services performed or allow our customers to return our products to us for a full refund. Lottery contracts to which we are a party also frequently contain exacting implementation schedules and performance requirements, and the failure to meet these schedules and requirements may result in substantial monetary liquidated damages, and possible contract termination. We are also required by certain of our Lottery customers to provide surety or performance bonds. In the past, we have paid or incurred liquidated damages and have been required to allow the return of VLTs for a full refund under our contracts, and material amounts of liquidated damages could be imposed on us in the future, which could, if imposed, have a material adverse effect on our business prospects, results of operations, cash flows and financial condition.

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

Our products could be defective, fail to perform as designed or otherwise cause harm to our customers, their equipment or their products. If any of our products are defective, we may be required to recall the products and/or repair or replace them, which could result in substantial expenses and affect our profitability. Any problem with the performance of our products, such as an instant lottery product misprint or false jackpot or other prize, could harm our reputation, which could result in a loss of sales to customers and/or potential customers. In addition, the occurrence of errors in, or fraudulent manipulation of, our products or software may give rise to claims by our customers or by our customers' patrons, including claims by our customers for lost revenues and related litigation that could result in significant liability. Any claims brought against us by customers may result in diversion of management's time and attention, expenditure of large amounts of cash on legal fees and payment of damages, lower demand for our products or services, or injury to our reputation. Our insurance may not sufficiently cover a judgment against us or a settlement payment and is subject to customary deductibles, limits and exclusions. In addition, a judgment against us or a settlement could make it difficult for us to obtain insurance in the coverage amounts necessary to adequately insure our businesses, or at all, and could materially increase our insurance premiums and deductibles. In addition, software bugs or malfunctions, errors in distribution or installation of our software, failure of our products to perform as approved by the appropriate regulatory bodies or other errors or malfunctions, may subject us to investigation or other action by gaming regulatory authorities, including fines.

Labor disputes and union organizing activities may have an adverse effect on our operations.

Certain of our employees are represented by unions or works councils, including employees in Europe, South America and Canada. In particular, the majority of our employees at our printing facilities in the U.K., Chile and Quebec, the majority of our employees in Austria and Germany, and a small number of employees in the U.S. are represented by unions or work councils. While we believe our relations with our employees are satisfactory, we cannot predict whether we will be successful in negotiating new collective bargaining agreements without any disruptions in our operations or higher labor costs.

We cannot assure that we will not encounter conflicts or strikes with any labor unions that represent our employees or union organizing activities at our non-unionized facilities. Any of the foregoing could adversely impact our results of operations, cash flows and financial condition or our customers' operations, could cause us to lose customers, or could increase our labor costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We occupy approximately 1,997,000 square feet of space in the U.S. Internationally, we occupy approximately 1,481,000 square feet of space. We believe that these facilities are adequate for our business as presently conducted. Set forth below is an overview of the principal owned and leased real estate properties that support our corporate headquarters and Gaming, Lottery, SciPlay and Digital segments.

Location	Sq. Ft.	Supports	Tenancy
Las Vegas, Nevada	446,779	Corporate Headquarters, Gaming and Digital	Lease/Own[1]
Alpharetta, Georgia	387,000	Lottery	Lease/Own[2]
India (Bangalore, Chennai, Pune)	207,687	Gaming, Lottery, SciPlay and Digital	Lease

(1) Lease 294,779 sq. ft. and own 152,000 sq. ft.
(2) Lease 32,000 sq. ft. and own 355,000 sq. ft.

Our owned Alpharetta and Las Vegas facilities listed above are encumbered by mortgages securing indebtedness under our credit agreement and Secured Notes. In addition to those listed above, we own and lease a number of additional less significant properties in the U.S. and internationally that also support our operations.

ITEM 3. LEGAL PROCEEDINGS

For discussion of our legal proceedings, see Note 21, which is incorporated by reference into this Item 3 of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market for our Common Stock

Our outstanding common stock is listed for trading on the Nasdaq Global Select Market under the symbol "SGMS."

On February 23, 2021, the closing sale price for our common stock on the Nasdaq Global Select Market was $47.47 per share. There were 642 holders of record of our common stock as of February 23, 2021. This does not include the number of stockholders who hold shares of our common stock through banks, brokers or other financial institutions.

Dividend Policy

We have never paid any cash dividends on our common stock and do not presently intend to pay cash dividends on common stock in the foreseeable future. Further, under the terms of certain of our debt agreements, we are limited in our ability to pay cash dividends or make certain other restricted payments (other than stock dividends) on our common stock.

Stockholder Return Performance Graph

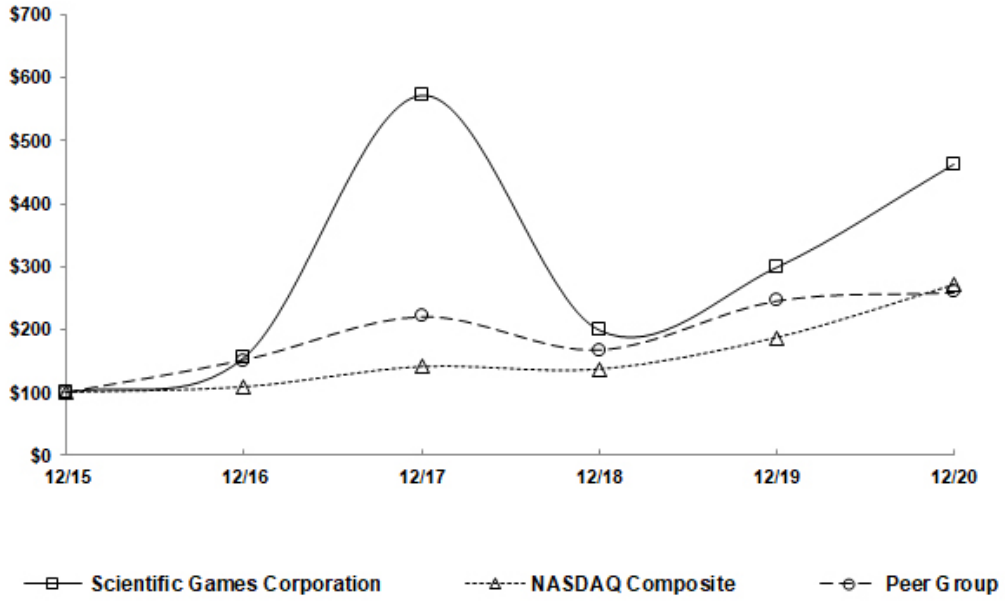
The following graph compares the cumulative total stockholder return over the five-year period ended December 31, 2020 of our then outstanding common stock, the Nasdaq Composite Index and indices of our peer group companies that operate in industries or lines of business similar to ours.

Our peer group companies consist of Aristocrat (Australian Securities Exchange: ALL), IGT (New York Stock Exchange: IGT), Intralot, S.A. (Athens Stock Exchange: IRLTY), Pollard Banknote Limited (Toronto Stock Exchange: PBL.UN-TO) and Everi Holdings Inc. (New York Stock Exchange: EVRI).

The companies in our peer group have been weighted based on their relative market capitalization each year. The graph assumes that $100 was invested in our then outstanding common stock, the Nasdaq Composite Index and the peer group indices at the beginning of the five-year period and that all dividends were reinvested. The comparisons are not intended to be indicative of future performance of our common stock.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Scientific Games Corporation, the NASDAQ Composite Index,
and a Peer Group



*$100 invested on 12/31/15 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

	12/15	12/16	12/17	12/18	12/19	12/20
Scientific Games Corporation	$ 100.00	$ 156.08	$ 571.91	$ 199.33	$ 298.55	$ 462.54
NASDAQ Composite	$ 100.00	$ 108.87	$ 141.13	$ 137.12	$ 187.44	$ 271.64
Peer Group	$ 100.00	$ 151.68	$ 220.91	$ 167.80	$ 246.16	$ 259.35

ITEM 6. SELECTED FINANCIAL DATA

We early adopted new amendment to Regulation S-K Item 301, which eliminates Selected Financial Data.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion is intended to enhance the reader's understanding of our operations and current business environment and should be read in conjunction with the description of our business (see Part I, Item 1 of this Annual Report on Form 10-K) and our Consolidated Financial Statements and Notes (see Part IV, Item 15 of this Annual Report on Form 10-K).

This "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and should be read in conjunction with the disclosures and information contained and referenced under "Forward-Looking Statements" and "Risk Factors" at the beginning and in Part I, Item 1A, respectively, of this Annual Report on Form 10-K. As used in this MD&A, the terms "we," "us," "our" and the "Company" mean SGC together with its consolidated subsidiaries.

BUSINESS OVERVIEW

We are 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, CMSs 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 and other mobile games to retail customers; and providing a comprehensive suite of digital RMG and sports wagering solutions, distribution platforms, content, products and services to various gaming entities. We also gain access to technologies and pursue global expansion through strategic acquisitions and equity investments.

We are incorporated in Nevada. For more information on our corporate history, please see the General introduction to Part I, Item 1 "Business" of this Annual Report on Form 10-K above.

Highlights, including recent developments

Caledonia Transaction and Governance Enhancements

On September 14, 2020, the Company announced that a group of long-term institutional investors, including highly credentialed gaming industry investor Caledonia Investments, reached an agreement to acquire a 34.9% stake in SGC from MacAndrews & Forbes Incorporated ("MacAndrews & Forbes") at a price of $28.00 per share. This transaction was completed on October 27, 2020, with no investor owning more than 9.9% of the Company's shares as a result.

In connection with the transaction, the Company implemented a series of governance changes and enhancements, including refreshment of our board of directors. The existing stockholders' agreement with MacAndrews & Forbes was terminated in connection with the transaction and all rights held by MacAndrews & Forbes, other than registration rights, are no longer in effect. As a result, MacAndrews and Forbes no longer holds any rights to appoint directors to our board.

The reconstituted board now consists of all previously existing directors, other than the MacAndrews & Forbes representatives, as well as four new directors. Former Aristocrat Chief Executive Officer Jamie Odell, along with former Aristocrat Chief Financial Officer Toni Korsanos, were elected to the board as Executive Chair and Executive Vice Chair, respectively. Jamie and Toni are joined on the board by the former Chief Executive Officer of Barclays Bank Plc. and President of Barclays International, Tim Throsby, and Chairman of REA Group Limited, HT&E Limited, and Rugby Australia Limited and Deputy Chairman of Magellan Financial Group, Hamish McLennan, as new independent directors effective October 1, 2020 and October 29, 2020, respectively. The reconstituted board plans to focus on accelerating de-leveraging through a renewed focus on working capital management and will continue to review all strategic options to improve and maximize stockholder value. Ronald Perelman, former Executive Chairman of the Scientific Games Board and MacAndrews & Forbes Chairman and CEO, as well as Barry Schwartz and Frances Townsend, the two other MacAndrews & Forbes representatives, resigned from the Board effective September 16, 2020.

Impacts of COVID-19

In March 2020, the World Health Organization declared the rapidly spreading COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, governments across the world implemented a number of measures to prevent its spread, including but not limited to, the temporary closure of a substantial number of gaming operations establishments and disruptions to lottery operations, travel restrictions, and cancellation of sporting events, which are affecting our business segments in a number of ways. During the latter part of the second quarter and throughout the remainder of 2020, lifting of restrictions began,

including the reopening of the majority of gaming establishments globally and resumption of sporting events. During the fourth quarter of 2020 and in the response to the second wave of the COVID-19 pandemic, certain jurisdictions implemented additional temporary closures. As gaming operations have yet to return to pre-COVID levels, limited international travel, social distancing measures (which in some cases have required our customers to substantially reduce maximum floor capacity in many jurisdictions), decreased operating capacities, high unemployment rates and potential changes in consumer behaviors continued to negatively impact our results of operations, cash flows and financial condition throughout 2020. Additionally, while most of casinos have reopened, it is unknown when mitigation measures (such as capacity limitations) will be lifted, all contributing to continued uncertainty into 2021.

Impact on Business Operations and Financial Results

Our Gaming business segment was especially impacted due to the widespread temporary closures and restricted reopening of a substantial number of gaming operations establishments coupled with global economic uncertainty. The COVID-19 pandemic remains a rapidly evolving situation. Although businesses impacted by temporary closures during 2020 largely reopened domestically, our Participation gaming business revenue and cash flows continued to be significantly negatively affected, as they are largely driven by players' disposable incomes and level of gaming activity. Social distancing measures that were implemented in many jurisdictions have and are expected to continue to have a negative impact on the amount of customer traffic within gaming establishments. The COVID-19 disruptions continue to cause periods of closures and modified operating schedules and may result in changes in customer behaviors, including a reduction in consumer discretionary spending as a result of the uncertainty caused by the pandemic and unemployment levels. Additionally, our gaming machine and table product sales largely depend on our customers' liquidity and operating results, which have negatively impacted the replacement cycle and demand for gaming machines, table products and opportunities from new or expanded markets. Further, we have granted customer concessions for a portion of the time for which such customers' operations were impacted by closures. Also, based on historical Gaming customers' orders and our manufacturing capacity, a substantial portion of Gaming machine sales are fulfilled in the third month of each quarter. Since March of 2020 when the COVID-19 disruptions became widespread, Gaming machine sales revenues have been and continue to be particularly negatively impacted. We believe this negative trend could reduce the capital expenditures of casino operators and continue to lengthen the replacement cycles of their existing gaming machines.

Unfavorable economic conditions caused by COVID-19 have caused and could continue to impact the timing of cash receipts from our Gaming customers. In addition, unfavorable economic conditions have caused, and could continue to cause, some of our Gaming customers to temporarily close gaming venues or ultimately declare bankruptcy, which would adversely affect our business. In recent years, our Gaming business has expanded the use of extended payment term financing for gaming machine purchases primarily in the LATAM region, and we expect to continue to provide a higher level of extended payment term financing in this business until demand from our customers for such financings abates or our business model changes. These financing arrangements may increase our collection risk, and if customers are not able to pay us, whether as a result of financial difficulties, bankruptcy or otherwise, we may incur provisions for bad debt related to our inability to collect certain receivables. In addition, both extended payment term financing and operating leases result in a delay in our receipt of cash, which reduces our cash balance, liquidity and financial flexibility to respond to changing economic events. Unfavorable economic conditions may also result in volatility in the credit and equity markets. The difficulty or inability of our customers to generate or obtain adequate levels of capital to finance their ongoing operations may reduce their ability to purchase our products and services. Refer to Note 6 for international locations with significant concentrations of our receivables with terms longer than one year.

During the first quarter of 2020, the COVID-19 disruptions resulted in the widespread closures of LBO shops across the U.K., which, along with global economic uncertainty, contributed to further deterioration in business conditions from our 2019 annual goodwill test date. This had an adverse effect on our legacy U.K. Gaming reporting unit (part of our Gaming business segment), which necessitated performing a quantitative goodwill impairment test during the first quarter of 2020. As a result of this analysis, during the first quarter of 2020 we recognized a partial impairment charge totaling $54 million. See Note 10 for additional goodwill information.

We increased our allowance for credit losses by $56 million during the year ended December 31, 2020. These increases were primarily related to certain Gaming customers in LATAM, including some who previously received extended payment terms. In the LATAM region it is often expected that such financing is provided, which extends the collection cycle, and increases our collection risk, especially under the current economic conditions which have been heavily impacted by the ongoing pandemic. Many of our customers in the LATAM region have been particularly affected by macroeconomic factors such as inflation, foreign exchange fluctuations, political instability and others. In addition, the preceding factors have been exacerbated by extended COVID-19 closures of gaming operations establishments. As described above, our customers in LATAM have been and are expected to continue to be affected by the COVID-19-related closures of gaming operations

establishments and the resulting impact on both their specific financial situations and the general macroeconomic environments in which they operate.

During the year ended December 31, 2020, we recorded $48 million in inventory valuation charges (recorded in cost of product sales) related to inventory in our Gaming business segment. The 2020 charges are a result of a strategic revision of product roadmaps, and assessments related to how many and which platforms we will support, when we end service on legacy platforms and when we stop selling such platforms in conjunction with new product launches. The implementation of our strategic revision combined with the rapid erosion of market demand that took place in 2020 (due to COVID-19 disruptions), our increased focus on our go to market approach in LATAM (due to COVID-19 disruptions and the overall macro economic impact on the LATAM region), and our revised outlook on certain markets and customers, required us to reassess our inventory valuation. We determined we had excess or obsolete inventory based on the new strategy, a reduction in demand for legacy platforms, and projections for the disposition of the related inventory. In addition, the continued closures in the LATAM region made it difficult to execute our previous strategy of shipping legacy platforms into that market. The combination of these factors led to the $48 million inventory valuation charge recognized during 2020. Our policy is to continually review and assess these and other factors, and if such factors or our outlook changes, we will record further adjustments to the valuation of inventory.

Our Lottery business segment has experienced relative growth and recovery as the shelter in place orders and lockdowns have been eased back resulting in increased foot traffic and more spending by end players, coupled with international retail establishments that have now substantially re-opened. Lottery sales were down meaningfully initially as a result of the pandemic, but have since largely recovered in the U.S. and international markets.

The temporary closure of gaming operations, disruptions to lottery operations, travel restrictions, cancellation of sporting events, lower disposable incomes of consumers and the adverse impact on our casino and gaming customers' liquidity and financial results caused by the COVID-19 pandemic, had an adverse effect on our results of operations, cash flows and financial condition throughout 2020 and we anticipate will continue to a lesser degree into 2021.

Although the majority of gaming and lottery operations have re-opened, with encouraging initial results, we are unable to determine the ultimate magnitude and the length of time that the pandemic disruptions will continue to impact our results of operations, cash flows and financial condition, which will depend, among other factors, on the currently unknowable duration of the COVID-19 pandemic, the impact of governmental regulations and actions that might continue to be imposed in response to the pandemic, change in customer behaviors, social distancing measures, decreased gaming establishments operating capacity, high unemployment rates, and the pace of overall recovery of gaming and lottery operations globally. We implemented a number of measures to reduce operating costs and conserve liquidity including permanent reductions in workforce and temporary measures such as: reductions in salaries and workforce (all salaries back to 100% as of July 31, 2020), unpaid employee furloughs, temporary elimination of 401(k) matching among other compensation and benefits reductions and deferral of all non-essential operating and capital expenditures. These measures, combined with the above, have resulted in substantial cost savings in 2020. Additionally, reduced capital expenditures and the above measures are expected to result in an overall lower future cost structure.

Financings and Capital Markets Transactions

- During the year, we borrowed $530 million under SGI's revolving credit facility, and made payments of $190 million, including a voluntary $100 million payment in the fourth quarter of 2020, against the balance drawn on the revolving credit facility. As of December 31, 2020, our total available liquidity (excluding our SciPlay business segment) was $850 million. In February of 2021, we made another voluntary payment of $100 million on SGI's revolving credit facility.
- We amended the consolidated net first lien leverage ratio covenant in the credit agreement with the requisite lenders under SGI's revolving credit facility on May 8, 2020 (the "Credit Agreement Amendment") and subsequently extended the Credit Agreement Amendment on October 8, 2020 (the "Credit Agreement Extension Amendment") to implement a financial covenant relief period, which extends the relief period through the first quarter of 2022. As a result, (a) SGI is not required to maintain compliance with the consolidated net first lien leverage ratio covenant during the Covenant Relief Period, (b) the step down of the consolidated net first lien leverage ratio covenant following the Covenant Relief Period was revised, (c) SGI must maintain liquidity (excluding SciPlay) of at least $275 million during the Covenant Relief Period, (d) SGI is restricted in its ability to further incur indebtedness and liens, make restricted payments and investments and prepay junior indebtedness during the Covenant Relief Period, subject to certain exceptions and further subject, in some instances, to maintaining minimum liquidity (excluding SciPlay) of at least $400 million and (e) a LIBOR floor of 0.500% was established on borrowings under the revolving credit facility during the Covenant Relief Period.

The following table summarizes the revised consolidated net first lien leverage ratio and Consolidated EBITDA calculation for covenant purposes:

Revised Consolidated Net First Lien Leverage Ratio Covenant Calculation

Period ending	Revised Consolidated Net First Lien Leverage Ratio Covenant	Consolidated EBITDA multiplier[1]
3/31/2022	6.00x	4x Q1-2022
6/30/2022	6.00x	2x YTD Q2-2022
9/30/2022	5.75x	1.33x YTD Q3-2022
12/31/2022	5.75x	N/A - Calculated based on the previous 12 month period including the quarter being tested
3/31/2023	5.25x	
6/30/2023	5.25x	
9/30/2023	4.75x	
12/31/2023	4.75x	
3/31/2024 and thereafter	4.50x	

(1) Consolidated EBITDA is defined in the Credit Agreement Extension Amendment and is calculated as testing year-to-date period-end consolidated EBITDA times multiplier.

- On July 1, 2020, we completed the issuance of $550 million in aggregate principal amount of 8.625% senior unsecured notes due 2025 in a private offering, for which we received total net proceeds of $543 million. We used a portion of the net proceeds to redeem all $341 million of our outstanding 2021 Notes and paid accrued and unpaid interest thereon plus related premiums, fees and costs, which redemption was completed on July 17, 2020, and are using the remaining net proceeds to fund working capital and general corporate purposes. This refinancing transaction extends our significant debt maturities until 2024. See Note 15 for additional long-term debt information.

Trends and Uncertainties

We have a number of trends and uncertainties that have impacted and may continue to impact our business and results of operations. Such impacts have in some cases been material and could be material in the future should they continue.

COVID-19. See above *"Impacts of COVID-19"* for uncertainties regarding the pandemic that continue to impact our business and results of operations.

Our high amount of leverage. We are a highly leveraged company which presents several challenges, including the dedication of a significant portion of our cash flow from operations to service interest and principal payments on our indebtedness.

International operations and foreign currency. We face challenges related to expanding our footprint within international markets and the related process of obtaining regulatory approvals to provide services and products within these new and emerging markets. Our LATAM customers operate in a difficult macroeconomic environment that (combined with political instability in the region and further compounded by COVID-19) has resulted in (a) a material reduction in revenue, (b) a reduction in the cash we have collected from these customers on previous sales and (c) charges for estimated credit losses, primarily contributing to our total consolidated charge of $56 million during 2020 (see *Critical Accounting Estimates* and Note 6). The recovery period in revenue and cash generated in the LATAM region is expected to be longer than in our other geographies and we anticipate lower revenues continuing through at least the first half of 2021.

Additionally, our international operations provide a significant portion of our total revenue and expenses. Many of these revenue and expenses are denominated in currencies other than the U.S. Dollar. We also have foreign currency exposure related to certain of our equity investments, cross-currency interest rate swaps, and Euro-denominated debt. As a result, changes in foreign exchange rates may significantly affect our results of operations.

A high level of competition, with competitor expansion. Our major competitors are expanding their product and service offerings with integrated products and solutions that compete directly with ours. For example, competition in our Gaming business segment is highly competitive and is characterized by the continuous introduction of new games, gaming machines and related technologies while our Lottery business segment continues to be subject to intense price-based competition. Our Digital business segment is facing challenges related to entering and expanding our market share within new and emerging markets, such as U.S. sports betting, which continues to be very competitive, while our SciPlay business segment continues to be highly competitive with low barriers to entry, rapid evolution, fragmented market and subject to changing technology, shifting needs and frequent introductions of new games, development platforms and services. See *Part I, Item 1* of this Annual Report on Form 10-K and *Business Segment Results* below describing competition and factors impacting each of our business segments.

Seasonality. Our results of operations fluctuate due to seasonal trends and other factors impacting all of our business segments, particularly Gaming and SciPlay businesses. See *Part I, Item 1 - Seasonality* of this Annual Report on Form 10-K.

Restructuring charges. We have incurred restructuring charges related to severance for terminated employees in order to align our cost structure with operating cash flow requirements and streamlining our operations. Our most important strategic pillars are to (1) focus on accelerating de-leveraging and improving cash flow from operations and (2) enhancing our corporate culture and developing a high performance organization, all of which is expected to result in increased restructuring charges as we incur optimization expenses to execute and facilitate our strategies. See Note 4 for restructuring charges incurred for the last three years.

For additional trends and uncertainties impacting our business segments, refer below to *Business Segment Results*, specifically the *Current Year Update* section for each business segment.

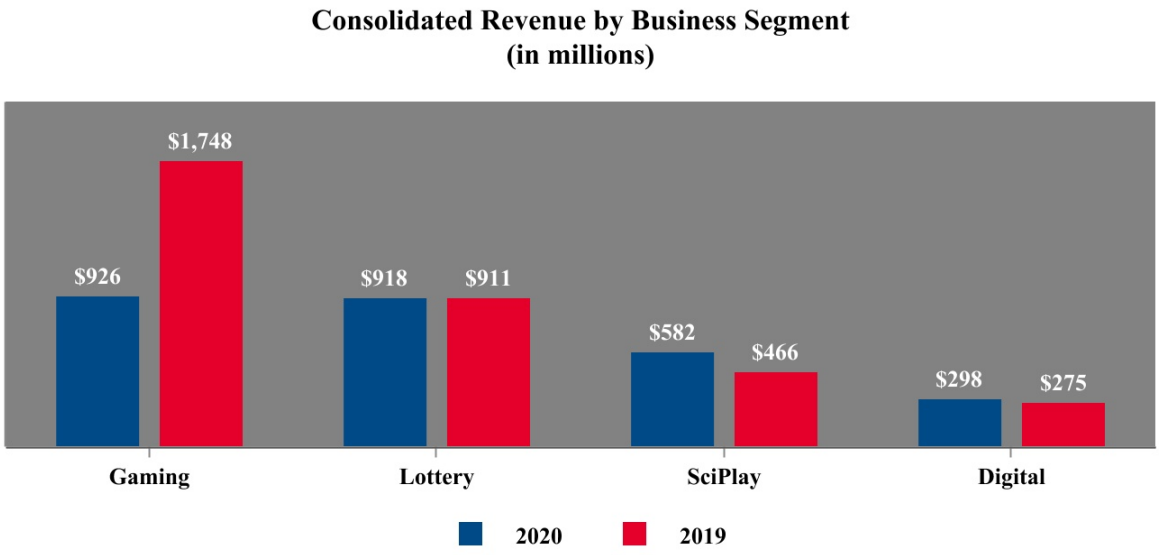
Reportable Segments

We report our operations in four business segments — Gaming, Lottery, SciPlay and Digital — representing our different products and services. See Notes 2 and 3 for additional business segments information.

CONSOLIDATED RESULTS

(in millions)	Year Ended December 31,		Variance	
	2020	2019	2020 vs. 2019	
Total revenue	$ 2,724	$ 3,400	$ (676)	(20)%
Total operating expenses	2,702	2,854	(152)	(5)%
Operating income	22	546	(524)	(96)%
Net loss before income taxes	(544)	(108)	(436)	(404)%
Net loss	(548)	(118)	(430)	(364)%
Net loss attributable to SGC	(569)	(130)	(439)	(338)%

Revenue



Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

As described in the *"Business Overview – Highlights, including recent developments – Impacts of COVID-19"* section above, our 2020 total revenue, specifically revenues for the Gaming business segment, was adversely impacted by COVID-19

disruptions. Gaming business segment 2020 revenue also reflects $36 million lower system revenues due to completion of certain Canadian systems launches that we benefited from in the prior year comparable period. Lottery revenue for 2020 was also negatively impacted by COVID-19 disruptions primarily impacting instant ticket sales, particularly during the first half of 2020.

SciPlay revenue increased by $116 million or 25 percent primarily due to continued growth in our mobile platform business and increased player engagement as a result of the stay at home measures across North America and other countries coupled with the ongoing popularity of *Jackpot Party Casino*, *Gold Fish Casino*, *Quick Hits Slots*, and *MONOPOLY Slots.*

Digital revenue increased by $23 million or 8 percent primarily due to increased Gaming revenue that benefited from increased free time and stay at home measures as a result of COVID-19 disruptions coupled with growth in Sports due to higher license revenue from key customer renewals and growth in the U.S. market.

Our 2020 consolidated revenues were impacted by $7 million of favorable F/X impact compared to $36 million of unfavorable impact in the prior year.

Operating expenses

	Year Ended December 31,		Variance	
(in millions)	**2020**	**2019**	**2020 vs. 2019**	
Operating expenses:				
Cost of services[1]	$ 531	$ 538	$ (7)	(1)%
Cost of product sales[1]	349	457	(108)	(24)%
Cost of instant products[1]	280	289	(9)	(3)%
SG&A	701	707	(6)	(1)%
R&D	166	188	(22)	(12)%
D&A	554	647	(93)	(14)%
Goodwill impairment	54	—	54	100 %
Restructuring and other	67	28	39	139 %
Total operating expenses	$ 2,702	$ 2,854	$ (152)	(5)%

(1) Excludes D&A.

Cost of revenue

Cost of revenue for the year ended December 31, 2020 decreased primarily due to the COVID-19 disruptions described above resulting in Gaming machine sales revenue decreasing by 49% or $297 million. Additionally, the year ended December 31, 2020 Cost of product sales includes approximately $48 million, in Gaming segment inventory valuation charges, due to a decrease in demand for certain platforms as we believe that our customers will continue to extend replacement cycles to preserve their liquidity following their return to full operations combined with a reassessment of our Gaming product strategy, which was implemented during the year (see Note 7).

SG&A

SG&A decreased primarily due to the company-wide austerity measures implemented in response to the COVID-19 disruptions described above, which resulted in lower SG&A compensation and benefit expenses of $56 million for 2020. The decrease in SG&A was partially offset by an increase of $54 million in the Gaming business segment allowance for credit losses, that reflect forecasted credit deterioration due to the COVID-19 disruptions generally and credit weakness in our Latin America receivables portfolio specifically (see Note 6).

R&D

R&D decreased primarily due to company-wide austerity measures in response to the COVID-19 disruptions described above resulting in lower R&D compensation and benefit expenses of $15 million for 2020.

D&A

D&A decreased primarily due to certain Gaming intangible assets and software becoming fully amortized in the prior year.

Goodwill impairment

Goodwill impairment increase was related to our legacy U.K. Gaming reporting unit, which was recorded during the first quarter of 2020. See Note 10 for additional details on Goodwill impairment charges.

Restructuring and other

The increase is primarily due to severance and related charges associated with COVID-19 disruptions. See Note 4 for additional details on Restructuring and other charges.

Other Factors Affecting 2020 and 2019 Net Loss Attributable to SGC Comparability

(in millions)	**Year Ended December 31,**		**Factors Affecting Net Loss**
	2020	**2019**	**2020 vs. 2019**
Interest expense	$ (503)	$ (589)	The decrease in interest expense for the year ended December 31, 2020 reflects the favorable impact of 2019 refinancing activities resulting in lower interest costs (refinancing activities for 2020 are further discussed in "Liquidity, Capital Resources and Working Capital" and for both periods in Note 15).
Loss on debt financing transactions	(1)	(100)	Loss on debt financing transactions consummated during 2019 includes $80 million in premium charges associated with redemptions of the 2022 Unsecured Notes (see Note 15) in the second and fourth quarters of 2019.
(Loss) gain on remeasurement of debt	(51)	9	(Losses) and gains are attributable to remeasurement of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes and primarily reflect changes in the Euro vs. the U.S. Dollar foreign exchange rates between the periods. In 2019 the USD strengthened vs. the Euro by 3% and in 2020 the USD weakened by 9%.
Income tax expense[(1)]	(4)	(10)	The decrease is primarily due to the decrease in worldwide income due to COVID-19 and the overall worldwide mix of income (loss).

(1) For additional information regarding the changes in our effective tax rates and the variance in our income tax expense, see Note 20.

Foreign exchange (F/X)

Our results are impacted by changes in foreign currency exchange rates used in the translation of foreign functional currencies into USD and the re-measurement of foreign currency transactions or balances. The impact of foreign currency exchange rate fluctuations represents the difference between current rates and prior-period rates applied to current activity. Our exposure to foreign currency volatility on revenue is as follows:

(in millions)	**Year Ended December 31,**					
	2020			**2019**		
	Revenue	**% Consolidated Revenue**	**F/X Impact on Revenue**	**Revenue**	**% Consolidated Revenue**	**F/X Impact on Revenue**
Foreign Currency:						
British Pound Sterling	$ 323	12 %	$ 3	$ 331	10 %	$ (18)
Euro[(1)]	237	9 %	3	248	7 %	(13)

(1) Our earnings from our Euro-denominated equity investment in LNS were $10 million and $16 million for the years ended December 31, 2020 and 2019, respectively.

See "Business Segment Results" below for a more detailed explanation of the significant changes in our components of revenue and expenses within the individual segment results of operations.

For 2019 and 2018 consolidated, business segment and cash flow results comparisons, see Part II, Item 7 of our 2019 Annual Report on Form 10-K.

BUSINESS SEGMENT RESULTS

The types of products and services from which our segments derive their revenues are further discussed in Notes 2 and 3. Certain financial information relating to our segments, including segment revenue, AEBITDA and total assets for the last three fiscal years and certain financial information relating to our revenue derived from and assets located in the U.S. and other geographic areas is included in Note 2.

GAMING

Our Gaming business segment designs, develops, manufactures, markets and distributes a comprehensive portfolio of gaming products and services. We provide our Gaming portfolio of products and services to commercial casinos, Native American casinos, wide-area gaming operators such as LBOs, arcade and bingo operators in the U.K. and continental Europe, and government agencies and their affiliated operators. Our equity investment in RCN is included in our Gaming business segment.

The following table summarizes the primary business activities included in our Gaming business segment.

	Services	Product sales
Gaming operations	Service revenues from gaming operations are derived from WAP, premium and daily-fee Participation gaming machines and other leased gaming machines (including VLTs and ETSs) and licensing arrangements.	N/A
Gaming machine sales	N/A	Sale of new and used gaming machines, ETSs and VLTs, conversion game kits and spare parts.
Gaming systems	We provide services which include installation and support of CMSs, including ongoing hardware maintenance and ongoing software maintenance and upgrade services of customer CMSs.	We offer CMSs that help our customers improve communication with players, add excitement to the gaming floor and enhance operating efficiencies.
Table products	Revenue is generated from supplied table products and services (including Shufflers).	Sale of table products (including Shufflers) and PTG licensing.

Gaming Operations

Our services revenue includes revenue earned from Participation games, other gaming machine services and table product service arrangements. We categorize our Participation gaming machines as (1) U.S. and Canada units and (2) International units. The following are different types of Participation games from which we derive our revenue:

- *WAP Participation games:* WAP Participation games are electronically linked gaming machines that are located across multiple casinos within both single and multiple gaming jurisdictions or across Native American gaming jurisdictions. Players across linked gaming machines contribute to and compete for system-wide progressive jackpots that are designed to increase gaming machine play for participating casinos by giving the players the opportunity to win a larger jackpot than on a non-WAP gaming machine. We are responsible for funding WAP jackpots. We create WAP games using our proprietary brands and also using licensed brands. We operate our WAP systems in five states throughout the U.S. and in certain Native American casinos.

- *Premium and daily fee Participation games:* We offer two categories of non-WAP premium and daily fee Participation games: LAP and standalone. LAP games are gaming machines that are located within a single casino and are electronically linked to a progressive jackpot for that specific casino. Our LAP gaming machines feature games including those offered as WAP and our proprietary brands such as *Ultimate Fire Link®*, *Dragon Spin®*, *Ultra Hot Mega Link®*, *88 Fortunes*, *Invaders from the Planet Moolah®*, *5 Treasures®*, *Cash Spin™* and *Dancing Drums Explosion®*. Our LAP products leverage both exclusive brand names and game play intellectual property, and typically offer players the chance to win multiple progressive jackpots, all of which tend to result in higher play volumes. We also provide certain standalone Participation games that are not linked to other gaming machines. Our standalone games feature titles under both licensed brands and our proprietary brands. Our standalone Participation gaming machines generally feature larger, more elaborate top-boxes and provide game play experiences not possible on a single screen game or on gaming machines that we sell.

- *Server-based gaming*: We provide wide-area gaming operators, such as LBOs, bingo halls and arcades, a comprehensive package of server-based products and services under long term contracts that typically include gaming machines, remote management of game content and management information, central computer systems, secure data communication and field support services. We are typically paid a fee based on the Net win generated by these gaming machines (subject to certain adjustments as may be specified in a particular contract, including adjustments for taxes and other fees). Our business in this category is primarily based in the U.K.

- *VLTs*: For certain customers, we provide our multi-game and single-game VLTs, which include video gaming machines, mechanical reel gaming machines and video poker games. Our VLTs may be operated as standalone units or may interface with central monitoring systems operated by government agencies. Our VLTs are typically located in places where casino-style gaming is not the only attraction, such as racetracks, bars and restaurants.

- *Class II and centrally determined systems:* We offer video and mechanical-reel gaming machines and VLTs for Class II and certain VLT jurisdictions where the game outcome is determined by a central server system that we provide. These Class II and centrally determined systems primarily operate in Native American casinos in Washington, Florida, Alabama and Oklahoma. We receive either a fixed daily fee or a percentage of the Net win generated by the gaming machines or VLTs connected to the central determination system and a small daily fee for the central determination system.

Gaming Machine Sales

The majority of our product sales are derived from sales of gaming machines and VLTs that use a combination of advanced graphics, mechanical reels, digital music and sounds and secondary bonus games. We also sell ETSs to either meet the needs of particular locations where live tables are not allowed or as productivity-enhancing solutions for other jurisdictions.

Gaming Systems

Our comprehensive suite of technology solutions provides gaming operations of every size with a wide range of marketing, data management and analysis, accounting, player tracking, security and other applications and tools to more effectively manage their operations. Gaming systems products include the *iVIEW*® touch screen display, which facilitates the player experience, bonus features, customer service, and employee functions. Gaming systems revenues related to core system solutions are highly dependent on new installations. Gaming system revenues are also generated through ongoing hardware and software maintenance services and upgrades.

Table Products

Our table product sales are generated primarily from the sale of products designed to enhance table game speed, productivity, profitability and security. Our product offerings include various models of Shufflers to suit specific games.

We also offer Shuffler products under month-to-month arrangements that primarily contain fixed monthly rates or to a lesser extent Participation rates. These arrangements include service of the product with back-up and replacement products available at the customer’s request.

We license our PTG content to commercial, tribal and governmental casino operators typically under month to month arrangements based on fixed monthly rates. PTGs, which are designed to enhance operators’ table-game operations, include our internally developed and acquired PTGs, side bets, add-ons and progressive features. Our proprietary content and features are also added to public domain games such as poker, baccarat, pai gow poker, craps and blackjack table games and to electronic platforms.

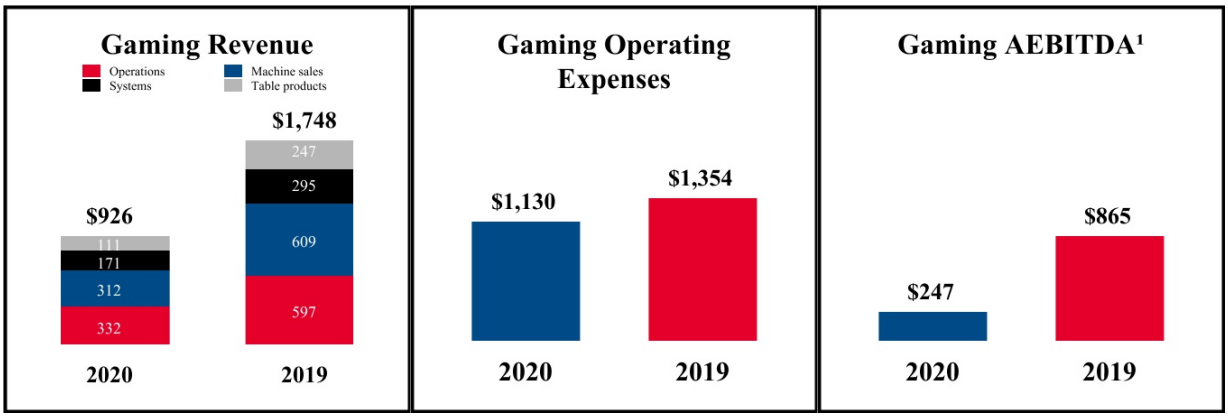
Current year update

See the “Recent Events – Impacts of COVID-19” section above for a description of the COVID-19 impact on our Gaming business segment, which continues to have an adverse effect on our results of operations and cash flows into 2021 and as COVID-19 mitigation measures continue to be implemented and enforced. In addition to the adverse effect of COVID-19, we anticipate further declines in our gaming operations, systems, products and services revenues due to certain large Canadian contracts that were completed in 2019. Further challenges include: (1) a replacement market that remains unpredictable given several large customer consolidations; (2) fewer casino openings and expansions; (3) continued competition for new systems, gaming operations, gaming machines and table products businesses; and (4) other economic and regulatory pressures that affect our business operations globally. Additionally, our Gaming operations installed base at period end has declined for both U.S. and Canada and International markets from 33,585 and 33,744 in 2018 to 30,105 and 32,061 in 2020, respectively. Gaming operations generated 36%, 34% and 35% of total Gaming segment revenues for 2020, 2019 and 2018, respectively. While our new Gaming business segment leadership team has developed a strategy to reverse this trend, the implementation of such strategy and reversal of this trend and decline in our Gaming operations installed base at period end is expected take longer than a year.

Our 2021 Gaming revenues are expected to benefit from a rebate of value added tax in the U.K. from a tax ruling made in 2020 (“U.K. VAT rebate”). We believe we will be entitled to such rebates as the previous tax position impacted our historical contractual gaming revenue for certain of our U.K. LBO server-based gaming customers. While the total amount and timing of the U.K. VAT rebate is currently uncertain and dependent on claim submissions by our customers and government approvals, all of which are outside of our control, we estimate that we could be entitled to up to $60 million.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Results of Operations and Key Performance Indicators



1 - The year ended December 31, 2019 includes $10 million in IP charges paid by the SciPlay business segment, which are no longer being paid as of May 7, 2019 in connection with the IP License Agreement.

Revenue

(in millions)	Year Ended December 31, 2020	Year Ended December 31, 2019	Variance 2020 vs. 2019	
Revenue:				
Gaming operations	$ 332	$ 597	$ (265)	(44)%
Gaming machine sales	312	609	(297)	(49)%
Gaming systems	171	295	(124)	(42)%
Table products	111	247	(136)	(55)%
Total revenue	$ 926	$ 1,748	$ (822)	(47)%
F/X impact on revenue	$ 3	$ (14)	$ 17	121 %

	Year Ended December 31, 2020	Year Ended December 31, 2019	Variance 2020 vs. 2019	
KPIs:				
U.S. and Canada units:				
Installed base at period end	30,105	31,486	(1,381)	(4)%
Average daily revenue per unit	$ 23.57	$ 38.67	$ (15.10)	(39)%
International units[(1)]:				
Installed base at period end	32,061	34,370	(2,309)	(7)%
Average daily revenue per unit	$ 5.07	$ 10.57	$ (5.50)	(52)%
Gaming machine sales:				
U.S. and Canada new unit shipments	9,987	19,512	(9,525)	(49)%
International new unit shipments	12,591	10,810	1,781	16 %
Total new unit shipments	22,578	30,322	(7,744)	(26)%
Average sales price per new unit	$ 12,178	$ 17,343	$ (5,165)	(30)%

(1) Excludes the impact of game content licensing revenue.

All of our 2020 Gaming revenue was negatively impacted by the COVID-19 disruptions that resulted in temporary closures and/or reduced operating capacity of a substantial number of gaming operations establishments in various jurisdictions globally, as described in the “Recent Events – Impact of COVID-19” section above. As gaming establishments began to reopen in June and openings have continued through the year, demand has steadily increased and is expected to continue into 2021. The continuation of social distancing measures that were implemented and still being enforced in many jurisdictions (including substantial reductions of maximum floor capacities, table play customer limitations and reduction of slot machines available for

play) have had and are expected to continue to have a negative impact on our Gaming revenue until casino operators are able to return to normal operations. The mitigation measures are expected to continue for an indeterminate amount of time and we expect to continue to see the impacts on our Gaming segment into 2021.

During the three months ended December 31, 2020, Gaming revenues compared to the three months ended September 30, 2020, increased in Gaming operations from $92 million to $105 million representing a 14 percent increase, in Gaming machine sales from $71 million to $96 million representing a 35 percent increase, and in Gaming systems from $43 million to $56 million representing a 30 percent increase due to continued opening of gaming operations from previous shutdowns and increased customer traffic demonstrating the significant fluctuations caused by COVID-19 business disruptions during the year.

Gaming Operations

Gaming operations revenue decreased compared to the prior year primarily due to the COVID-19 disruptions (including fixed fee arrangement concessions granted) described above which was the driving factor in a 1,381-unit decrease in the U.S. and Canada ending installed base and a 2,309-unit decrease in the International ending installed base and both domestic and International average daily revenues per unit.

Gaming Machine Sales

Gaming machine sales revenue decreased compared to the prior year primarily due to the impact of COVID-19 as described above driving lower unit shipments primarily in replacement unit sales, coupled with decreases in the average sales price per unit reflecting a less favorable mix of Gaming machine sales.

The following table summarizes Gaming machine sales changes:

	Year Ended December 31,		Variance	
	2020	2019	2020 vs. 2019	
U.S. and Canada unit shipments:				
Replacement units	5,957	14,290	(8,333)	(58)%
Casino opening and expansion units	4,030	5,222	(1,192)	(23)%
Total unit shipments	9,987	19,512	(9,525)	(49)%
International unit shipments:				
Replacement units	12,010	10,616	1,394	13 %
Casino opening and expansion units	581	194	387	199 %
Total unit shipments	12,591	10,810	1,781	16 %

Gaming Systems

Gaming systems revenue decreased primarily due to the COVID-19 disruptions described above resulting in fewer installations of new CMSs on fewer casino openings and expansions, lower hardware sales, lower systems maintenance revenue reflective of customer concessions granted during the COVID-19 shutdowns, and lower *iVIEW* installations due to certain Canadian contracts that were completed in the prior year.

Operating Expenses

The decrease in operating expenses is primarily due to lower cost of revenue correlated with the decrease in total revenue (as described above), which was partially offset by: (1) a $48 million increase of inventory valuation charges to Cost of product sales, (as described above and in Note 7), and (2) $20 million increase in Restructuring and other charges. Additionally, the year ended December 31, 2020 includes a $54 million in goodwill impairment charge and a $54 million charge related to allowance for credit losses, which reflects actual and forecasted credit deterioration primarily due to the COVID-19 disruptions coupled with the impacts of foreign exchange and the worsening of the expected credit position in our Latin America receivables portfolio specifically (see Note 6).

AEBITDA

AEBITDA decreased by $618 million or 71 percent primarily due to lower revenues as a result of COVID-19 disruptions, coupled with charges to allowance for credit losses and inventory during the year ended 2020 described above. AEBITDA margin for the year ended 2020 comparable period decreased by 22.8 percentage points to 27%.

AEBITDA for the three months ended December 31, 2020 compared to the three months ended September 30, 2020, increased from $77 million to $105 million representing an increase of 36 percent due to continued opening of gaming operations from previous shutdowns and increased customer spending coupled with lower operating expenses.

LOTTERY

The Lottery segment is primarily comprised of our instant product business, systems-based services and product sales business. Our systems-based services and product sales business provide customized computer software, software support, equipment and data communication services, sports wagering systems and keno to lotteries. In the U.S., we typically provide the necessary POS terminals and equipment, software and maintenance services on a Participation basis under contracts that typically have an initial term of at least five years. Internationally, we typically sell POS terminals and/or computer software to lottery authorities and may provide ongoing fee-based systems maintenance and software support services.

Our instant products business generates revenue from the manufacture and sale of instant products, and the provision of value-added services such as game design, sales and marketing support, specialty games and promotions, inventory management, warehousing, fulfillment services, and full instant product category management administered through our SGEP program. In addition, we provide licensed games, promotional entertainment and internet-based marketing services to the lottery industry. These revenues are presented as instant products revenue.

Our equity investments in LNS, Northstar New Jersey, CSG, Hellenic Lotteries and GLB are included in the Lottery segment.

The following table summarizes the primary business activities included in the Lottery business segment.

	Services	Product Sales	Instant Products
Instant products - Participation (POS and SGEP) and PPU[(1)]	N/A	N/A	Designing, printing and selling instant lottery products and providing the comprehensive services necessary to operate integrated instant product operations that enable lotteries to enhance instant product retail sales, including: (i) design and manufacturing of instant games tickets, (ii) instant products planning, monitoring and management systems functions, (iii) warehousing, inventory management and distribution functions, and (iv) marketing and game support functions.
Instant products - licensing and player loyalty	N/A	N/A	Supplying player loyalty programs, merchandising services and interactive marketing campaigns. Sublicensing brands for lottery products and providing lottery-related promotional products.
Lottery systems - services	Providing software, hardware and related services for lottery operations, including draw systems, instant ticket validation systems, sports wagering and keno systems	Sale of ancillary lottery systems hardware to customers where we have an ongoing services arrangement	N/A
Lottery systems - sales	Lottery systems software maintenance and support	Providing lottery systems, including hardware, software, and instant product validation systems	N/A

(1) See Instant Lottery Products below.

Instant Lottery Products

We generate revenue from the sale of instant lottery products under our POS and PPU contracts. Under our SGEP contracts we perform substantially all of the comprehensive services necessary to operate the associated lottery's integrated instant product operations, other than executing on retail sales, and to a lesser extent we provide certain services to retailers. We believe these integrated services help lotteries effectively manage and support their operations and achieve higher retail sales. For SGEP arrangements, we are typically paid on a Participation basis. We also provide licensed games and promotional and interactive marketing services to the lottery industry.

We market instant lottery products and related services to U.S. and international lotteries and commercial customers. We supply instant lottery products to 40 of the 46 U.S. jurisdictions that sell instant lottery products and have sold instant lottery products to customers in approximately 50 countries. Our U.S. instant lottery product contracts customarily have an initial term of three to five years and frequently include multiple renewal options for additional periods ranging from one to five years, which our customers have generally exercised in the past. We usually sell our instant lottery products on a PPU (meaning instant products sold to customer at a fixed price per unit) or Participation basis. Certain of our international customers purchase instant lottery products as needed rather than under multi-game supply contracts.

We provide lotteries with access to some of the world's most popular entertainment brands on lottery products, which we believe helps increase our customers' instant product sales. Our licensed entertainment brands include *JAMES BOND*, *WILLY WONKA*™, *MONOPOLY*, *LOTERIA*™, and *SLINGO*®. We also provide branded merchandise, advertising, promotional support, drawing management services and prize fulfillment programs. In addition, we offer lotteries interactive marketing services through our Loyalty Plus program which features players clubs, reward programs, second chance promotional websites, interactive games and subscription systems that enable players to purchase lottery games securely over the internet.

Lottery Systems

We are a leading provider of lottery systems including customized computer software, software support, equipment, and data communication services, to lotteries worldwide. Our U.S. arrangements ordinarily include the following: (1) provision of the necessary equipment (including POS terminals) and (2) software and maintenance services pursuant to contracts typically with an initial term of five years or more under which we are generally paid a fee equal to a percentage of the lottery's total retail sales. Our U.S. contracts commonly include multiple renewal options that generally have been exercised by our customers in the past. Internationally, we primarily sell: (1) POS terminals and/or computer software and hardware to lottery authorities; and (2) provide ongoing fee-based systems and software support services.

Our lottery systems use proprietary technology that facilitates high-speed processing of draw lottery game wagers and validation of winning draw and instant lottery products. We also supply our proprietary transaction-processing software, draw lottery games, keno, point-of-sale terminals, central site computers and communication platforms and ongoing operational support and maintenance services. We have contracts to operate lottery systems for 11 of the 47 U.S. jurisdictions that operate draw lotteries. Internationally, we have lottery systems operating in 14 countries including Canada and China.

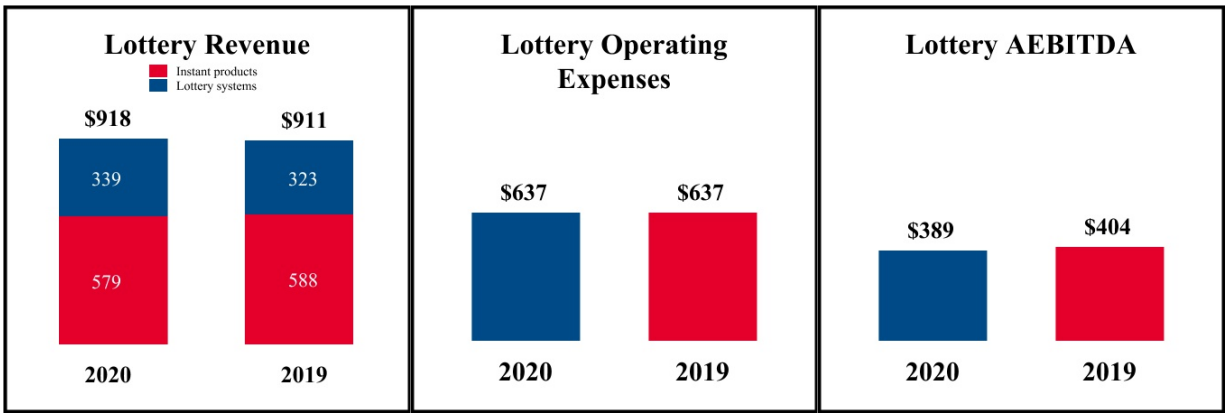
We have equity investments in LNS, Northstar New Jersey, Hellenic Lotteries, CSG and GLB, which entities operate or assist in the operation of lotteries. We are also the primary provider of instant lottery products to LNS and Northstar New Jersey and the exclusive provider of instant lottery products to Camelot Illinois, LLC and Hellenic Lotteries. Additional information regarding certain of our equity investments is included in Note 12.

Current year update

See *"Business Overview – Highlights, including recent developments – Impacts of COVID-19"* section above for a description of the COVID-19 impact on our Lottery business segment, which had an adverse effect on our 2020 results of operations and cash flows, but began to recover during the latter half of 2020 as results began to reflect increased revenues in our Lottery system sales. In addition to the adverse effects of COVID-19, we believe we will continue to face intense price-based competition in our Lottery business in 2021 and potentially beyond. In the near term, we also expect to see an increase in the number of jurisdictions that seek to privatize or outsource lottery operations and to face strong competition from both traditional and new competitors with respect to these opportunities. We anticipate that lottery requests for proposals, specifically those for private management agreements and certain of our international customers, could increasingly include terms that expose us to increased risk, such as requiring the guarantee of specific income thresholds or significant upfront payments.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Results of Operations and Key Performance Indicators



Revenue

(in millions)	Year Ended December 31,		Variance	
	2020	2019	2020 vs. 2019	
Revenue:				
Instant products	$ 579	$ 588	$ (9)	(2)%
Lottery systems	339	323	16	5 %
Total revenue	$ 918	$ 911	$ 7	1 %
F/X impact on revenue	$ 2	$ (10)	$ 12	120 %

The increase in total revenue is due to higher Lottery systems equipment sales of $16 million primarily due to increased international systems sales, partially offset by decreased Instant ticket sales revenue of $9 million due to the negative impact from COVID-19 disruptions on the first half of the year.

Operating Expenses

Operating expenses remained constant primarily due to increased costs of sales of $8 million correlated with increased equipment sales offset by lower operating expenses as a result of austerity measures implemented to reduce costs.

AEBITDA

AEBITDA decreased by $15 million or 4 percent primarily due to the impact of COVID-19 disruptions on our joint ventures driven by NorthStar New Jersey and LNS, partially offset by austerity measures implemented to reduce costs. AEBITDA margin decrease was 2 percentage points. Lower joint venture EBITDA contributed 3 percentage points of the decline while lower operating expenses increased the AEBITDA margin by 1 percentage.

SCIPLAY

Our SciPlay business segment is a leading developer and publisher of social games on mobile and web platforms. SciPlay currently offers seven core games, including social casino games *Jackpot Party Casino*, *Gold Fish Casino*, *Hot Shot Casino* and *Quick Hit Slots*, and casual games *MONOPOLY Slots*, *Bingo Showdown* and *88 Fortunes Slots* and recently added a solitaire social game as a part of the Come2Play acquisition. SciPlay's social casino games typically include slots-style game play and occasionally include table games-style game play, while SciPlay's casual games blend slots-style or bingo game play with adventure game features. All of SciPlay's games are offered and played on multiple platforms, including *Apple*, *Google*, *Facebook*, *Amazon*, and the *Microsoft* platform. In addition to SciPlay's internally created games, SciPlay's content library includes recognizable, real-world slot and table games content from SGC. This content allows players who like playing land-based slot machines to enjoy some of those same titles in SciPlay's free-to-play games. SciPlay has access to SGC's library of more than 1,500 iconic casino titles, including titles and content from third-party licensed brands such as *MONOPOLY, JAMES BOND, THE FLINTSTONES, MICHAEL JACKSON, and PLAYBOY*.

We generate substantially all of our revenue from the sale of virtual coins, chips and bingo cards which players can use to play our games. Players who install our games receive free virtual coins, chips and bingo cards upon the initial launch of the game and additional free virtual coins, chips and bingo cards at specific time intervals. Players may exhaust the virtual coins,

chips and bingo cards that they receive for free and may choose to purchase additional virtual coins, chips and bingo cards in order to extend their time of game play. Once obtained, virtual coins, chips and bingo cards (either free or purchased) cannot be redeemed for cash nor exchanged for anything other than game play within our apps. We distribute our games through various global social web and mobile platforms such as *Facebook*, *Apple*, *Google*, *Amazon*, *Microsoft*, and other web and mobile platforms. The games are primarily our *WMS*®, *Bally*®, *Barcrest*®, and *SHFL*® branded games. We offer both third-party branded games and original content.

Current year update

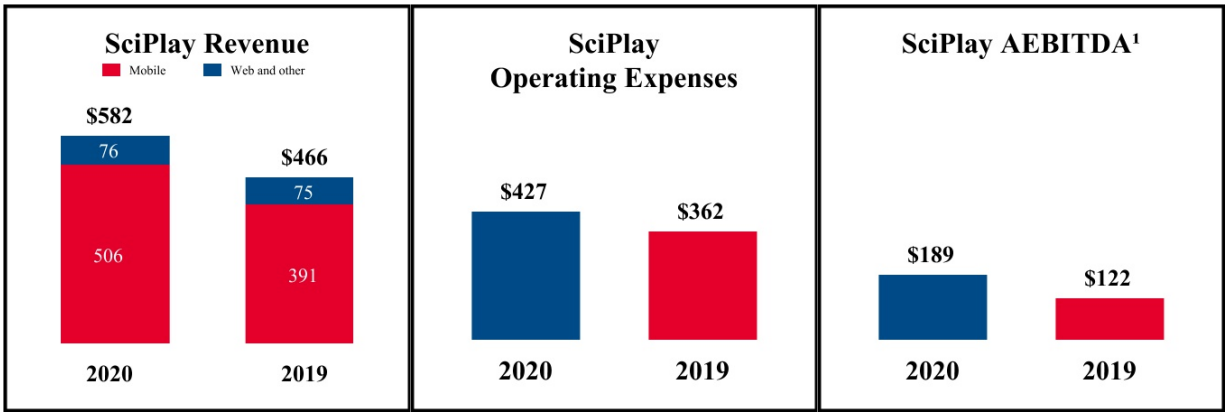
While the COVID-19 disruptions did not negatively affect SciPlay's results (see the "*Business Overview – Highlights, including recent developments – Impacts of COVID-19*" section above), sustained consumer unease, lower discretionary spending and shelter-in-place orders may impact SciPlay's results of operations in 2021. SciPlay experienced an increase in nearly all key performance indicators and revenue beginning in March 2020 and continuing through the end of 2020, which is partially due to the stay at home measures and increased player free time. The increase in paying players is also a result of significant game enhancements that have enabled SciPlay to attract and retain new players. The new players are highly engaged, and could continue to drive increases in key performance indicators, as they continue to be active paying players following the easing of COVID-19 restrictions. Many of SciPlay's current and potential players may have more free time to play games, however, they could also experience sustained consumer unease and have lower discretionary income.

During the first half of 2020, SciPlay deployed significant updates across a number of portfolio games, and continued testing in certain international markets. SciPlay expects to deploy further updates to games in future periods and to continue testing in international markets. We also continue to see the trend of players migrating from web to mobile platforms, which is expected to continue through 2021 and beyond.

On June 22, 2020, SciPlay completed the acquisition of the privately held mobile and social game company Come2Play (see Note 9), which expanded and diversified SciPlay's existing portfolio of social games. As a result of this acquisition we now offer a solitaire social game targeted towards casual game players on the same platforms in which we currently offer our existing games. We currently plan to launch an additional casual game in 2022.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Results of Operations and Key Performance Indicators



1 - The year ended December 31, 2019 includes charges of $10 million for intellectual property royalties paid to the Gaming business segment, which are no longer being paid as of May 7, 2019 in connection with the IP License Agreement.

Revenue

(in millions, except ARPDAU)	Year Ended December 31,		Variance	
	2020	2019	2020 vs. 2019	
Revenue:				
Mobile	$ 506	$ 391	$ 115	29 %
Web and other	76	75	1	1 %
Total	$ 582	$ 466	$ 116	25 %
KPIs:				
Mobile Penetration[1]	87 %	83 %	4 pp	nm
Average MAU[2]	7.4	8.0	(0.6)	(8)%
Average DAU[3]	2.7	2.7	—	— %
ARPDAU[4]	$ 0.60	$ 0.48	$ 0.12	25 %

nm = not meaningful.
pp = percentage points.
(1) Mobile penetration is defined as the percentage of business to consumer SciPlay revenue generated from mobile platforms.
(2) MAU = Monthly Active Users is a count of visitors to our sites during a month. An individual who plays multiple games or from multiple devices may, in certain circumstances, be counted more than once. However, we use third-party data to limit the occurrence of multiple counting.
(3) DAU = Daily Active Users is a count of visitors to our sites during a day. An individual who plays multiple games or from multiple devices may, in certain circumstances, be counted more than once. However, we use third-party data to limit the occurrence of multiple counting.
(4) ARPDAU = Average revenue per DAU is calculated by dividing revenue for a period by the DAU for the period by the number of days for the period.

Mobile platform revenue increased $115 million or 29 percent primarily due to increased player engagement as a result of the stay at home measures across North America and other regions and ongoing popularity of *Jackpot Party Casino*, *Gold Fish Casino*, *Quick Hits Slots*, and *MONOPOLY Slots*.

The increase in mobile penetration percentage primarily reflects a continued trend of players migrating from web to mobile platforms to play our games.

Average MAU decreased and average DAU stayed relatively flat due to the turnover in users while paying users stayed consistent. Consequently, ARPDAU increased due to stay at home measures across North America and other regions, introduction of new content and features, and ongoing popularity of our games.

Operating Expenses

Operating expenses increased by $38 million primarily due to a $36 million increase primarily related to salaries and benefits, stock-based incentive compensation related to the attainment of higher performance metrics and professional services fees coupled with a $27 million increase in cost of revenue correlated with revenue growth which were partially offset by a $10 million decrease in IP charges paid to the Gaming business segment, which ended as of May 7, 2019 in connection with the IP License Agreement.

AEBITDA

AEBITDA increased by $67 million or 55 percent primarily due to continued growth in revenue (as described above) and improved operating leverage while AEBITDA margin increased by 6.1 percentage points to 32.4%.

DIGITAL

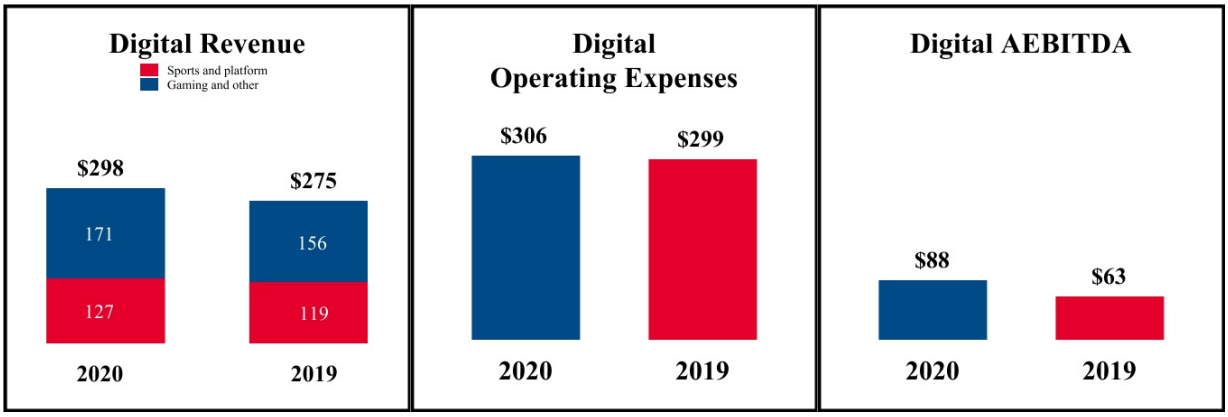
Our Digital segment provides a comprehensive suite of digital iGaming, iLottery and sports betting solutions and services, including digital RMG and sports wagering solutions, distribution platforms, content, products and services. A portion of our Digital revenue consists of professional services related to highly customized software design, development, licensing, maintenance and support services, which are derived from a comprehensive suite of technology solutions. These technology solutions allow our customers to operate sports books, which can offer sport (or non-sport) events and betting markets across both fixed-odds and pari-mutuel betting styles. We also provide the Open Platform System which offers a wide range of reporting and administrative functions and tools providing operators full control over all areas of digital gaming operations. Additionally, we derive revenue from our content aggregation platforms, including *Open Gaming System (OGS)*, remote gaming servers, and various other platforms, which can deliver a wide spectrum of internally developed and branded casino-style games and popular third-party provider casino-style games to gaming operators. Generally, we host the play of our game content on our centrally-located servers that are integrated with the online casino operators' websites.

Current year update

The initial negative impacts of COVID-19 on Sports and platform revenue were fully offset by increases in license revenue associated with license renewals of certain existing key customers and Gaming revenue that benefited from increased free time and stay at home measures. We continue to expand our customer base and capitalize on both iGaming and sports opportunities in the U.S. by leveraging our industry leading platforms, content and solutions. While we believe that we are well positioned and continue to successfully expand our customer base and capitalize on U.S. sports-betting markets, we see increased level of competition and expect that such competition will intensify.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Results of Operations



Revenue

(in millions)	Year Ended December 31,		Variance	
	2020	2019	2020 vs. 2019	
Revenue:				
Sports and platform	$ 127	$ 119	$ 8	7 %
Gaming and other	171	156	15	10 %
Total revenue	$ 298	$ 275	$ 23	8 %
F/X impact on revenue	$ 1	$ (12)	$ 13	nm
KPI:				
Gaming				
Wagers processed through OGS (in billions)	$ 51	$ 36	$ 15	42 %

nm = not meaningful.

Overall Digital revenue increased by $23 million or 8 percent primarily due to a cancellation fee associated with certain legacy agreements that were modified in the first quarter of 2020, higher license revenue from key customer renewals related to Sports and platform ($10 million which will not be recurring in 2021 as all key customer contracts are not due to renew until 2022 and after) and increase in Gaming and other revenues. The increase in Gaming and other revenue was partially offset by exiting certain legacy service lines, which resulted in a decrease of $11 million.

Operating Expenses and AEBITDA

Operating expenses increased primarily due to higher costs of revenue correlated with the increase in revenue. AEBITDA increased by $25 million or 40 percent primarily due to the increase in Gaming and other revenue which was driven by increased free time and stay at home measures, as noted above, coupled with increased Sports and platform revenue which was partially driven by the impact of license revenue associated with license renewals of certain existing customers. AEBITDA margin for the year ended December 31, 2020 increased by 6.6 percentage points to 30%.

RECENTLY ISSUED ACCOUNTING GUIDANCE

For a description of recently issued accounting pronouncements, see Note 1.

CRITICAL ACCOUNTING ESTIMATES

Information regarding significant accounting policies is included in Note 1 and in the relevant sections of applicable Notes. As stated in Note 1, the preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. We believe that the estimates, assumptions, and judgments involved in the following accounting policies have the greatest potential impact on our consolidated financial statements:

- Business combinations;
- Revenue recognition;
- Inventory valuation;
- Allowance for credit losses;
- Goodwill and other indefinite-lived intangibles, long-lived assets and finite-lived intangible assets - impairment assessment;
- Income taxes; and
- Legal contingencies.

Business Combinations

As described in Note 9, we account for business combinations in accordance with ASC 805. This standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination.

Determining the fair value of assets acquired and liabilities assumed requires management judgment, the utilization of independent valuation experts and often involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. Any changes in the underlying assumptions can impact the estimates of fair value by material amounts, which can in turn materially impact our results of operations. If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these fair values, we could record impairment charges. In addition, we have estimated the economic lives of certain acquired assets and these lives are used to calculate D&A expense. If our estimates of the economic lives change, D&A expense could be accelerated or slowed.

Revenue Recognition

Our revenue recognition policies described in Note 3 require us to make significant judgments and estimates. The guidance requires that we apply judgments or estimates to determine the performance obligations, the stand-alone selling prices of our performance obligations to customers, and the timing of transfer of control of the respective performance obligations. The evaluation of each of these criteria in light of contract specific facts and circumstances is inherently judgmental, but certain judgments could significantly affect the timing or amount of revenue recognized if we were to reach a different conclusion than we have. The critical judgments we are required to make in our assessment of contracts with customers that could significantly affect the timing or amount of revenue recognized are:

- *Contracts with Multiple Promised Goods and Services* - because we enter into contracts with customers that involve promises to transfer multiple products and services, the determination of the distinct performance obligations in contracts with multiple promises requires significant judgment. Our total gaming systems, lottery systems and Digital revenue that often contain multiple promised goods and services was $433 million for the year ended December 31, 2020, or approximately 16 percent of consolidated revenue, a portion of which would not be recognized if we had reached a different conclusion.

- *Determination of stand-alone selling prices* - the guidance requires that we determine the stand-alone selling price for our goods and services as a basis for allocating the transaction price to the identified distinct performance obligations in our contracts with customers. Because we often bundle the selling price for multiple promised goods or services or we may license systems for which the solutions we provide are highly customized and therefore the prices we charge are variable, the determination of a stand-alone selling price or the relative range may require significant judgment. Our total gaming systems, lottery systems and Digital revenue that could be subject to this judgment and thus allocated

to distinct performance obligations differently was a portion of $433 million for the year ended December 31, 2020, or approximately 16 percent of consolidated revenue.

- *Transfer of control in Lottery POS contracts* - the guidance requires that we recognize revenue when or as control over a performance obligation transfers to a customer. In instant products contracts under POS terms, instant products are delivered to lottery customers, but we retain the risk of such inventory until retail sales of such tickets takes place. Because those shipments are to a lottery-controlled warehouse and we do not have the ability to direct the use of such instant products subsequent to this delivery, we have determined that control transfers upon delivery. This conclusion requires the use of judgment. If we concluded that control transferred upon retail sales when the end customer obtained control over the instant tickets, the revenue that could be subject to decrease would be a portion of $93 million for the year ended December 31, 2020, or approximately 3 percent of consolidated revenue.

Inventory Valuation

We review our inventory levels each reporting period and adjust the value of our inventory to the extent we determine that inventory cost is in excess of its net realizable value. To estimate obsolete and excess inventory, we consider a number of qualitative and quantitative factors, including product strategy and product lifecycles, estimates of future demand, current pricing, historical sales trends, market trends, and economic conditions. Any changes in these factors could result in material inventory charges which would increase our cost of products and decrease our gross margin, and such charges could be material.

During the years ended December 31, 2020, 2019, and 2018, we recorded $48 million, $9 million, and $20 million, respectively, in charges related to inventory in our Gaming business segment. The 2020 charges are primarily due to the COVID-19 disruption impacting future demand combined with a continuing reassessment of our Gaming products strategy by the new Gaming business segment leadership. The total Gaming business segment net inventory as of December 31, 2020 was $124 million.

See Note 7 for additional information.

Allowance for Credit Losses

Following the adoption of ASC 326 on January 1, 2020, the receivables allowance for credit losses are recognized based on our best estimate of the amount of expected credit losses in our existing receivables over the contractual term. Such an estimate requires consideration of any relevant available information, which begins with historical credit loss experience, consideration of current and expected conditions and market trends (such as general economic conditions, other microeconomic and macroeconomic considerations (including foreign currency impacts), geography, etc.) and reasonable and supportable forecasts that could impact the collectability of such receivables over the contractual term individually or in the aggregate. Based on these risk factors, we place our customers in different tranches to determine which customers should be assessed on an individual basis and which customers should be assessed on a more general basis. Any changes in circumstances relating to these factors could result in material increase or decrease to our receivables allowance for credit losses and such changes could be material, particularly impacting our Gaming segment receivables.

Unfavorable economic conditions exacerbated by COVID-19 impacted and could continue to impact the timing and amount of cash receipts from our Gaming customers. Additionally and as described in Note 6, we have certain concentrations of outstanding Gaming segment receivables, primarily in the LATAM region where we historically provided extended payment term financing for product purchases, as is a common industry practice. These factors (including any future changes) collectively may increase our collection risks and materially impact our estimate of receivables allowance for credit losses. We increased our allowance for credit losses by $56 million for the year ended December 31, 2020. This increase was primarily related to specific Gaming customers in LATAM as certain of those customers had extended payment term financing, and/or were particularly affected by COVID-19 prolonged closures of gaming operations establishments generally and credit deterioration from macroeconomic conditions of the region, including foreign currency impacts.

We had a total of $380 million in Gaming segment receivables, net as of December 31, 2020 of which $54 million relates to the LATAM region. See Note 6 for additional information.

Goodwill and other indefinite-lived intangibles - impairment assessment

We allocate goodwill to reporting units based on the reporting unit expected to benefit from the business combination. We evaluate our reporting units on at least an annual basis and, if necessary, reassign goodwill using a relative fair value allocation approach. We have ten reporting units: Instant Products, U.S. Lottery Systems, International Lottery Systems, SG Gaming, legacy U.K. Gaming, Casino Management Systems, Table Products, SciPlay, Digital sports and platform and Digital gaming and other. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an

operating segment) annually on October 1 and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit.

Goodwill is reviewed for impairment using either a qualitative assessment or a quantitative one-step process. If we perform a qualitative assessment and determine that the fair value of a reporting unit more likely than not exceeds the carrying value, no further evaluation is necessary. For reporting units where we perform the quantitative process, we are required to compare the fair value of each reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows and a market approach, to the respective carrying value, which includes goodwill. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is higher than the fair value, we recognize an impairment charge for the amount by which the carrying value exceeds the reporting unit's estimated fair value.

Application of the goodwill impairment test requires judgment, including the identification of reporting units, assignment of assets and liabilities to reporting units, assignment of goodwill to reporting units, and determination of the fair value of each reporting unit. Performance of the qualitative goodwill assessment requires judgment in identifying and considering the significance of relevant key factors, events and circumstances that affect the fair value or carrying amount of the reporting units. The estimates used to calculate the fair value of a reporting unit as a part of the quantitative goodwill assessment change from year to year based on operating results, market conditions, and other factors. Changes in these estimates and assumptions could materially affect the determination of fair value and goodwill impairment, if any, for each reporting unit.

We performed our annual goodwill impairment test as of October 1, 2020 using both a quantitative assessment (for our Gaming and Digital segments reporting units and International lottery systems reporting unit) and a qualitative assessment (for our Instant product and SciPlay reporting units). The test results for all reporting units for which we performed a quantitative assessment indicated the fair values significantly exceeded (greater than 20%) the carrying value.

As described in the "*Business Overview – Highlights including recent developments – Impacts of COVID-19*" section above, the COVID-19 pandemic has had and continues to have an adverse effect on our results of operations, cash flows and financial condition and has resulted in significant volatility in global markets. While our 2020 annual goodwill impairment test did not indicate impairment, continued uncertainty as to the ultimate impact of the COVID-19 disruptions and pace of recovery described above, we believe there to be an elevated risk of goodwill impairment for the Gaming segment reporting units if the adverse impact of the disruptions or overall recovery for our Gaming reporting units sustains over an extended period of time.

The following table summarizes goodwill balances and cushions (excess of fair value over carrying value) based on the latest annual goodwill test for all of our Gaming segment reporting units:

Reporting Unit	December 31, 2020 Goodwill Balance (in millions)	FY 2020 Goodwill Testing Percentage Cushion
SG Gaming	$1,097	32%
U.K. Gaming	129	24%
Casino Management Systems	560	42%
Table Products	639	45%

Discounted cash flow analysis requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long-term rate of growth for our business, the relative risk of achieving those cash flows, and determination of our weighted average cost of capital, all of which are subject to overall uncertainty about the magnitude and duration of the COVID-19 disruptions. When using the market approach, we make judgments about the comparability of publicly traded companies engaged in similar businesses or public transactions information for similar businesses. We base our judgments on factors such as size, growth rates, profitability, risk, and return on investment. We also make judgments when adjusting market multiples of revenue, and earnings for these companies to reflect their relative similarity to our business. Specifically, our annual goodwill impairment test as of October 1, 2020, included our estimated impacts of COVID-19 disruptions, which for our Gaming segment reporting units assumed returning cash flows to a normal level in 2023, using market multiples for 2023 and assigning more weight to the income approach. Our analysis also includes comparison of our reporting units' total estimated fair values to the total enterprise value and assessing the implied control premium, supporting the reasonableness of our concluded estimated fair values determined under the combination of income and market approaches as of our testing date.

Q1 2020 Legacy U.K. Gaming Impairment Charge

A substantial portion of our legacy U.K. Gaming reporting unit revenue comes from Ladbrokes Coral Group (acquired by Entain (formerly GVC Holdings PLC) in March 2018), which operates LBOs in the U.K. On April 1, 2019, the maximum stakes limit on fixed-odds betting terminals was reduced from £100 to £2. As a result of this change, LBO operators began to rationalize their retail operations, which among other measures has included closure of certain LBO shops. Consequently, as of October 1, 2019, we concluded that an elevated risk of goodwill impairment existed for our legacy U.K. Gaming reporting unit as adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with investments included in that reporting unit could lead to future goodwill impairments.

During the first quarter of 2020, we determined that the COVID-19 disruptions reached a level that triggered a quantitative test for our legacy U.K. Gaming reporting unit. Accordingly, we performed a quantitative impairment test by comparing the fair value of our legacy U.K. Gaming reporting unit to its carrying value, including goodwill. The fair value of our legacy U.K. Gaming reporting unit was determined using a combination of both an income approach, based on the present value of discounted cash flows, and a market approach. Due to market volatility and limited market data points specific to the nature of our legacy U.K. Gaming reporting unit operations, we placed greater weight on the income approach than on the market approach. As a result of this analysis, we recognized a partial impairment charge totaling $54 million during the first quarter of 2020, which is the amount by which the carrying value exceeded the estimated fair value.

We test our other indefinite-lived assets annually for impairment in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of an indefinite-lived asset is less than its carrying value or when circumstances no longer continue to support an indefinite useful life. An impairment test may be qualitative or quantitative, depending on the circumstances. When a quantitative test is performed, fair value is determined using a discounted cash flow approach where projections of future cash flows generated by those assets are discounted using an estimated discount rate. We estimate the fair value of our indefinite-lived assets using the relief-from-royalty method, which uses several significant assumptions, including an assumed royalty rate, revenue projections that consider both historical and estimated future results, general economic and market conditions, and the impact of planned business and operational strategies. If the indicated fair value of the indefinite-lived asset exceeds its carrying value, the asset is not considered impaired. In the event that the fair value of the indefinite-lived asset is less than its carrying value, the difference is recorded as an impairment charge.

Long-lived assets and finite-lived intangible assets - impairment assessment

We evaluate the recoverability of intangible assets and other long-lived assets with finite useful lives by comparing the carrying value of the asset group to the estimated undiscounted future cash flows that we expect the asset to generate if events or changes in circumstances indicate that these assets are not recoverable. Any impairment is measured as the amount by which the carrying value of the asset exceeds the estimated fair value. The fair value is determined using a discounted cash flow approach where projections of future cash flows generated by those assets are discounted using an estimated discount rate. Significant judgment is required to estimate the amount and timing of future cash flows and the relative risk of achieving those cash flows. We also make judgments about the remaining useful lives of intangible assets and other long-lived assets that have finite lives. While we believe our estimates of future operating results and projected cash flows are reasonable, any significant adverse changes in key assumptions (i.e., adverse change in the extent or manner which an asset (asset group) is being used or expectation that, more likely than not, an asset (asset group) will be sold or otherwise disposed of before the end of its useful life) or adverse changes in economic and market conditions may cause a change in our evaluation of recoverability or our estimation of fair value and could result in an impairment charge that could be material to our financial statements.

Income taxes

We are subject to the income tax laws of the many jurisdictions in which we operate. These tax laws are complex, and the manner in which they apply to our facts is sometimes open to interpretation. In establishing the provision for income taxes, we must make judgments about the application of these inherently complex tax laws.

Despite our belief that our tax return positions are consistent with applicable tax laws, we believe that taxing authorities could challenge certain positions. Settlement of any challenge can result in no change, a complete disallowance, or some partial adjustment reached through negotiations or litigation. We record tax benefits for uncertain tax positions based upon management’s evaluation of the information available at the reporting date. To be recognized in the financial statements, a tax benefit must be at least more likely than not of being sustained based on technical merits. The tax benefit for positions meeting the recognition threshold is measured as the largest benefit more likely than not of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. Significant judgment is required in making these determinations, and adjustments to uncertain tax positions may be necessary to reflect actual taxes payable upon settlement. Adjustments related to positions impacting the effective tax rate affect the provision for income taxes. Adjustments related to positions impacting the timing of deductions impact deferred tax assets and liabilities.

Our income tax positions and analysis are based on currently enacted tax law. Future changes in tax law could significantly impact the provision for income taxes, the amount of taxes payable, and the deferred tax asset and liability balances in future periods. Deferred tax assets generally represent tax benefits for tax deductions or credits available in future tax returns. Certain estimates and assumptions are required to determine whether it is more likely than not that all or some portion of the benefit of a deferred tax asset will not be realized. In making this assessment, management analyzes and estimates the impact of future taxable income, available carry-backs and carry-forwards, reversing temporary differences and available prudent and feasible tax planning strategies. We have recorded valuation allowances in certain jurisdictions to reduce our deferred tax assets to the amounts that are more likely than not to be realized. Should a change in facts or circumstances lead to a change in judgment about the ultimate realizability of a deferred tax asset, we record or adjust the related valuation allowance in the annual period that the change in facts and circumstances occurs, along with a corresponding increase or decrease in the provision for income taxes.

Legal contingencies

We are subject to certain legal proceedings, demands, claims and threatened litigation that arise in the normal course of our business. We review the status of each significant matter quarterly and assess our potential financial exposure. If the potential loss from any claim or legal proceeding is considered probable and the amount can be reasonably estimated, we record a liability and an expense for the estimated loss. If we determine that a loss is reasonably possible and the range of the loss can be reasonably estimated, then we disclose the range of the possible loss. Significant judgment is required in the determination of whether a potential loss is probable, reasonably possible, or remote and in the determination of whether a potential exposure is reasonably estimable. Our accruals are based on the best information available at the time. As additional information becomes available, we reassess the liabilities and disclosures related to our pending claims and litigation and may revise our estimates. Potential legal liabilities and the revision of estimates of legal liabilities could have a material impact on our results of operations, cash flows and financial position. For discussion of our legal proceedings, see Note 21, which is incorporated by reference into Item 3 of this Annual Report on Form 10-K.

LIQUIDITY, CAPITAL RESOURCES AND WORKING CAPITAL

Cash and available liquidity

As of December 31, 2020, our principal sources of liquidity, other than cash flows provided by operating activities, were cash and cash equivalents, including SciPlay cash and cash equivalents (for our SciPlay business segment), and amounts available under the SciPlay Revolver (for our SciPlay business segment) discussed below under “Credit Agreement and Other Debt”.

The following table summarizes our cash and available revolver capacity as of December 31, 2020:

(in millions)	SGC (excluding SciPlay)	SciPlay	Total
Cash and cash equivalents	$ 747	$ 269	$ 1,016
Revolver capacity	650	150	800
Revolver capacity drawn or committed to letters of credit	(547)	—	(547)
Total	$ 850	$ 419	$ 1,269

On May 7, 2019, SciPlay completed an IPO for an 18.0% minority interest in our Social gaming business, after giving effect to the underwriters’ partial exercise of their over-allotment option on June 4, 2019. We received $312 million in net proceeds from the offering (net of $30 million used by SciPlay to pay the offering fees and the balance retained by SciPlay for general corporate purposes). Subsequent to the IPO, SciPlay Holding Company, LLC (“SciPlay Holding”), a subsidiary of SciPlay, entered into a $150 million revolving credit agreement that matures in May 2024. These proceeds enabled us to reduce our revolving credit facility and other debt in 2019. In 2018, the amount of dividends declared and paid by SciPlay to SG Gaming was $77 million. At this time, we do not expect SciPlay to declare or pay any cash dividends, other than tax distributions and certain cash distributions related to the impact of taxes pursuant to the TRA, of which payments totaling $15 million were made for the year ended December 31, 2020.

Sources of liquidity

As of December 31, 2020, we had a total revolver net undrawn revolver balance of $253 million that remains available for future needs if necessary. During 2020 we drew $530 million under SGI’s revolving credit facility and repaid $190 million. In February of 2021, we made voluntary payment of $100 million on SGI’s revolving credit facility.

On May 8, 2020, the Company and the requisite lenders under SGI's revolving credit facility entered into the Credit Agreement Amendment that, among other things, implements a financial covenant relief period through the end of the quarter ending March 31, 2021. The Covenant Relief Period was subsequently extended to March 31, 2022 on October 8, 2020. See Note 1 for additional details regarding the Credit Agreement Amendment and Credit Agreement Extension Amendment.

On July 1, 2020, we completed the issuance of $550 million in aggregate principal amount of 8.625% senior unsecured notes due 2025 in a private offering and on July 17, 2020 we redeemed all $341 million of our outstanding 2021 Notes (see above and Note 15).

Total cash held by our foreign subsidiaries was $173 million and $112 million as of December 31, 2020 and December 31, 2019, respectively. We believe that substantially all cash held outside the U.S. is free from legal encumbrances or similar restrictions that would prevent it from being available to meet our global liquidity needs.

Our Gaming operations and Lottery systems businesses generally require significant upfront capital expenditures. For Gaming operations, to attract and retain gaming operations customers, we seek to develop and incorporate the newest technology within our equipment and products, which may require additional capital expenditures. Similarly, in connection with a renewal or bid of a Lottery systems contract, a customer may seek to obtain new equipment or impose new service requirements, which may require upfront capital expenditures in order to retain or win the contract. For additional information regarding our cash needs and related risks, see "Risk Factors" under Part I, Item 1A.

Our Lottery segment's ability to generate revenue and continue to procure new contracts will depend on, among other things, our then present liquidity levels or our ability to obtain additional financing on commercially reasonable terms, which were negatively affected by the COVID-19 pandemic. If we do not have adequate liquidity or are unable to obtain financing for these upfront cash payments on favorable terms or at all, we may not be able to bid on certain contracts, which could restrict our ability to grow and have a material adverse effect on our results of operations, cash flows and financial condition.

Our ability to make payments on and to refinance our indebtedness and other obligations depends on our ability to generate cash in the future. From time to time we have also repurchased or otherwise retired or refinanced our debt, through our subsidiaries or otherwise, and may continue to do so in the future. Such activities, if any, will depend on prevailing market conditions, contractual restrictions and other factors, and the amounts involved may or may not be material. If we need to refinance all or part of our indebtedness at or before maturity, we cannot assure that we will be able to obtain new financing or to refinance any of our indebtedness on commercially reasonable terms or at all. In the event we pursue significant acquisitions or other expansion opportunities, conduct significant repurchases of our outstanding securities or refinance or repay existing debt, we may need to raise additional capital either through the public or private issuance of equity or debt securities or through additional borrowings under our existing or additional financing arrangements, which sources of funds may not necessarily be available on terms acceptable to us, or at all. For additional information regarding our cash needs and related risks, see "Risk Factors" under Part I, Item 1A.

In addition, U.S. lottery customers generally require service providers to provide performance bonds in connection with the relevant contract. As of December 31, 2020, our outstanding performance bonds totaled $253 million. Our ability to obtain performance bonds on commercially reasonable terms is subject to our financial condition and prevailing market conditions, which may be impacted by economic and political events. Although we have not experienced difficulty in obtaining such bonds to date, we cannot assure that we will continue to be able to obtain performance bonds on commercially reasonable terms, or at all. For additional information regarding our surety or performance bonds in connection with our contracts, see "Risk Factors" under Part I, Item 1A.

Cash Flow Summary

(in millions)	Year Ended December 31,		Variance
	2020	2019	2020 vs. 2019
Net cash provided by operating activities	$ 471	$ 546	$ (75)
Net cash used in investing activities	(173)	(263)	90
Net cash provided by (used in) financing activities	463	(129)	592
Effect of exchange rates on cash, cash equivalents and restricted cash	7	1	6
Increase in cash, cash equivalents and restricted cash	$ 768	$ 155	$ 613

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Cash flows from operating activities

Net cash provided by operating activities decreased in 2020 primarily due to lower cash earnings impacted by the

COVID-19 business disruptions. The changes in our working capital accounts for the year ended December 31, 2020 were primarily driven by the following:

- $121 million favorable change in receivables due to timing of collections and lower billing primarily associated with Gaming segment receivables;
- $14 million favorable change in inventory due to timing of orders and shipments;
- $35 million unfavorable change in other current assets and liabilities primarily related to increases in various prepaid expenses and timing of contract assets and liabilities;
- $60 million favorable change in accounts payable and accrued liabilities primarily as a result of the timing of expenditures.

Cash flows from investing activities

Net cash used in investing activities decreased primarily due to lower capital expenditures and proceeds received from the sale of certain properties in Chicago, which was partially offset by SciPlay's acquisition of Come2Play. Capital expenditures are composed of investments in systems, equipment and other assets related to contracts, property and equipment, intangible assets and software.

Cash flows from financing activities

Net cash provided by financing activities increased primarily due to the $340 million net draw on SGI's revolving credit facility, while the prior year included $342 million in proceeds from the sale of SciPlay common stock, which were partially offset by $253 million in net payments on long-term debt and $23 million in debt issuance, deferred financing and offering costs. Additionally, during 2020, we received net proceeds of $543 million from the issuance of 2025 Senior Unsecured Notes partially offset by $1 million in debt issuance and offering costs and $341 million in net payments for the redemption of the 2021 Notes.

Credit Agreement and Other Debt

For additional information regarding our credit agreement and other debt, interest rate risk and interest rate hedging instruments, see "Contractual Obligations" in this Item 7 below, in Part II, Item 7A "Quantitative and Qualitative Disclosures About Market Risk" and in Note 15 and Note 16.

Off-Balance Sheet Arrangements

As of December 31, 2020, we did not have any significant off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Contractual Obligations

Our contractual obligations and commercial commitments principally include obligations associated with our outstanding indebtedness, contractual purchase obligations and future minimum operating lease obligations and other long-term liabilities as set forth in the table below as of December 31, 2020:

(in millions)	Cash Payments Due In				
	Total	Less than 1 year	1 - 3 years	4 - 5 years	More than 5 years
Debt, face value [1]	$ 9,407	$ 44	$ 89	$ 6,269	$ 3,005
Interest payments [2]	2,318	458	883	683	294
License royalty minimum guaranteed payments	178	45	74	59	—
Purchase obligations [3]	183	183	—	—	—
Operating leases [4]	116	30	44	27	15
Other obligations [5]	48	17	6	8	17
Total contractual obligations	$ 12,250	$ 777	$ 1,096	$ 7,046	$ 3,331

(1) See Note 15 for information regarding long-term and other debt, including $7 million related to certain revenue transactions presented as debt in accordance with ASC 470 and finance leases.
(2) Based on rates in effect on December 31, 2020.
(3) Includes, among other contractual obligations, estimated obligations and/or capital commitments in connection with our Gaming and Lottery supply contracts.
(4) See Note 14 for information regarding our operating leases.
(5) Includes certain other contractual obligations, including pension and estimated contingent acquisition considerations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk is the risk of loss arising from adverse changes in market rates and prices, such as interest rates, foreign exchange rates and commodity prices. The following are our financial instruments which expose us to market risk:

Interest Rate Risk

As of December 31, 2020, the face value of long-term debt was $9,407 million, including $4,595 million of variable-rate obligations that fluctuate based on LIBOR (of which, $800 million is effectively fixed pursuant to interest rate swap contracts that mature in February 2022) (see Notes 15 and 16). See Note 1 for additional details on reference rate reform and ASU 2020-04 and ASU 2021-01, which impact (if any) is being evaluated. Assuming a constant outstanding balance for our variable-rate long term debt, a hypothetical 1% change in interest rates would result in interest expense changing by approximately $46 million. For the years ended December 31, 2020, 2019, and 2018, the average one-month LIBOR was 0.52%, 2.19%, and 2.18%, respectively. All of our interest rate sensitive financial instruments are held for purposes other than trading purposes. We have attempted to limit our exposure to interest rate risk by using interest rate swap contracts to mitigate interest rate risk associated with a portion of our variable-rate debt instruments. The objective of our interest rate swap contracts, which are designated as cash flow hedges of the future interest payments, is to eliminate the variability of cash flows attributable to the LIBOR component of interest expense to be paid on a portion of our variable-rate debt.

Cross-Currency Interest Rate Swaps

In connection with the February 2018 Refinancing (see Note 15), we entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting $460 million of our fixed-rate U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to a fixed-rate Euro-denominated debt, with a fixed annual weighted interest rate of approximately 2.946%. We have designated these cross-currency interest rate swap agreements as a net investment hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar.

As of December 31, 2020, if these cross-currency interest rate swap agreements were ineffective, the fluctuations in the exchange rates between the Euro and the U.S. Dollar would impact the amount of U.S. Dollars that we would require to settle the Euro-denominated debt at maturity of these agreements. A hypothetical 10% change in the U.S. Dollar in comparison to the Euro exchange rate upon inception of the cross-currency interest rate swap would have increased/decreased our obligation to cash settle the exchanged principal portion in U.S. Dollars by approximately $46 million.

Net Investment Non-derivative Hedge - 2026 Secured and Unsecured Euro Notes

In February 2018, we designated a portion of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro with respect to the U.S. Dollar.

Fluctuations in the exchange rates between the Euro and the U.S. Dollar will impact the amount of U.S. Dollars that we will require to settle the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes at maturity. A hypothetical 10% change

in U.S. Dollar in comparison to the Euro as of December 31, 2020, would have increased/decreased our obligation to cash settle the principal portion of the 2026 Secured and Unsecured Euro Notes in U.S. Dollars by approximately $71 million.

For additional information regarding interest rate swap contracts, cross-currency interest rate swaps and net investment non-derivative hedges see Note 16.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and other information required by this item are included in Part IV, Item 15 of this Annual Report on Form 10-K and are presented beginning on page 80.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Exchange Act, as of the end of the period covered by this annual report. Based on that evaluation, the CEO and CFO concluded that our disclosure controls and procedures are effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting

The management of SGC is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of SGC; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013). Based on our assessment we concluded that, as of December 31, 2020, our internal control over financial reporting was effective based on those criteria.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by Deloitte & Touche LLP, our independent registered public accounting firm. Their report is included below.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Scientific Games Corporation

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Scientific Games Corporation and subsidiaries (the "Company") as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2020, of the Company and our report dated March 1, 2021 expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 1, 2021

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

We have adopted a Code of Business Conduct that applies to all of our officers, directors and employees (including our CEO, CFO and Chief Accounting Officer) and have posted the Code of Business Conduct on our website at www.scientificgames.com/investors/corporate-governance/code-of-business-conduct. In the event that we have any amendments to or waivers from any provision of the Code of Business Conduct applicable to our CEO, CFO or Chief Accounting Officer, we intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K by posting such information on our website at www.scientificgames.com/investors/corporate-governance.

Information relating to our executive officers is included in Part I, Item 1 of this Annual Report on Form 10-K. The other information called for by this item is incorporated by reference to our definitive proxy statement relating to our 2021 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2021, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2021 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2021, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2021 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2021, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2021 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2021, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by this item is incorporated herein by reference to our definitive proxy statement relating to our 2021 annual meeting of stockholders, which will be filed with the SEC. If such proxy statement is not filed on or before April 30, 2021, the information called for by this item will be filed as part of an amendment to this Annual Report on Form 10-K on or before such date.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Scientific Games Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Scientific Games Corporation and subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, stockholders' deficit, and cash flows, for each of the three years in the period ended December 31, 2020, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 1, 2021, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Revenue — Refer to Note 3 to the financial statements

Critical Audit Matter Description

Certain of the Company's revenue contracts with customers include multiple promises (such as hardware, software, professional services, and maintenance among others). The Company is required to evaluate whether each promise represents a performance obligation. The evaluation of whether promises are both capable of being distinct and distinct in the context of a contract (and thus constitute performance obligations) can require significant judgment and could change the amount of revenue recognized in a given period.

We identified the determination of performance obligations for contracts with higher contract values as a critical audit matter because of the judgments and estimates management makes to evaluate such contracts and the impact of such judgments on the amount of revenue recognized in a given period. This required a high degree of auditor judgment and an increased extent of testing.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to testing revenue contracts with higher contract values for the determination of performance obligations included the following, among others:

- We tested the effectiveness of management's controls over:
  - Preparation and review of accounting analyses
  - Contract reviews to identify all promises and determine whether such promises are both capable of being distinct and distinct in the context of the contract such that they constitute performance obligations
  - Salesperson certifications to determine whether side agreements exist or whether there were amendments to contracts with customers during the period.
- For selected contracts, we performed the following:
  - Obtained contract documents, including master agreements, and other documents that were relevant to the contract
  - Tested management's identification of performance obligations by evaluating whether the promises were both capable of being distinct and distinct within the context of the contract, including reading the selected contracts and inquiring of certain of the Company's accounting and operations personnel to understand the nature of the promises and how they are delivered to the customer
  - Sent requests to customers for confirmation of key contract terms and compared responses to management's analysis and inspected other correspondence between the customer and the Company that could be relevant to the contract. As applicable, inspected the aging of outstanding receivables or credit memos

Goodwill – Legacy U.K. Gaming — Refer to Note 10 to the financial statements

Critical Audit Matter Description

Goodwill is reviewed for impairment by the Company's management at the reporting unit level using either a qualitative assessment or a quantitative impairment test. A quantitative impairment test is performed by comparing the carrying value of a reporting unit to its fair value. If the fair value of the reporting unit is less than its carrying value, an impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit's fair value. The Company uses a combination of both an income approach, based on the present value of discounted cash flows, and a market approach to determine the fair value of its reporting units. Discounted cash flow analysis requires management to make significant judgments, including the estimation of future cash flows, among others. During the first quarter of the year ended December 31, 2020, management performed a quantitative impairment test related to its Legacy U.K. Gaming reporting unit, resulting in the recording of a $54 million impairment charge. Management performed an additional quantitative impairment test related to its Legacy U.K Gaming reporting unit in connection with its required annual impairment test which did not indicate any further impairment. As of December 31, 2020, the Legacy U.K. Gaming reporting unit had a goodwill value of $129 million.

We identified management's determination of the fair value of the Legacy U.K. Gaming reporting unit as a critical audit matter due to the significant forward-looking assumptions required in determining fair value under the income approach. Specifically, given the increased uncertainty in the current year due to COVID-19, auditing management's assumptions regarding the discount rate and the projections of revenue and profit margin was especially challenging and required a high degree of auditor judgment, including the involvement of our valuation specialists, to evaluate the reasonableness of management's assumptions.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to testing the discount rate and projections of revenue and profit margin for the Legacy U.K. Gaming reporting unit included the following, among others:

- We tested the effectiveness of management's controls over:
  - Preparation and evaluation of future operating results such as projected revenues and profit margins
  - Management's selection of the discount rate
  - Evaluation of third-party valuation reports
- We performed the following substantive procedures:
  - Evaluated management's ability to accurately project future revenues and profit margins by comparing actual results to management's historical projections

- Evaluated the reasonableness of management's revenue and profit margin projections by comparing the projections to:
  - Historical revenues and profit margins
  - Internal communications to management and the Board of Directors
  - Projected information included in analyst and industry reports for the Company and certain of its peer companies and macroeconomic data
  - Projected information used in previous impairment tests
- We evaluated the impact of changes in management's projections from the October 1, 2020 annual measurement date to management's assessment of potential triggering events through December 31, 2020.
- With the assistance of our fair value specialists, we evaluated the reasonableness of the discount rate by:
  - Testing the source information underlying the determination of the discount rate and the mathematical accuracy of the calculation
  - Developing a range of independent estimates and comparing those to the discount rate selected by management

/s/ Deloitte & Touche LLP

Las Vegas, Nevada
March 1, 2021

We have served as the Company's auditor since 2003

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share amounts)

	Years Ended December 31,		
	2020	**2019**	**2018**
Revenue:			
Services	$ 1,593	$ 1,819	$ 1,777
Product sales	553	994	994
Instant products	578	587	592
Total revenue	2,724	3,400	3,363
Operating expenses:			
Cost of services [(1)]	531	538	505
Cost of product sales [(1)]	349	457	466
Cost of instant products [(1)]	280	289	284
Selling, general and administrative	701	707	697
Research and development	166	188	202
Depreciation, amortization and impairments	554	647	690
Goodwill impairment	54	—	—
Restructuring and other	67	28	253
Operating income	22	546	266
Other (expense) income:			
Interest expense	(503)	(589)	(597)
(Loss) earnings from equity investments	(6)	24	25
Loss on debt financing transactions	(1)	(100)	(93)
(Loss) gain on remeasurement of debt	(51)	9	43
Other (expense) income, net	(5)	2	17
Total other expense, net	(566)	(654)	(605)
Net loss before income taxes	(544)	(108)	(339)
Income tax expense	(4)	(10)	(13)
Net loss	(548)	(118)	(352)
Less: Net income attributable to noncontrolling interest	21	12	—
Net loss attributable to SGC	$ (569)	$ (130)	$ (352)
Basic and diluted net loss attributable to SGC per share:			
Basic	$ (6.02)	$ (1.40)	$ (3.87)
Diluted	$ (6.02)	$ (1.40)	$ (3.87)
Weighted average number of shares used in per share calculations:			
Basic shares	95	93	91
Diluted shares	95	93	91

(1) Excludes D&A.

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)

	Years Ended December 31,		
	2020	2019	2018
Net loss	$ (548)	$ (118)	$ (352)
Other comprehensive income (loss):			
Foreign currency translation gain (loss), net of tax	85	26	(99)
Pension and post-retirement loss, net of tax	(5)	(7)	(1)
Derivative financial instruments unrealized loss, net of tax	(6)	(11)	—
Total other comprehensive gain (loss)	74	8	(100)
Total comprehensive loss	(474)	(110)	(452)
Less: comprehensive income attributable to noncontrolling interest	21	12	—
Comprehensive loss attributable to SGC	$ (495)	$ (122)	$ (452)

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	As of December 31,	
	2020	**2019**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,016	$ 313
Restricted cash	117	51
Receivables, net of allowance for credit losses of $81 and $36, respectively	616	755
Inventories	191	244
Prepaid expenses, deposits and other current assets	241	252
Total current assets	2,181	1,615
Non-current assets:		
Restricted cash	10	11
Receivables, net of allowance for credit losses of $5 and $-, respectively	20	53
Property and equipment, net	415	500
Operating lease right-of-use assets	94	105
Goodwill	3,292	3,280
Intangible assets, net	1,299	1,516
Software, net	227	258
Equity investments	262	273
Other assets	184	198
Total assets	$ 7,984	$ 7,809
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Current portion of long-term debt	$ 44	$ 45
Accounts payable	203	226
Accrued liabilities	586	495
Total current liabilities	833	766
Deferred income taxes	79	91
Operating lease liabilities	77	88
Other long-term liabilities	260	292
Long-term debt, excluding current portion	9,259	8,680
Total liabilities	10,508	9,917
Commitments and contingencies (Note 21)		
Stockholders' deficit:		
Common stock, par value $0.001 per share: 199 shares authorized; 113 and 111 shares issued and 95 and 94 shares outstanding, respectively	1	1
Additional paid-in capital	1,268	1,208
Accumulated loss	(3,529)	(2,954)
Treasury stock, at cost - 17 shares	(175)	(175)
Accumulated other comprehensive loss	(218)	(292)
Total SGC stockholders' deficit	(2,653)	(2,212)
Noncontrolling interest	129	104
Total stockholders' deficit	(2,524)	(2,108)
Total liabilities and stockholders' deficit	$ 7,984	$ 7,809

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT
(in millions)

	Common Stock	Additional Paid in Capital	Accumulated Loss	Treasury Stock	Accumulated Other Comprehensive Loss	Noncontrolling Interest	Total
January 1, 2018	$ 1	$ 808	$ (2,461)	$ (175)	$ (200)	$ —	$ (2,027)
Net redemption of common stock in connection with stock options and RSUs	—	(16)	—	—	—	—	(16)
Stock-based compensation	—	43	—	—	—	—	43
Net loss	—	—	(352)	—	—	—	(352)
Adoption impact of ASC 606	—	—	(11)	—	—	—	(11)
Other comprehensive loss	—	—	—	—	(100)	—	(100)
December 31, 2018	$ 1	$ 835	$ (2,824)	$ (175)	$ (300)	$ —	$ (2,463)
Net issuance of common stock in connection with stock options and RSUs and other	—	12	—	—	—	—	12
Sale of SciPlay common stock and related transactions	—	328	—	—	—	91	419
Stock-based compensation	—	33	—	—	—	1	34
Net loss	—	—	(130)	—	—	12	(118)
Other comprehensive income	—	—	—	—	8	—	8
December 31, 2019	$ 1	$ 1,208	$ (2,954)	$ (175)	$ (292)	$ 104	$ (2,108)
Net proceeds in connection with settlement of stock options and RSUs	—	4	—	—	—	—	4
Stock-based compensation	—	56	—	—	—	4	60
Net loss	—	—	(569)	—	—	21	(548)
Other comprehensive income	—	—	—	—	74	—	74
Impact of ASC 326 adoption	—	—	(6)	—	—	—	(6)
December 31, 2020	$ 1	$ 1,268	$ (3,529)	$ (175)	$ (218)	$ 129	$ (2,524)

See accompanying notes to consolidated financial statements.

SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Years Ended December 31,		
	2020	**2019**	**2018**
Cash flows from operating activities:			
Net loss	$ (548)	$ (118)	$ (352)
Adjustments to reconcile net loss to cash provided by operating activities:			
Depreciation, amortization and impairments	554	647	690
Goodwill impairment	54	—	—
Change in deferred income taxes	(22)	(21)	(33)
Stock-based compensation	61	37	44
Non-cash interest expense	22	25	25
Loss (earnings) from equity investments, net	6	(24)	(25)
Distributed earnings from equity investments	22	26	33
Provision for bad debts and inventory charges[(1)]	110	15	29
Loss (gain) on sale of assets and other, net	—	6	(16)
Loss on debt financing transactions	1	100	93
Loss (gain) on remeasurement of debt	51	(9)	(43)
Contingent acquisition consideration fair value adjustment	—	2	29
Changes in assets and liabilities, net of effects of acquisitions:			
Receivables, net[(1)]	121	(61)	23
Inventories[(1)]	14	(29)	2
Other assets and liabilities	(35)	(31)	(27)
Accounts payable and accrued liabilities[(1)]	60	(19)	(126)
Net cash provided by operating activities	471	546	346
Cash flows from investing activities:			
Capital expenditures	(190)	(285)	(391)
Acquisitions of businesses and assets, net of cash acquired	(13)	—	(297)
Acquisitions and additions to equity method investments	(6)	(1)	(180)
Distributions of capital from equity investments	12	23	30
Proceeds from asset sales and other	24	—	40
Net cash used in investing activities	(173)	(263)	(798)
Cash flows from financing activities:			
Borrowings under SGI revolving credit facility	530	270	560
Repayments under SGI revolving credit facility	(190)	(400)	(585)
Proceeds from issuance of notes and term loans	550	2,300	2,512
Repayment of assumed NYX and other acquisitions debt	—	—	(290)
Payments on long-term debt	(42)	(44)	(39)
Repayments of notes and term loans (including redemption premium)	(341)	(2,523)	(2,210)
Payments of debt issuance and deferred financing costs	(10)	(35)	(38)
Payments on license obligations	(36)	(40)	(45)
Sale of future revenue	—	11	—
Net proceeds from the sale of SciPlay's common stock	—	342	—
Payments of deferred SciPlay common stock offering costs	—	(9)	—
Net redemptions of common stock under stock-based compensation plans and other	2	(1)	(21)
Net cash provided by (used in) financing activities	463	(129)	(156)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	7	1	(6)
Increase (decrease) in cash, cash equivalents and restricted cash	768	155	(614)
Cash, cash equivalents and restricted cash, beginning of period	375	220	834
Cash, cash equivalents and restricted cash, end of period	$ 1,143	$ 375	$ 220

	Years Ended December 31,		
	2020	2019	2018
Supplemental cash flow information:			
Cash paid for interest	$ 471	$ 549	$ 633
Income taxes paid	22	41	33
Cash paid for contingent acquisition considerations included in operating activities	4	26	—
Non-cash investing and financing transactions:			
Non-cash rollover and refinancing of Term loans	$ —	$ —	$ 3,275
Non-cash additions to intangible assets related to license agreements	—	—	138
NYX non-cash consideration transferred (including 2017 acquisition of ordinary shares)	—	—	93

(1) Prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on the previously reported net cash provided by operating activities.

See accompanying notes to consolidated financial statements.

(1) Description of the Business and Summary of Significant Accounting Policies

Description of the business

We are a leading 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 gaming solutions to retail consumers; and providing a comprehensive suite of digital RMG and sports wagering solutions, distribution platforms, content, products and services. We report our operations in four business segments—Gaming, Lottery, SciPlay, and Digital.

Basis of presentation and principles of consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP. The accompanying consolidated financial statements include the accounts of SGC, its wholly owned subsidiaries, and those subsidiaries in which we have a controlling financial interest. Investments in other entities in which we do not have a controlling financial interest but we exert significant influence are accounted for in our consolidated financial statements using the equity method of accounting. All intercompany balances and transactions have been eliminated in consolidation.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Impact of COVID-19

In March 2020, the World Health Organization declared the rapidly spreading COVID-19 outbreak a pandemic. In response to the COVID-19 pandemic, governments across the world implemented a number of measures to prevent its spread, including but not limited to, the temporary closure of a substantial number of gaming operations establishments and disruptions to lottery operations, travel restrictions, and cancellation of sporting events, which are affecting our business segments in a number of ways. During the latter part of the second quarter of 2020 and through the remainder of the year, lifting of restrictions began, including the reopening of the majority of gaming establishments globally and the resumption of sporting events. During the fourth quarter of 2020 and in response to the second wave of the COVID-19 pandemic, certain jurisdictions implemented additional temporary closures, which were subsequently lifted. As gaming operations have yet to return to pre-COVID levels, limited international travel, social distancing measures (which in some cases has required our customers to substantially reduce maximum floor capacity in many jurisdictions), decreased operating capacities, high unemployment rates and potential changes in consumer behaviors continued to negatively impact our results of operations, cash flows and financial condition through 2020. Additionally, while most casinos have reopened, it is unknown when mitigation measures (such as capacity limitations) will be lifted, all contributing to continued uncertainty into 2021.

Based on our current estimates regarding the magnitude and length of the disruptions to our business, we do not anticipate these disruptions will impact our ability to meet our obligations when due or our ability to maintain compliance with our financial covenants in our debt agreements for at least the next 12 months. However, the ultimate magnitude and length of time that the disruptions from COVID-19 will continue remains uncertain. This uncertainty will require us to continually assess the situation, including the impact of changes to government imposed restrictions, changes in customer behaviors, social distancing measures and decreased gaming establishments operating capacity jurisdiction by jurisdiction. Accordingly, our estimates regarding the magnitude and length of time that these disruptions will continue to impact our results of operations, cash flows and financial condition may change in the future and such changes could be material.

On April 9, 2020, we borrowed $480 million under SGI's revolving credit facility, which was substantially all of our remaining availability thereunder. On July 1, 2020, SGI issued $550 million in aggregate principal amount of 8.625% senior unsecured notes due 2025 in a private offering and on July 17, 2020, SGI redeemed all $341 million of our outstanding 2021 Notes. As of December 31, 2020, our total available liquidity (excluding our SciPlay business segment) was $850 million, which included $103 million of undrawn availability under SGI's revolving credit facility due to a voluntary payment of $100 million made on October 9, 2020. In February of 2021, we made another voluntary payment of $100 million on SGI's revolving credit facility. During the first half of 2020, we implemented a number of measures to reduce operating costs, conserve liquidity and navigate through this unprecedented situation including permanent reductions in workforce and temporary measures such as: reductions in salaries and workforce (salary reduction measures ceased as of July 31, 2020),

unpaid employee furloughs, reductions in hours, temporary elimination of 401(k) matching among other compensation and benefits reductions, and deferral of certain operating and capital expenditures. We continue to actively manage our daily cash flows and continue to evaluate additional measures that will reduce operating costs and conserve cash. Refer to Note 15 for description of issuance of the 2025 Unsecured Notes on July 1, 2020 and the redemption of the 2021 Notes on July 17, 2020.

Our only financial maintenance covenant (excluding SciPlay's Revolver) is contained in SGI's credit agreement. Prior to the Credit Agreement Amendment (as defined below) dated May 8, 2020, this covenant was tested at the end of each fiscal quarter and required us to not exceed a maximum consolidated net first lien leverage ratio of 5.00x Consolidated EBITDA (as defined in the credit agreement). Prior to the Credit Agreement Amendment, this ratio stepped down to 4.75x beginning with the fiscal quarter ended December 31, 2020 and to 4.50x beginning with the fiscal quarter ending December 31, 2021. These agreements also contain events of default customary for agreements of their type (with customary grace periods, as applicable). Failure to comply with any of the covenants in these agreements could result in a default under these agreements and under other agreements containing cross-default provisions. Such a default would permit lenders to accelerate the maturity of the debt under these agreements and other agreements containing cross-default provisions and, in the case of the credit agreement and the indentures governing the Secured Notes, to foreclose upon any collateral securing such debt.

We amended the consolidated net first lien leverage ratio covenant in the credit agreement with the requisite lenders under SGI's revolving credit facility on May 8, 2020 (the "Credit Agreement Amendment") and subsequently extended the Credit Agreement Amendment on October 8, 2020 (the "Credit Agreement Extension Amendment") to implement a financial covenant relief period, which extends the relief period through the first quarter of 2022. As a result, (a) SGI is not required to maintain compliance with the consolidated net first lien leverage ratio covenant during the Covenant Relief Period, (b) the step down of the consolidated net first lien leverage ratio covenant following the Covenant Relief Period was revised, (c) SGI must maintain liquidity (excluding SciPlay) of at least $275 million during the Covenant Relief Period, (d) SGI is restricted in its ability to further incur indebtedness and liens, make restricted payments and investments and prepay junior indebtedness during the Covenant Relief Period, subject to certain exceptions and further subject, in some instances, to maintaining minimum liquidity (excluding SciPlay) of at least $400 million and (e) a LIBOR floor of 0.500% was established on borrowings under the revolving credit facility during the Covenant Relief Period.

The following table summarizes the revised consolidated net first lien leverage ratio and Consolidated EBITDA:

Revised Consolidated Net First Lien Leverage Ratio Covenant Calculation

Period ending	Revised Consolidated Net First Lien Leverage Ratio Covenant	Consolidated EBITDA multiplier[1]
3/31/2022	6.00x	4x Q1-2022
6/30/2022	6.00x	2x YTD Q2-2022
9/30/2022	5.75x	1.33x YTD Q3-2022
12/31/2022	5.75x	N/A - Calculated based on the previous 12 month period including the quarter being tested
3/31/2023	5.25x	
6/30/2023	5.25x	
9/30/2023	4.75x	
12/31/2023	4.75x	
3/31/2024 and thereafter	4.50x	

(1) Consolidated EBITDA is defined in the Credit Agreement Extension Amendment and is calculated as testing year-to-date period-end consolidated EBITDA times multiplier.

Additionally, the SciPlay Revolver requires that SciPlay maintain a maximum total net leverage ratio not to exceed 2.50x and maintain a minimum fixed charge coverage ratio of no less than 4.00x. We had no amounts drawn on our SciPlay Revolver as of December 31, 2020.

SciPlay Initial Public Offering and Noncontrolling Interest

On May 7, 2019, SciPlay completed an initial public offering ("IPO") for an 18.0% minority interest in our Social gaming business, after giving effect to the underwriters' partial exercise of their over-allotment option on June 4, 2019. SciPlay has two classes of common stock - Class A common stock, which is traded on The NASDAQ Global Select Market under the symbol "SCPL," and Class B common stock. On all matters submitted to a vote of SciPlay stockholders, Class B common stock entitles SGC to ten votes per share (for so long as the number of shares of SciPlay common stock beneficially owned by SGC represents at least 10% of SciPlay's outstanding shares of common stock and, thereafter, one vote per share), and SciPlay Class A common stock entitles its owners to one vote per share. As of December 31, 2020, SGC owned all of the outstanding Class B

common stock, which represents approximately 82.0% of SciPlay's total outstanding shares of common stock and approximately 97.8% of the combined voting power of both classes of SciPlay's outstanding common stock. Accordingly, SGC continues to control shares representing a majority of the combined voting power in SciPlay and continues to have a controlling financial interest in and consolidate SciPlay, subsequent to the IPO.

The corporate structure of the above transaction is commonly referred to as an "Up-C" structure, which allows us to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or "pass-through" entity, for income tax purposes following the IPO.

In connection with the SciPlay IPO we also entered into the following transactions:

- A tax receivable agreement ("TRA"), which provides for the payment by SciPlay to SGC of 85% of the amount of tax benefits, if any, that SciPlay actually realizes (or in some circumstances is deemed to realize) in connection with increases in the tax basis of assets of SciPlay Parent Company, LLC ("SciPlay Parent LLC") in connection with the SciPlay IPO, redemption or exchanges of membership interest or certain distributions and other tax benefits related to SciPlay's making of payments under the TRA.
- An Intercompany Services Agreement, under which SGC provides to SciPlay certain corporate level general and administrative services, including but not limited to, finance, corporate development, human resources, legal (which could include liability related to litigation awards related to SciPlay), information technology and rental fees for shared assets. These expenses are charged to SciPlay and settled in cash.
- An intellectual property license agreement ("IP License Agreement"), pursuant to which SciPlay acquired certain licenses from a restricted subsidiary of SGC for a one-time payment of $255 million.
- SciPlay Holding Company, LLC ("SciPlay Holding"), a subsidiary of SciPlay, entered into a $150 million revolving credit agreement (the "SciPlay Revolver") that matures in May 2024 (see Note 15).

As a result of these transactions, in 2019 we received $312 million in net proceeds from the offering (net of $30 million used by SciPlay to pay the offering fees and balance retained by SciPlay for general corporate purposes), which has enabled us to make substantial payments to reduce our debt.

The noncontrolling interest share of equity in SciPlay is reflected as a component of the noncontrolling interest in the accompanying consolidated balance sheets and was $129 million and $104 million as of December 31, 2020 and 2019, respectively. The legal entities that comprise SciPlay are unrestricted subsidiaries under our credit agreement and the indentures governing the Senior Notes.

Significant Accounting Policies

Additional accounting policy disclosures are provided within the applicable Notes.

Cash and cash equivalents

Cash and cash equivalents include all cash balances and highly liquid investments with an original maturity of three months or less. We place our temporary cash investments with high credit quality financial institutions. At times, such investments in U.S. accounts may be in excess of the Federal Deposit Insurance Corporation insurance limit.

Restricted cash

We are required by gaming regulations to maintain sufficient reserves in restricted cash accounts to be used for the purpose of funding payments to WAP jackpot winners. These restricted cash balances are based primarily on the jackpot meters displayed to slot players or for previously won jackpots and vary by jurisdiction. Compliance with maintaining adequate restricted cash balances and complying with appropriate investment guidelines for jackpot funding is periodically reported to gaming authorities Additionally, restricted cash balances also include funds contractually held for iLottery player reimbursements.

Minimum guarantees under licensing agreements

We enter into long-term license agreements with third parties in which we are obligated to pay a minimum guaranteed amount of royalties, typically periodically over the life of the contract. These license agreements provide us with access to a portfolio of major brands to be used across our business segments in building our strong brand presence across multiple channels of distributions. We account for the minimum guaranteed obligations within accrued and other long-term liabilities at the onset of the license arrangement and record a corresponding licensed asset within intangible assets, net. The licensed intangible assets related to the minimum guaranteed obligations are amortized over the term of the license agreement with the

amortization expense recorded in D&A. The long-term liability related to the minimum guaranteed obligations is reduced as royalty payments are made as required under the license agreement. We assess the recoverability of license agreements whenever events arise or circumstances change that indicate the carrying value of the licensed asset may not be recoverable. Recoverability of the licensed asset and the amount of impairment, if any, are determined using our policy for intangible assets with finite useful lives.

Amortization expense related to these licenses and recorded in D&A for the years ended December 31, 2020, 2019 and 2018 was $73 million, $81 million and $61 million, respectively.

The following are our total minimum guaranteed obligations for the periods presented:

	As of December 31,	
	2020	2019
Accrued liabilities	$ 45	$ 39
Other long-term liabilities	133	172
Total minimum guarantee obligations	$ 178	$ 211
Weighted average remaining term (in years)	4.4	4.7

The following are our remaining expected future payments of minimum guarantee obligations:

	Year Ending December 31,					
	2021	2022	2023	2024	2025	After 2025
Expected future payments	$45	$44	$30	$30	$29	$—

Other assets

We capitalize debt issuance costs associated with long-term line-of-credit arrangements and amortize such amounts ratably over the term of the arrangement as an adjustment to interest expense.

We assess the recoverability of our other long-term assets whenever events arise or circumstances change that indicate the carrying value of the asset may not be recoverable.

Advertising costs

The cost of advertising is expensed as incurred and totaled $124 million, $125 million and $102 million in 2020, 2019 and 2018, respectively.

R&D

R&D relates primarily to software product development costs and is expensed as incurred until technological feasibility has been established. Employee related costs associated with product development are included in R&D.

Foreign currency translation

We have significant operations where the local currency is the functional currency, including our operations in the U.K., Europe, Australia and Canada. Assets and liabilities of foreign operations are translated at period-end rates of exchange and results of operations are translated at the average rates of exchange for the period. Gains or losses resulting from translating the foreign currency financial statements are accumulated as a separate component of accumulated other comprehensive loss in stockholders' deficit. Gains or losses resulting from foreign currency transactions are included in Other (expense) income, net.

Comprehensive loss

We include and classify in comprehensive loss unrealized gains and losses from our foreign currency translation adjustments, certain gains or losses associated with pension or other post-retirement benefits, including prior service costs or credits and transition assets or obligations, the effective portion of derivative financial instruments designated as hedging instruments, and net investment non-derivative hedge of our investments in certain of our international subsidiaries.

New Accounting Guidance - Recently Adopted

The FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326) in 2016. The new guidance replaces the incurred loss impairment approach in legacy U.S. GAAP with a methodology that reflects future credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. For trade

and other receivables, loans and other financial instruments, we are required to use a forward-looking expected loss model rather than the incurred loss model for recognizing credit losses, which reflects losses that are probable. We adopted ASC 326 as of January 1, 2020 using the modified retrospective method for all financial assets measured at amortized cost, which resulted in a $6 million cumulative-effect adjustment increase to accumulated loss. See Note 6 for our credit losses policy and the adoption impact of ASC 326 on our consolidated financial statements.

The FASB issued ASU No. 2018-13, *Fair Value Measurement*, and several subsequent amendments (collectively, Topic 820) in 2018. The standard amends the required quantitative and qualitative disclosure requirements for recurring and nonrecurring fair value measurements. We adopted this standard effective January 1, 2020. The adoption of this standard did not have a material impact on our financial statement disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes*, to simplify the accounting for income taxes. The guidance eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period, and the recognition of deferred tax liabilities for outside basis differences related to changes in ownership of equity method investments and foreign subsidiaries. The guidance also simplifies aspects of accounting for franchise taxes, enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The standard is effective for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years with early adoption permitted. We adopted this standard effective January 1, 2020 on a prospective basis for all relevant adjustments. The adoption of this guidance did not have a material effect on our consolidated financial statements.

New Accounting Guidance - Not Yet Adopted

The FASB issued ASU No. 2020-04 and subsequently ASU No. 2021-01, *Reference Rate Reform* (Topic 848) in March 2020 and January 2021, respectively. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships, including derivative instruments impacted by changes in the interest rates used for discounting cash flows for computing variable margin settlements, subject to meeting certain criteria, that reference LIBOR or other reference rates expected to be discontinued, in 2022 or potentially 2023 (pending possible extension). The ASUs establish certain contract modification principles that entities can apply in other areas that may be affected by reference rate reform and certain elective hedge accounting expedients and exceptions. The ASUs may be applied prospectively. We are currently assessing the impact of these standards on our consolidated financial statements.

We do not expect that any other recently issued accounting guidance will have a significant effect on our consolidated financial statements.

(2) Business Segments

We report our operations in four business segments—Gaming, Lottery, SciPlay and Digital—representing our different products and services.

Our Gaming business segment generally sells gaming machines, VGTs, VLTs and conversion kits and parts, leases or otherwise provides gaming machines, server-based systems and content, sells and supports CMS-based software and hardware, licenses PTG content, and supplies Shufflers to commercial, tribal and governmental gaming operators. Our Lottery business segment provides instant and draw lottery products and related value-added services, and licensed brands used in instant lottery products and loyalty and reward services. Our Lottery business segment also provides systems products and services generally comprised of POS terminals, a central system, customized computer software, data communication services, support and/or related equipment. Our SciPlay business segment develops, markets, and operates a portfolio of social games played on various mobile and web platforms. Our Digital business segment provides highly customizable software design, development, licensing, maintenance and support services from a comprehensive suite of technology solutions to enable our customers to operate sports books, including betting markets across both fixed-odds and pari-mutuel betting styles, a distribution platform, full gaming process support services, brand and player management, and RMG services to online casino operators through our remote game servers. See Note 3 for the products and services from which each reportable segment derives its revenues.

In evaluating financial performance, our Chief Operating Decision Maker focuses on AEBITDA as management’s segment measure of profit or loss, which is described below. The accounting policies for our business segments are the same as those described in these Notes. The following tables present our segment information:

	Year Ended December 31, 2020					
	Gaming	Lottery	SciPlay	Digital	Unallocated and Reconciling Items[1]	Total
Total revenue	$ 926	$ 918	$ 582	$ 298	$ —	$ 2,724
AEBITDA[2]	247	389	189	88	(113)	$ 800
Reconciling items to consolidated net loss before income taxes:						
D&A	(348)	(62)	(10)	(91)	(43)	(554)
Goodwill impairment	(54)	—	—	—	—	(54)
Restructuring and other	(30)	(11)	(2)	(4)	(20)	(67)
EBITDA from equity investments[2]					(37)	(37)
Loss from equity investments					(6)	(6)
Interest expense					(503)	(503)
Loss on debt refinancing transactions					(1)	(1)
Loss on remeasurement of debt					(51)	(51)
Other expense, net					(10)	(10)
Stock-based compensation					(61)	(61)
Net loss before income taxes						$ (544)
Assets as of December 31, 2020	$ 4,415	$ 1,317	$ 564	$ 971	$ 717	$ 7,984
Capital expenditures for the year ended December 31, 2020	$ 102	$ 43	$ 7	$ 24	$ 14	$ 190

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss before income taxes.

(2) AEBITDA is reconciled to consolidated net loss before income taxes and includes net loss attributable to SGC with the following adjustments: (1) net income attributable to noncontrolling interest, (2) restructuring and other, which includes charges or expenses attributable to: (i) employee severance; (ii) management restructuring and related costs; (iii) restructuring and integration; (iv) cost savings initiatives; (v) major litigation; and (vi) acquisition costs and other unusual items; (3) depreciation and amortization expense and impairment charges (including goodwill impairments); (4) change in fair value of investments and remeasurement of debt; (5) interest expense; (6) income tax expense; (7) stock-based compensation; (8) loss (gain) on debt financing transactions; and (9) other expense (income), net. In addition to the preceding adjustments, we exclude earnings (loss) from equity method investments and add (without duplication) our pro rata share of 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, which is included in our calculation of Consolidated AEBITDA to align with the provisions of our long-term debt arrangements. AEBITDA is presented exclusively as our segment measure of profit or loss.

	Year Ended December 31, 2019					
	Gaming	Lottery	SciPlay	Digital	Unallocated and Reconciling Items[1]	Total
Total revenue	$ 1,748	$ 911	$ 466	$ 275	$ —	$ 3,400
AEBITDA[2][3]	865	404	122	63	(120)	$ 1,334
Reconciling items to consolidated net loss before income taxes:						
D&A	(437)	(67)	(7)	(76)	(60)	(647)
Restructuring and other	(10)	(1)	(3)	(9)	(5)	(28)
EBITDA from equity investments[2]					(67)	(67)
Earnings from equity investments					24	24
Interest expense					(589)	(589)
Loss on debt financing transactions					(100)	(100)
Gain on remeasurement of debt					9	9
Other expense, net					(7)	(7)
Stock-based compensation					(37)	(37)
Net loss before income taxes						$ (108)
Assets as of December 31, 2019	$ 4,932	$ 1,321	$ 379	$ 891	$ 286	$ 7,809
Capital expenditures for the year ended December 31, 2019	$ 167	$ 49	$ 9	$ 38	$ 22	$ 285

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss before income taxes.

(2) AEBITDA and EBITDA from equity investments are described in footnote (2) to the first table in this Note 2.

(3) The year ended December 31, 2019 includes a charge of $10 million for intellectual property royalties paid by SciPlay to the Gaming business segment, which is no longer being paid as of May 7, 2019 in connection with the IP License Agreement described in Note 1.

	Year Ended December 31, 2018					
	Gaming	Lottery	SciPlay	Digital	Unallocated and Reconciling Items[1]	Total
Total revenue	$ 1,831	$ 846	$ 416	$ 270	$ —	$ 3,363
AEBITDA[2][3]	920	391	94	54	(129)	$ 1,330
Reconciling items to consolidated net loss before income taxes:						
D&A	(493)	(59)	(17)	(67)	(54)	(690)
Restructuring and other	(7)	(2)	(29)	(20)	(195)	(253)
EBITDA from equity investments[2]					(67)	(67)
Earnings from equity investments					25	25
Interest expense					(597)	(597)
Loss on debt financing transactions					(93)	(93)
Gain on remeasurement of debt					43	43
Other income, net					7	7
Stock-based compensation					(44)	(44)
Net loss before income taxes						$ (339)
Assets as of December 31, 2018	$ 5,094	$ 1,300	$ 183	$ 883	$ 258	$ 7,718
Capital expenditures for the year ended December 31, 2018	$ 249	$ 76	$ 3	$ 28	$ 35	$ 391

(1) Includes amounts not allocated to the business segments (including corporate costs) and reconciling items to reconcile the total business segments AEBITDA to our consolidated net loss before income taxes.

(2) AEBITDA and EBITDA from equity investments are described in footnote (2) to the first table in this Note 2.

(3) The year ended December 31, 2018 includes a charge of $26 million for intellectual property royalties paid by SciPlay to the Gaming business segment, which is no longer being paid as of May 7, 2019 in connection with the IP License Agreement described in Note 1.

The following tables present revenue by customer location and property and equipment by geographic location:

	Year Ended December 31,		
	2020	2019	2018
Revenue:			
U.S.	$ 1,819	$ 2,195	$ 2,190
Other	905	1,205	1,173
Total	$ 2,724	$ 3,400	$ 3,363

	As of December 31,	
	2020	2019
Property and equipment, net:		
U.S.	$ 260	$ 299
Other	155	201
Total	$ 415	$ 500

(3) Revenue Recognition

The following table disaggregates our revenues by type within each of our business segments:

	Revenue recognized for Year Ended December 31,		
Revenue category	**2020**	**2019**	**2018**
Gaming			
Gaming operations	$ 332	$ 597	$ 632
Gaming machine sales	312	609	646
Gaming systems	171	295	320
Table products	111	247	233
Total	$ 926	$ 1,748	$ 1,831
Lottery			
Instant products	$ 579	$ 588	$ 592
Lottery systems	339	323	254
Total	$ 918	$ 911	$ 846
SciPlay			
Mobile	$ 506	$ 391	$ 323
Web and other	76	75	93
Total	$ 582	$ 466	$ 416
Digital			
Sports and platform	$ 127	$ 119	$ 101
Gaming and other	171	156	169
Total	$ 298	$ 275	$ 270

General

We evaluate the recognition of revenue and rental income based on the criteria set forth in ASC 606 or ASC 842 (ASC 840 prior to adoption of ASC 842), as appropriate. Revenue is recognized net of incentive rebates and discounts when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Sales taxes and all other items of a similar nature are excluded from the measurement of the transaction price and shipping and handling activities are treated as a fulfillment of our promise to transfer the goods, hence, included in cost of sales.

Our credit terms are predominately short term in nature. We also grant extended payment terms under certain Gaming contracts, with financing terms of more than 12 months, primarily where the sale is secured by the related equipment sold. For these contracts with customers for which the financing component is determined to be significant to the contract, and have

financing terms of more than 12 months, the contract transaction price is adjusted for the effect of a financing component (time value of money).

Any sales commissions associated with the sale or placement of our products and services are expensed as incurred as contracts associated with sales commissions are generally completed within a one-year period.

Contracts with Customers with Multiple Promised Goods and Services

We enter into contracts with customers that include multiple promises (such as gaming machines, gaming systems hardware and software, installation, service and maintenance, warranties, product support or lottery systems and hardware, installation and maintenance bundled promises). For such contracts, the transaction price is allocated to each distinct performance obligation using an estimate of stand-alone selling price, which is generally based on observable prices or a cost plus margin approach. The establishment of stand-alone selling price requires judgment as to whether there is a sufficient quantity of items sold or substantively renewed on a stand-alone basis and those prices demonstrate an appropriate level of concentration to conclude that a stand-alone selling price exists.

The guidance in ASC 606 requires that we apply judgments or estimates to determine both the performance obligations and the stand-alone selling prices of identified performance obligations. Contracts with multiple promised goods and services described above will often involve significant judgment in determining whether each promise is distinct or should be combined with other promises in such contracts in concluding on the distinct performance obligations for such contracts. Such judgment generally requires an assessment of the level of integration and interdependency between individual components particularly in our gaming systems and certain digital contracts with customers. Associated with these same contracts, we also apply significant judgment to determine the stand-alone selling prices of the identified performance obligations. In certain contracts with customers, we bundle the selling price for multiple promised goods or services or we may license systems for which the solutions we provide are highly customized and therefore the prices we charge are either uncertain, highly variable, or both.

Gaming Operations

Gaming operations revenues are generated by providing customers access to proprietary land-based gaming equipment and content, table game products and VLTs under a variety of recurring operating, service, or rental contracts, for which consideration is based upon a percentage of Coin-in, a percentage of Net win, or a fixed daily/monthly fee, with variability generally resolved in the reporting period. For these contracts with customers, we generally transfer control and recognize revenue or rental income over time based on the amount we expect to receive as described and classify such revenue or rental income as services revenue. Payments from customers under these contracts are typically due on a monthly basis. Jackpot expense for our WAP services is recorded as a reduction to revenue, which decreased revenue and cost of services by $16 million, $20 million, and $22 million for the years ended December 31, 2020, 2019, and 2018 respectively.

The amount of rental income revenue that is outside the scope of ASC 606 was $209 million, $373 million, and $265 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Gaming Machine Sales

These contracts with customers include the sale of gaming machines, including game content, electronic table game products and parts (including game themes and conversion kits). We transfer control and recognize revenue from the sale of gaming machines at a point in time upon delivery of gaming machines to our customers or distributors pursuant to the terms of the contract.

Gaming Systems

Gaming systems contracts with customers can include a comprehensive suite of technology solutions provided to gaming operators, including perpetual licenses to core system solutions and non-core system solutions and other applications and tools. Gaming systems products also include the *iVIEW* touch screen display, which facilitates the player experience, bonus features, customer service, and employee functions and ongoing hardware and software maintenance services and upgrades.

Determination of performance obligations and timing of the transfer of control varies by contract. Generally, these contracts contain multiple promised goods and services, including the following: (i) core system software license; (ii) non-core system software license(s); (iii) professional services; (iv) system-based hardware; (v) in-game hardware products; and (vi) software and hardware maintenance and product support.

Control transfers and we recognize revenue from the sale of perpetual gaming systems licenses and various hardware products at a point in time when the gaming system is available for use by a customer which is no earlier than the commencement of the license term, and for the hardware products upon delivery. For contracts that include new core gaming system installations, control is not considered transferred until control of the core gaming system license is transferred as the

additional promises are generally highly dependent on the core gaming system. Software and hardware maintenance and product support services are considered stand-ready obligations, therefore control transfers and revenue is recognized over time over the term of the maintenance and support period.

Table Products

Table products revenue is generated from supplying and maintaining or selling table game products, primarily including automatic card shufflers, deck checkers, table roulette chip sorters and other land-based table gaming equipment. We transfer control and recognize revenue from the sale of table products at a point in time upon delivery to our customers or distributors pursuant to the terms of the contract. For supply and maintenance contracts, for which consideration is primarily based on a fixed monthly fee, we generally transfer control and recognize rental income over the term of the supply period and classify such rental income as service revenue. Such contracts are generally short-term in nature. We also license our proprietary table games content, for which revenue is recognized at a point in time under the licensing of intellectual property guidance as such licenses are functional licenses.

Lottery Instant Products

Our instant products revenue is primarily generated under long-term contracts to supply instant products and provide related services to our Lottery customers. For instant products that are sold on a PPU and POS basis, we generally have a single performance obligation of a promise to supply the instant products. Control transfers and we recognize revenue from the sale of such instant products when the lotteries have taken delivery of shipments of instant products pursuant to the terms of the contract. For instant products that are sold on a POS basis, we are compensated based on retail sales, therefore the timing difference between the recognition of revenue, the billing of our customers and the receipt of payments depends on retail sales. For our SGEP contracts, revenue is recognized when a lottery retailer activates associated instant tickets, which timing corresponds with how we satisfy our performance obligation.

The guidance in ASC 606 requires that we apply judgment to determine the timing of control transfer of performance obligations in our Lottery instant products contracts. For instant products that are sold under POS contracts, we generally have a single performance obligation of a promise to supply the instant products. The determination of when control transfers requires significant judgment because lotteries take delivery of shipments of instant products, but we retain the risk of such inventory until retail sales of such tickets takes place. We have determined control transfers upon delivery to a lottery-controlled warehouse, because we do not have the ability to direct the use of such instant products subsequent to delivery.

Lottery Systems

Our Lottery business segment offers our customers a number of related, value-added services as part of an integrated product offering. These services include lottery systems, including point-of-sale terminals and other equipment, software, data communication services and support and instant game validation systems, and software, hardware and related services for sports wagering and keno systems.

For our integrated lottery systems service contracts (described above), our single performance obligation is a promise to perform a series of stand-ready services to operate a fully-functional draw lottery. Revenue is recognized over time in an amount generally based on a percentage of sales of the related games, which represents our measure of progress toward satisfying our performance obligation.

For our perpetual licensing of customized lottery software contracts, we generally recognize revenue over time using costs incurred to date relative to total estimated completion costs to measure progress toward satisfying our performance obligations, which we believe best depicts the transfer of control to the customer.

Maintenance on lottery software and lottery terminals is considered a stand-ready obligation, with control transferring and revenue being recognized over time ratably over the maintenance and support period.

SciPlay

SciPlay revenues are generated from the sale of virtual coins, chips and bingo cards (“coins, chips and cards”), which players can use to play casino-style slot games, table games and bingo games (i.e., spin in the case of slot games, bet in the case of table games and use of bingo cards in the case of bingo games). SciPlay distributes its games through various global social web and mobile platforms such as *Facebook*, *Apple*, *Google* and *Amazon*, with some of the games available on *Microsoft* and other web and mobile platforms. Control transfers and SciPlay recognizes revenues from player purchases of coins, chips and cards as the coins, chips and cards are consumed for game play and cannot be redeemed nor exchanged for cash. SciPlay determined through a review of play behavior that game players generally do not purchase additional coins, chips and cards until their existing coins, chips and cards balances have been substantially consumed. As SciPlay is able to track the duration between purchases of coins, chips and cards for individual game players for specific games, SciPlay is able to reliably estimate

the period of time over which coins, chips and cards are consumed. Accordingly, for most games, SciPlay recognizes revenue using an item-based revenue model. Because SciPlay has control over the content and functionality of games before they are accessed by the end user, SciPlay has determined it is the principal and, as a result, revenues are recorded on a gross basis. Payment processing fees paid to platform providers (such as *Facebook*, *Apple*, *Amazon*, *Google* and *Microsoft*) are recorded within cost of services. All SciPlay revenue is classified as services revenue.

Digital

Digital revenue is generated from professional services related to highly customized software design, development, licensing, maintenance and support services associated with a comprehensive suite of technology solutions, including sports books and betting markets across both fixed-odds and parimutuel betting styles. Additionally, through our integrated suite of various platform and technology solutions, we provide gaming operators optional portals for reporting and administrative functions, and access to a wide portfolio of content, including casino, lottery and bingo style games.

Determination of performance obligations and timing of the transfer of control vary based on the nature of the contract. Generally, these contracts contain multiple promises, including the following: (i) implementation of customized software solution and the associated software license; (ii) support services and unspecified software updates; (iii) professional development services; and (iv) access to the game content. For new customers and initial implementations, control generally transfers and we recognize revenue from the implementation of a customized software solution and the associated software license over time using costs incurred to date relative to total estimated completion costs to measure progress toward satisfying our performance obligations, which we believe best depicts the transfer of control to the customer. For license renewals, revenue is recognized at a point in time under the licensing of intellectual property guidance as such licenses are functional licenses. Support services and unspecified software updates are considered stand-ready obligations, therefore control transfers and revenue is recognized over time ratably over the term of the support period. Professional development services generally relate to post-go live development, and control transfers and revenue is recognized over time as services are rendered.

We also generate revenue from various content aggregation platforms, remote gaming servers, and various other platforms, which deliver a wide spectrum of internally developed and branded games and popular third-party provided games to gaming operators. We provide daily access to these platforms and are typically compensated based on variable consideration, such as a percentage of net gaming revenue with variability generally resolved in the reporting period. Substantially all Digital revenue is classified as services revenue.

Contract Liabilities and Other Disclosures

The following table summarizes the activity in our contract liabilities for the reporting period:

	Year Ended December 31, 2020
Contract liability balance, beginning of period[(1)]	$ 109
Liabilities recognized during the period	56
Amounts recognized in revenue from beginning balance	(76)
Contract liability balance, end of period[(1)]	$ 89

(1) Contract liabilities are included within Accrued liabilities and Other long-term liabilities in our consolidated balance sheets.

The timing of revenue recognition, billings and cash collections results in billed receivables, unbilled receivables (contract assets), and customer advances and deposits (contract liabilities) on our consolidated balance sheets. Other than contracts with customers with financing arrangements exceeding 12 months, revenue recognition is generally proximal to conversion to cash, except for Lottery instant products sold under percentage of retail sales contracts. Revenue is recognized for such contracts upon delivery to our customers, while conversion to cash is based on the retail sale of the underlying tickets to end consumers. As a result, revenue recognition under ASC 606 does not approximate conversion to cash for such contracts in any periods presented. Total revenue recognized under such contracts was $93 million, $95 million and $103 million for the years ended December 31, 2020, 2019, and 2018 respectively. The following table summarizes our opening and closing balances in these accounts (other than contract liabilities disclosed above):

	Receivables	Contract Assets[(1)]
End of period balance, December 31, 2019	$ 808	$ 121
End of period balance, December 31, 2020	636	127

(1) Contract assets are included primarily within Prepaid expenses, deposits and other current assets in our consolidated balance sheets.

(4) Restructuring and other

Restructuring and other includes charges or expenses attributable to: (i) employee severance; (ii) management restructuring and related costs; (iii) restructuring and integration; (iv) cost savings initiatives; (v) major litigation; and (vi) acquisition related and other unusual items. The following table summarizes pre-tax restructuring and other costs for the periods presented:

	Year Ended December 31,		
	2020	2019	2018
Employee severance and related[1]	$ 41	$ 9	$ 37
Acquisition-related costs[2]	—	—	8
Contingent acquisition consideration[3]	—	2	29
Legal and related[4]	—	—	152
Restructuring, integration and other	26	17	27
Total	$ 67	$ 28	$ 253

(1) The year ended December 31, 2020 includes $32 million in severance and other benefits granted to employees as a result of COVID-19 related austerity measures.
(2) The year ended December 31, 2018, includes $8 million related to NYX acquisition.
(3) Represents contingent consideration fair value adjustment (see Note 16).
(4) In the fourth quarter of 2018 we settled our previous litigation with ShuffleTech for $152 million.

(5) Basic and Diluted Net Loss Per Share

Basic and diluted net loss attributable to SGC per share were the same, as any additional common stock equivalents would be anti-dilutive. We excluded 2 million, 1 million and 2 million stock options from the calculation of diluted weighted-average net loss attributable to SGC per share for the years ended December 31, 2020, 2019 and 2018, respectively, which would be anti-dilutive due to the net loss attributable to SGC in those periods. In addition, we excluded 3 million RSUs from the calculation of diluted weighted-average net loss attributable to SGC per share for each of the years ended December 31, 2020, 2019 and 2018, which would be anti-dilutive due to the net loss attributable to SGC in those periods.

(6) Receivables, Allowance for Credit Losses and Credit Quality of Receivables

Receivables

Receivables are recorded at the invoiced amount less allowance for credit losses and imputed interest, if any. For a portion of our receivables, we have provided extended payment terms with installment payment terms greater than 12 months and in certain international jurisdictions up to 36 months. We have a total of $134 million in gross receivables with extended payment terms as of December 31, 2020. Interest income, if any, is recognized ratably over the life of the receivable, and any related fees or costs to establish the receivables are charged to selling, general and administrative expense as incurred, as they are immaterial. Actual or imputed interest, if any, is determined based on current market rates at the time the receivables with extended payment terms originated and is recorded ratably over the payment period, which approximates the effective interest method. We generally impute interest income on all receivables with payment terms greater than one year that do not contain a stated interest rate. Our general policy is to recognize interest on receivables until a receivable is deemed non-performing, which we define as payments being overdue by 180 days beyond the agreed-upon terms. When a receivable is deemed to be non-performing, the item is placed on non-accrual status and interest income is recognized on a cash basis. Accrued interest, non-performing receivables and interest income were immaterial for all periods presented. Effective January 1, 2020, we changed our receivables presentation and combined accounts receivable and notes receivable into a single line item on our balance sheets due to their similar characteristics and have reclassified the prior period balances to conform to the current year presentation.

The following table summarizes the components of current and long-term receivables, net:

	As of December 31,	
	2020	2019
Current:		
Receivables	$ 697	$ 791
Allowance for credit losses	(81)	(36)
Current receivables, net	616	755
Long-term:		
Receivables	25	53
Allowance for credit losses	(5)	—
Long-term receivables, net	20	53
Total receivables, net	$ 636	$ 808

Allowance for Credit Losses

As described in Note 1, results for reporting periods effective January 1, 2020 are presented in accordance with ASC 326 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. We recorded a net increase to accumulated loss of $6 million for the cumulative effect of adopting ASC 326, which was primarily related to incremental allowance for credit losses associated with our current receivables and contract assets that were not required under previously applicable U.S. GAAP.

The receivables allowance for credit losses is our best estimate of the amount of expected credit losses in our existing receivables over the contractual term. We evaluate our exposure to credit loss on both a collective and individual basis. We evaluate such receivables on a geographic basis and take into account any relevant available information, which begins with historical credit loss experience and consideration of current and expected conditions and market trends (such as general economic conditions, other microeconomic and macroeconomic considerations, etc.) and reasonable and supportable forecasts that could impact the collectability of such receivables over the contractual term individually or in the aggregate. Changes in circumstances relating to these factors may result in the need to increase or decrease our allowance for credit losses in the future.

We manage our receivable portfolios using both geography and delinquency as key credit quality indicators. The following table summarizes geographical delinquencies of total receivables, net:

	As of			
	December 31, 2020	Balances over 90 days past due	December 31, 2019	Balances over 90 days past due
Receivables:				
U.S. and Canada	$ 443	$ 88	$ 534	$ 65
International	279	52	310	55
Total receivables	722	140	844	120
Receivables allowance				
U.S. and Canada	(43)	(26)	(13)	(8)
International	(43)	(24)	(23)	(23)
Total receivables allowance	(86)	(50)	(36)	(31)
Receivables, net	$ 636	$ 90	$ 808	$ 89

Account balances are charged against the allowances after all internal and external collection efforts have been exhausted and the potential for recovery is considered remote.

The activity in our allowance for receivable credit losses for each of the years ended December 31, 2020 and 2019 is as follows:

	2020			2019
	Total	U.S and Canada	International	Total
Beginning allowance for credit losses[(1)]	$ (42)	$ (14)	$ (28)	$ (40)
Provision	(56)	(31)	(25)	(9)
Charge-offs and recoveries	12	2	10	13
Allowance for credit losses as of December 31	$ (86)	$ (43)	$ (43)	$ (36)

(1) Reflects $6 million related to implementation of ASC 326 for the 2020 beginning balance

At December 31, 2020, 14% of our total receivables, net, were past due by over 90 days compared to 11% at December 31, 2019.

Credit Quality of Receivables

In our Gaming machine sales business, we file UCC-1 financing statements domestically in order to retain a security interest in the gaming machines that underlie a significant portion of our domestic receivables until the receivable balance is fully paid. However, the value of the gaming machines, if repossessed, may be less than the balance of the outstanding receivable. For international customers, depending on the country and our historic collection experience with the customer, we may obtain pledge agreements, bills of exchange, guarantees, post-dated checks or other forms of security agreements designed to enhance our ability to collect the receivables, although a majority of our international receivables do not have these features. In our Gaming operations business, because we own the Participation gaming machines that are leased or otherwise provided to the customer, in a bankruptcy the customer has to generally either accept or reject the lease or other agreement and, if rejected, our gaming machines are returned to us. Our receivables related to revenue earned on Participation gaming machines and all other revenue sources are typically unsecured claims.

Due to the significance of our gaming machines to the ongoing operations of our casino customers, we may be designated as a key vendor in any bankruptcy filing by a casino customer, which can enhance our position above other creditors in the bankruptcy. Due to our successful collection experience and our continuing relationship with casino customers and their businesses, it is infrequent that we repossess gaming machines from a customer in partial settlement of outstanding receivable balances. In those unusual instances where repossession occurs to mitigate our exposure on the related receivable, the repossessed gaming machines are subsequently resold in the used gaming machine market; however, we may not fully recover the receivable from this re-sale.

We have certain concentrations of outstanding receivables in international locations that impact our assessment of the credit quality of our receivables. We monitor the macroeconomic and political environment in each of these locations in our assessment of the credit quality of our receivables. The international customers with significant concentrations (generally deemed to be exceeding 10%) of our receivables with terms longer than one year are in the Latin America region (“LATAM”) and are primarily comprised of Mexico, Peru and Argentina. The following table summarizes our LATAM receivables:

	As of		
	December 31, 2020	Current or Not Yet Due	Balances Over 90 days Past Due
Receivables	$ 107	$ 49	$ 58
Allowance for credit losses	(53)	(14)	(39)
Receivables, net	$ 54	$ 35	$ 19

We increased our allowance for credit losses by $56 million for the year ended December 31, 2020. The increase during 2020 was primarily related to certain Gaming customers in LATAM (which transact with both domestic and international subsidiaries) as those customers were particularly affected by macroeconomic factors exacerbated by COVID-19 and extended COVID-19 closures of gaming operations establishments with COVID-related closures lasting longer than in other geographic regions and a high percentage remain closed today. As noted above, we have concentrations of receivables in LATAM, where customers generally take longer to pay us than those from other geographies and late payments have continued to persist through 2020, in which we collected substantially less compared to historical quarterly collections primarily due to factors noted above. In addition, customers in this region expect and have often been granted extended payment terms, as described above, which increases our risk of collections. Our customers in LATAM have been and are expected to continue to be negatively affected by the factors noted above. Our policy is to continuously review receivables and as information concerning credit quality arises, we reassess our expectations of future losses. If such losses exceed our existing allowance for credit losses we record an incremental reserve at that time. Our current allowance for credit losses represents our current

expectation of credit losses; however future expectations could change as the ultimate impact of the COVID-19 disruption remains uncertain, particularly as to the financial stability of our customers during and after the COVID-19 disruption period.

The fair value of receivables is estimated by discounting expected future cash flows using current interest rates at which similar loans would be made to borrowers with similar credit ratings and remaining maturities. As of December 31, 2020 and December 31, 2019, the fair value of receivables, net, approximated the carrying value due to contractual terms of receivables generally being less than 24 months.

(7) Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the first-in, first-out or weighted moving average method. Our inventory primarily consists of gaming machines and table products for sale and related parts, instant products for our Participation and PPU arrangements and our licensed brand merchandise. We determine the lower of cost or net realizable value of our inventory based on estimates of potentially excess and obsolete inventories after considering historical and forecasted demand and average selling prices. Our policy is to continuously review and assess the value of our inventory, especially during the COVID-19 disruption period which has led to a significant decline in demand for our gaming units due to customers delaying or reducing their capital expenditures. We continuously monitor demand, assess our internal outlook and rationalize our product roadmap, all of which could result in recording adjustments to the valuation of inventory.

Inventories consisted of the following:

	As of December 31,	
	2020	2019
Parts and work-in-process	$ 122	$ 153
Finished goods	69	91
Total inventories	$ 191	$ 244

Parts and work-in-process include parts for gaming machines, lottery terminals and instant lottery ticket materials, as well as labor and overhead costs for work-in-process associated with the manufacturing of instant lottery games and lottery terminals. Our finished goods inventory primarily consists of gaming machines for sale, instant products primarily for our Participation arrangements and our licensed branded merchandise.

We recorded inventory valuation charges (recorded in Cost of product sales) of $48 million, $9 million and $20 million for the years ended December 31, 2020, 2019 and 2018, respectively, primarily related to inventory in our Gaming business segment. The 2020 charges are a result of our Gaming leadership team’s improved and expanded strategic plan that was initiated in the first half of the year. This strategic plan included revising product roadmaps and assessments related to how many and which platforms we will support, when we end service on legacy platforms and when we stop selling such platforms in conjunction with new product launches. The implementation of this plan, combined with the rapid demand reduction that took place in 2020, our increased focus on our go to market approach in LATAM (both largely as a result of the COVID-19 disruptions), and our view on certain markets and customers, required us to reassess our inventory valuation, including whether we had excess or obsolete inventory based on the new strategic plan, a reduction in demand for legacy platforms, and plans for disposition of the related inventory. In addition, the continued closures in the LATAM region made it difficult to execute our previous strategy of shipping legacy platforms into that market. The combination of these factors led to the $48 million inventory valuation charges recognized for the year ended December 31, 2020.

(8) Property and Equipment, net

Property and equipment are stated at cost, and when placed into service, are depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Item	Estimated Life in Years
Lottery and other machinery and equipment	3 - 15
Gaming equipment	1 - 5
Transportation equipment	3 - 8
Furniture and fixtures	5 - 10
Buildings and improvements	15 - 40

Costs incurred for equipment associated with specific Gaming, Lottery and Digital contracts not yet placed into service are classified as construction in progress and are not depreciated until placed into service. Leasehold improvements are amortized over the lesser of the term of the corresponding lease or their useful life.

We periodically review the estimated useful lives of our fixed assets and assess the recoverability of long-lived assets (or asset groups) whenever events or changes in circumstances indicate that the carrying value of such an asset (or asset groups) may not be recoverable.

Property and equipment, net consisted of the following:

	As of December 31,	
	2020	2019
Land	$ 15	$ 15
Buildings and leasehold improvements	132	129
Gaming and lottery machinery and equipment	1,026	1,028
Furniture and fixtures	32	31
Construction in progress	43	30
Other property and equipment	277	263
Less: accumulated depreciation	(1,110)	(996)
Total property and equipment, net	$ 415	$ 500

Depreciation expense is excluded from Cost of services, Cost of product sales, Cost of instant products and Other operating expenses and is separately presented within D&A.

	Year Ended December 31,		
	2020	2019[1]	2018[2]
Depreciation expense	$ 180	$ 217	$ 232

(1) Includes assets held for sale impairment charges of $9 million.
(2) Includes assets held for sale impairment charges of $19 million.

Capitalized installation costs

Certain Participation contracts require us to perform installation activities. Direct installation activities, which include costs for installing gaming machines, terminals, facilities wiring, computers, internal labor and travel, are performed at the inception of the contract to enable us to perform under the terms of the contract. Such activities do not represent a separate earnings process and, therefore, the installation costs are capitalized and amortized over the estimated contract term in the case of lottery-related contracts and typically over the life of the equipment when no long-term contract exists, as is often the case within our Participation gaming business. We had $14 million and $20 million of capitalized installation costs, net of accumulated depreciation, included within lottery machinery and equipment included within property and equipment, net as of December 31, 2020 and 2019, respectively. There were no capitalized installation costs recorded related to gaming activities as of December 31, 2020 and 2019.

Assets Held for Sale

We had $25 million in assets held for sale as of December 31, 2019 that related to our Gaming business segment and consisted of certain properties in Chicago. These assets are included within Prepaid expenses, deposits and other current assets and were reported at the lower of the carrying value or fair market value, less expected costs to sell. We measured the fair value of assets held for sale under a market approach and have categorized such measurements as Level 3 in the fair value hierarchy, which resulted in the impairment charges noted in the table above. These assets were sold during the first quarter of 2020 for which we received total net proceeds of $22 million.

(9) Acquisitions

We account for business combinations in accordance with ASC 805, which requires us to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination. Certain provisions of this standard prescribe, among other things, the determination of acquisition-date fair value of consideration paid in a business combination (including

contingent consideration) and the exclusion of transaction and acquisition related restructuring costs from acquisition accounting.

2020 Acquisitions

On June 22, 2020, SciPlay completed the acquisition of all of the issued and outstanding capital stock of privately held mobile and social game company Come2Play, Ltd. ("Come2Play"), which expands SciPlay's existing portfolio of social games. Come2Play offers a solitaire social game targeted towards casual game players on the same platform in which SciPlay currently offers its existing games. The total purchase consideration was $18 million, which includes our estimate of contingent acquisition consideration. Our allocation of the purchase price resulted in $13 million intangible assets primarily allocated to customer relationships and acquired technology and $7 million in excess purchase price allocated to goodwill.

2018 Acquisitions

NYX Gaming Group Limited

On January 5, 2018, we completed the acquisition of all outstanding ordinary shares of NYX, creating a leading digital provider of sports wagering, iGaming and iLottery technologies, platforms, content, products and services. We paid $666 million in cash to acquire ordinary shares and other securities and to redeem NYX's outstanding debt (including $92 million paid during the fourth quarter of 2017 to acquire NYX ordinary shares and other securities). The fair value of our NYX non-controlling equity interest held immediately before the acquisition date was $90 million.

We incurred $8 million and $15 million of NYX acquisition-related costs which were recorded in Restructuring and other for the years ended December 31, 2018 and 2017, respectively.

The following table summarizes the allocation of the purchase price, which reflects an $8 million adjustment from the preliminary allocation during the first quarter of 2018 and primarily related to the provisional amounts recognized for certain receivables and liabilities for which we have subsequently obtained and evaluated more detailed information than existed at the measurement date:

	January 5, 2018
Cash, cash equivalents and restricted cash	$ 23
Accounts receivable and other current assets[(1)]	56
Property and equipment and other non-current assets[(1)]	22
Goodwill	368
Intangible assets	350
Total assets	$ 819
Current liabilities[(2)]	$ 74
Deferred income taxes	66
Assumed debt and other liabilities	300
Total liabilities	$ 440
Total consideration transferred	$ 379

(1) Including $41 million and $13 million of receivables and contract assets, respectively.
(2) Including $16 million of contract liabilities.

Cash, cash equivalents and restricted cash, accounts receivable and other current assets and most liabilities (other than as primarily related to deferred income taxes) were valued at the existing carrying values which approximated the estimated fair values. The fair value of deferred income taxes was determined by applying the applicable enacted statutory tax rate to the temporary differences that arose on the differences between the financial reporting value and tax basis of the acquired assets and assumed liabilities.

The fair value of intangible assets was determined using a combination of the relief from royalty method and the excess earnings method using Level 3 inputs in the hierarchy as established by ASC 820. The discount rates used in the valuation analysis ranged between 10% and 14%, and the royalty rate used was 0.5%. The following table details the intangible assets that have been identified:

	Fair Value	Weighted Average Useful Life (Years)
Customer relationships	$ 214	7
Intellectual property[(1)]	127	7
Trade names	10	7

(1) Primarily consists of core technology and content.

The factors contributing to the recognition of acquisition goodwill are based on enhanced financial and operational scale, market diversification, expected cost and operational synergies, assembled workforce and other strategic benefits. None of the resultant goodwill is expected to be deductible for income tax purposes.

NYX revenue and net loss since the acquisition date included in our consolidated results were as follows:

	Year Ended December 31, 2018
Revenue	$ 198
Net loss	41

The acquired NYX business was integrated into our Digital business segment.

The following unaudited pro forma financial information for the years ended December 31, 2018 and 2017 give effect to the NYX acquisition as if it had been completed on January 1, 2017:

	Year Ended December 31,	
	2018	2017
Revenue	$ 3,363	$ 3,265
Net loss	345	308

The unaudited pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of what the operating results actually would have been if the NYX acquisition had taken place on January 1, 2017, nor is it indicative of future operating results. The pro forma amounts include the historical operating results of SGC and NYX prior to the acquisition, with adjustments factually supportable and directly attributable to the NYX acquisition, primarily related to the effect of fair value adjustments and related depreciation and amortization, acquisition-related fees and expenses, interest expense related to additional borrowings used to complete the acquisition and the effect of repayments of NYX historical debt as a result of the acquisition.

Don Best and other

On November 1, 2018, we completed the acquisition of Don Best, a leading global supplier of real-time betting data and pricing for North American sporting events. Don Best was integrated into our Digital business segment. The total purchase considerations of these acquisitions was $46 million, which includes contingent acquisition consideration of $9 million. Our allocation of the purchase price resulted in $42 million intangible assets allocated to customer relationship and acquired technology and $11 million in excess purchase price allocated to goodwill, and the factors contributing to the recognition of goodwill are based on expected synergies resulting from these acquisitions, including the expansion of the customer base and new markets. Goodwill is not deductible for income tax purposes.

Contingent acquisition consideration value is primarily based on reaching certain earnings-based metrics, with a maximum payout of up to $17 million as of December 31, 2020.

The amount of revenue and earnings associated with the above acquisitions and since the acquisition date included in the consolidated financial statements were less than 5.0% for all periods presented and therefore were not significant to our consolidated financial statements.

(10) Intangible Assets, net and Goodwill

Intangible Assets, net

The following tables present certain information regarding our intangible assets as of December 31, 2020 and December 31, 2019. Amortizable intangible assets are being amortized on a straight-line basis over their estimated useful lives with no estimated residual values, which materially approximates the expected pattern of use.

	As of					
	December 31, 2020			December 31, 2019		
	Gross Carrying Value	Accumulated Amortization	Net Balance	Gross Carrying Value	Accumulated Amortization	Net Balance
Amortizable intangible assets:						
Customer relationships	$ 1,108	$ (478)	$ 630	$ 1,086	$ (383)	$ 703
Intellectual property	958	(648)	310	931	(563)	368
Licenses	558	(405)	153	548	(329)	219
Brand names	128	(86)	42	123	(72)	51
Trade names	117	(42)	75	116	(31)	85
Patents and other	24	(16)	8	24	(15)	9
	2,893	(1,675)	1,218	2,828	(1,393)	1,435
Non-amortizable intangible assets:						
Trade names	83	(2)	81	83	(2)	81
Total intangible assets	$ 2,976	$ (1,677)	$ 1,299	$ 2,911	$ (1,395)	$ 1,516

The following reflects intangible amortization expense included within D&A:

	Year Ended December 31,		
	2020	2019	2018
Amortization expense	$ 255	$ 306	$ 297

Estimated intangible asset amortization expense for the year ending December 31, 2021 and each of the subsequent four years:

	Year Ending December 31,				
	2021	2022	2023	2024	2025
Amortization expense	$ 223	$ 215	$ 187	$ 171	$ 107

Goodwill

The table below reconciles the change in the carrying value of goodwill, by business segment, for the period from December 31, 2018 to December 31, 2020.

	Gaming[1]	Lottery[2]	SciPlay	Digital	Totals
Balance as of December 31, 2018	$ 2,449	$ 352	$ 115	$ 364	$ 3,280
Foreign currency adjustments	—	(3)	—	3	—
Balance as of December 31, 2019	2,449	349	115	367	3,280
Impairment	(54)	—	—	—	(54)
Acquired goodwill	—	—	7	—	7
Foreign currency adjustments	30	4	2	23	59
Balance as of December 31, 2020	$ 2,425	$ 353	$ 124	$ 390	$ 3,292

(1) Accumulated goodwill impairment charges for the Gaming segment as of December 31, 2020 were $989 million.
(2) Accumulated goodwill impairment charges for the Lottery segment as of December 31, 2020 were $137 million.

Goodwill and intangible assets with indefinite useful lives

Goodwill represents the excess of the purchase price over the fair value of the assets acquired and liabilities assumed of acquired companies. We test goodwill for impairment annually as of October 1 of each fiscal year or more frequently if events arise or circumstances change that indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying value.

We evaluate goodwill at the reporting unit level by comparing the carrying value of each reporting unit to its fair value using a quantitative impairment test or qualitative assessment, as deemed appropriate. Under the qualitative assessment option, we first assess qualitative factors to determine whether the fair value of a reporting unit is not “more than likely” less than its

carrying value, which is commonly referred to as “Step 0”. If the fair value of the reporting unit is greater or if it is more likely than not that the fair value of the reporting unit is greater than its carrying value, goodwill is not considered impaired. For reporting units where we perform the quantitative process, we are required to compare the fair value of each reporting unit, which we primarily determine using an income approach based on the present value of discounted cash flows and a market approach, to the respective carrying value, which includes goodwill. If the fair value of the reporting unit is less than its carrying value, an impairment charge is recognized for the amount by which the carrying value exceeds the reporting unit’s fair value determined based on a quantitative test, not to exceed the total amount of goodwill allocated to that reporting unit.

Our annual goodwill impairment tests as of October 1, 2020 indicated estimated fair values were in excess of their carrying values for each of our reporting units that have goodwill balances.

We conduct impairment tests of our indefinite-lived assets annually in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate that it is more likely than not that the fair value of an indefinite-lived asset is less than its carrying value or when circumstances no longer continue to support an indefinite useful life.

Our annual impairment tests as of October 1, 2020 indicated estimated fair values were more likely than not in excess of the carrying values for all of our remaining indefinite-lived intangible assets.

Q1 2020 Legacy U.K. Gaming Impairment Charge

A substantial portion of our legacy U.K. Gaming reporting unit revenue comes from Ladbrokes Coral Group (acquired by Entain (formerly GVC Holdings PLC) in March 2018), which operates LBOs in the U.K. On April 1, 2019 the maximum stakes limit on fixed odds betting terminals was reduced from £100 to £2. As a result of this change, LBO operators began to rationalize their retail operations, which among other measures has included closure of certain LBO shops. Consequently, as of October 1, 2019, we concluded that an elevated risk of goodwill impairment existed for our legacy U.K. Gaming reporting unit as adverse changes in projections for future operating results or other key assumptions, such as projected revenue, profit margin, capital expenditures or cash flows associated with investments included in that reporting unit could lead to future goodwill impairments.

During the first quarter of 2020, the COVID-19 disruptions resulted in the widespread closures of LBO shops across the U.K., which, along with global economic uncertainty, contributed to further deterioration in business conditions from our 2019 annual goodwill test date. This had an adverse effect on our legacy U.K. Gaming reporting unit (part of our Gaming business segment), which necessitated performing a quantitative goodwill impairment test during the first quarter of 2020.

We performed this quantitative impairment test by comparing the fair value of our legacy U.K. Gaming reporting unit to its carrying value, including goodwill. The fair value of our legacy U.K. Gaming reporting unit was determined using a combination of both an income approach, based on the present value of discounted cash flows, and a market approach. Due to market volatility and limited market data points specific to the nature of our legacy U.K. Gaming reporting unit operations, we placed greater weight on the income approach than on the market approach. As a result of this analysis, during the first quarter of 2020 we recognized a partial impairment charge totaling $54 million, which is the amount by which the carrying value exceeded the estimated fair value. This impairment charge resulted in no tax benefit.

We used projections of revenues, profit margin, operating costs, capital expenditures and cash flows that primarily considered general economic and market conditions and estimated future results including the estimated impact of the COVID-19 disruptions. We used a range of different scenarios and derived estimated fair value based on an equal weighting of these scenarios to reflect the economic uncertainty resulting from the COVID-19 disruptions and the timing and magnitude of the economic recovery following the COVID-19 disruptions coupled with the impact of the regulatory change. The following ranges of the key estimates and assumptions were used in the discounted cash flow analysis:

- Revenue growth for FY 2021 between negative 9% and negative 20%, an average revenue growth for FY 2022 to FY 2027 between positive 3% and positive 5%, and terminal revenue growth rate of positive 2.0%;
- An average profit margin ranging from 13% to 23%;
- Assumptions regarding future capital expenditures reflective of maintaining our current customer contracts; and
- An overall discount rate ranging from 8.5% to 10.0%.

In our market comparable analysis, we considered revenue and EBITDA multiples ranging from 2.1x to 2.7x and 5.7x to 7.5x, respectively, and ultimately selected multiples at the low end of the range.

Other long-lived assets and intangible assets with finite useful lives

Intangible assets with finite useful lives are amortized over two to fifteen years using the straight-line method, which materially approximates the pattern of the assets' use. Factors considered when assigning useful lives include legal, regulatory and contractual provisions, product obsolescence, demand, competition and other economic factors.

We assess the recoverability of long-lived assets and intangible assets with finite useful lives whenever events arise or circumstances change that indicate the carrying value of an asset may not be recoverable. Recoverability of long-lived assets (or asset groups) to be held and used is measured by a comparison of the carrying value of the asset (or asset group) to the expected net future undiscounted cash flows to be generated by that asset (or asset group). The amount of impairment of other long-lived assets and intangible assets with finite lives is measured by the amount by which the carrying value of the asset exceeds the fair market value of the asset.

(11) Software, net

We capitalize direct costs used in the development of internal-use software. Amounts capitalized are amortized over a period of two to ten years on a straight-line basis.

We purchase, license and incur costs to develop external use software to be used in the products we sell, lease or market to customers. Costs incurred in creating software are expensed when incurred as R&D until technological feasibility has been established, after which costs are capitalized up to the date the software is available for general release to customers. Generally, the software we develop reaches technological feasibility when a working model of the software is available. We capitalize the payments made for software that we purchase or license for use in our products that has previously met the technological feasibility criteria prior to our purchase or license. Amortization of capitalized software costs is recorded over the estimated economic life, which is typically eight to ten years.

For our game themes, we have determined that such products reach technological feasibility when internal testing is complete and the product is ready to be submitted to gaming regulators for approval. We incur and capitalize regulatory approval costs for our game themes after technological feasibility is achieved. Amortization of regulatory approval costs is recorded over the estimated economic life, which is typically two to four years.

Software, net consisted of the following:

	As of December 31,	
	2020	2019
Software	$ 1,197	$ 1,173
Accumulated amortization	(970)	(915)
Software, net	$ 227	$ 258

In the years ended December 31, 2020 and 2019, we capitalized $85 million and $101 million, respectively, of development expenditures.

The following reflects amortization of software included within D&A:

	Year Ended December 31,		
	2020	2019	2018
Amortization expense	$ 119	$ 124	$ 161

(12) Equity Investments

We account for our equity investments where we own a non-controlling interest, but exercise significant influence, under the equity method of accounting. Under the equity method of accounting, our original cost of the investment is adjusted for our share of equity in the earnings of the equity investee and reduced by dividends and distributions of capital received.

We evaluate our investments in unconsolidated affiliates, for impairment whenever events or changes in circumstances indicate that the carrying value of the investment may have experienced an "other-than-temporary" decline in value. If such conditions exist, we compare the estimated fair value of the investment to its carrying value to determine if an impairment is indicated and determine whether the impairment is "other-than-temporary" based on an assessment of all relevant factors, including consideration of our intent and ability to retain our investment until the recovery of the unrealized loss. We estimate fair value using a discounted cash flow analysis based on estimated future results of, or cash distributions from, the investee. Impairment charges, if any, are recorded in Earnings (loss) from equity investment.

At December 31, 2020, we had investments in a number of entities (principally in our Lottery business segment) which are accounted for under the equity method of accounting because we do not have a controlling financial interest but we have the ability to exercise significant influence. For these investments, equity method income (loss) is recorded in "Earnings (loss) from equity investments", with our investment recorded in "Equity investments." See the tables below for details of our equity investments:

Equity Investment	Purpose	Concession and/or Supplier Agreement Term	Ownership Interest	Segment
LNS[(1)]	Exclusive operator of Italian instant game lottery	Initial term of nine years beginning October 2010, which was subsequently extended for up to nine years (September 2028)	20%	Lottery
Northstar NJ[(2)]	Provision of marketing and sales services to New Jersey Lottery	October 1, 2013 through 2029	18%	Lottery
Northstar SupplyCo New Jersey LLC (NJ SupplyCo)[(3)]	Separate agreement under which we provide instant games to Northstar NJ	October 1, 2013 through 2029	30%	Lottery

(1) Other members of consortium are Lottomatica Holdings, S.r.l. and Arianna 2001. LNS succeeded Consorzio Lotterie Nazionali, a consortium comprised of essentially the same group that owns LNS, as holder of the concession as the exclusive operator of the Italian Gratta e Vinci instant game lottery.
(2) Other members are IGT Global Solutions Corporation and a subsidiary of the administrator of the Ontario Municipal Employees Retirement System, this agreement provides us substantive participating rights.
(3) Other members are Gtech Corporation (now known as IGT) and OSI LTT NJ Holdings Inc., a wholly owned subsidiary of OMERS Administration Corporation.

	Equity investment Balance as of December 31,		Equity earnings (loss) recognized for the Year Ended December 31,			Cash distributions and dividends received for the Year Ended December 31,		
Equity Investment	2020	2019	2020	2019	2018	2020	2019	2018
LNS	$ 202	$ 201	$ 10	$ 16	$ 17	$ 27	$ 33	$ 38
GLB and CSG	26	26	(2)	3	1	—	—	11
Greece	18	20	(4)	1	1	—	2	6
Northstar NJ and NJ Supply Co	14	21	(11)	—	3	3	5	—
Other	2	5	1	4	3	4	9	8
Total under equity method	$ 262	$ 273	$ (6)	$ 24	$ 25	$ 34	$ 49	$ 63

	Revenue recognized from sales to investee for the Year Ended December 31,		
Equity Investment	2020	2019	2018
LNS	$ 39	$ 46	$ 40
Northstar NJ and NJ Supply Co	24	24	23
Other	3	6	7
Total	$ 66	$ 76	$ 70

LNS

On December 4, 2017, we announced that LNS had accepted a contract extension of up to nine years for the Italian Scratch and Win concession. As a part of the contract extension, LNS was required to pay an upfront fee of €800 million in three installments. The first installment of €50 million was paid as of December 31, 2017; payments of the second installment of €300 million and third installment of €450 million were made in April 2018 and October 2018, respectively. Our pro-rata concession funding payments to LNS were €10 million ($12 million), €60 million ($74 million) and €90 million ($104 million), respectively, and were treated as contributions to our equity method investment as contributions were made.

As of December 31, 2020 we had accounts receivable of $14 million from LNS.

Northstar New Jersey

Northstar New Jersey is entitled to receive annual incentive compensation payments from the State of New Jersey to the extent the lottery's net income for the applicable year exceeds specified target levels, subject to a cap of 3% of the applicable year's net income. Northstar New Jersey is responsible for payments to the State of New Jersey to the extent certain net income targets are not achieved by the New Jersey Lottery, subject to a cap of 2% of the applicable year's net income.

(13) Accrued Liabilities

Accrued liabilities consisted of the following:

	As of December 31,	
	2020	2019
Compensation and benefits	$ 94	$ 94
Accrued interest	86	74
Customer advances, deposits and funds held on behalf of customers	82	23
Contract liability	69	84
Taxes, other than income	42	36
Accrued licenses	28	26
Operating lease liabilities	26	26
Contingent acquisition consideration liabilities	11	7
Other	148	125
Total	$ 586	$ 495

(14) Leases

On January 1, 2019, we adopted ASC 842 using the optional transition method provided by ASU 2018-11. Our operating leases primarily consist of real estate leases such as offices, warehouses, and research and development facilities. Our leases have remaining lease terms ranging from 1 year to 10 years, some of which include options to extend the leases for up to 5 years or to terminate the leases within 1 year. Our finance leases are immaterial.

Supplemental balance sheet and cash flow information related to operating leases is as follows:

	As of	
	December 31, 2020	December 31, 2019
Operating lease right-of-use assets[(1)]	$ 94	$ 105
Accrued liabilities	26	26
Operating lease liabilities	77	88
Total operating lease liabilities	$ 103	$ 114
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases for the year ended December 31, 2020 and 2019, respectively	$ 31	$ 33
Weighted average remaining lease term, years	5	5
Weighted average discount rate	5 %	5 %

(1) Operating lease right-of-use assets obtained in exchange for lease obligations were immaterial.

Lease liability maturities:

	2021	2022	2023	2024	2025	Thereafter	Less Imputed Interest	Total
Operating leases	$ 30	$ 24	$ 20	$ 16	$ 11	$ 15	$ (13)	$ 103

Our total operating lease expenses were $33 million, $37 million and $39 million for the years ended December 31, 2020, 2019 and 2018, respectively. The total amount of variable and short-term lease payments was immaterial for all periods presented.

As of December 31, 2020, we did not have material additional operating leases that have not yet commenced.

(15) Long-Term and Other Debt

Outstanding Debt and Finance Leases

The following table reflects our outstanding debt:

	As of December 31,					
	2020					2019
	Final Maturity	Rate(s)	Face Value	Unamortized debt discount/premium and deferred financing costs, net	Book Value	Book Value
Senior Secured Credit Facilities:						
SGI Revolver	2024	variable	$ 535	$ —	$ 535	$ 195
SGI Term Loan B-5	2024	variable	4,060	(48)	4,012	4,042
SciPlay Revolver	2024	variable	—	—	—	—
SGI Senior Notes:						
2025 Secured Notes[1]	2025	5.000 %	1,250	(13)	1,237	1,235
2026 Secured Euro Notes[2]	2026	3.375 %	399	(4)	395	359
2025 Unsecured Notes	2025	8.625 %	550	(8)	542	—
2026 Unsecured Euro Notes[2]	2026	5.500 %	306	(3)	303	276
2026 Unsecured Notes	2026	8.250 %	1,100	(12)	1,088	1,085
2028 Unsecured Notes	2028	7.000 %	700	(9)	691	690
2029 Unsecured Notes	2029	7.250 %	500	(7)	493	493
SGI Subordinated Notes:						
2021 Notes	2020	6.250 %	—	—	—	339
Finance lease obligations as of December 31, 2020 payable monthly through 2023 and other[3]	2023	4.217 %	7	—	7	11
Total long-term debt outstanding			$ 9,407	$ (104)	$ 9,303	$ 8,725
Less: current portion of long-term debt					(44)	(45)
Long-term debt, excluding current portion					$ 9,259	$ 8,680
Fair value of debt[4]			$ 9,574			

(1) In connection with the February 2018 Refinancing (as defined below), we entered into certain cross-currency interest rate swap agreements to achieve more attractive interest rates by effectively converting $460 million of the fixed-rate, U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to a fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. These cross-currency swaps have been designated as a hedge of our net investment in certain subsidiaries.

(2) We designated a portion of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the change in foreign currency exchange rates of the Euro relative to the U.S. Dollar (see Note 16 for additional information). The total change in the face value of the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes due to changes in foreign currency exchange rates since the issuance was a reduction of $7 million, of which a loss of $51 million and gains of $9 million and $43 million were recognized on remeasurement of debt in the Consolidated Statements of Operations for the years ended December 31, 2020, 2019, and 2018, respectively.

(3) Includes $7 million related to certain revenue transactions presented as debt in accordance with ASC 470.

(4) Fair value of our fixed rate and variable interest rate debt is classified within Level 2 in the fair value hierarchy and has been calculated based on the quoted market prices of our securities.

The following reflects the principal amount of debt and finance lease payments due over the next five years and beyond as of December 31, 2020:

Due	Total Principal Due	Series of Debt/Finance lease	Principal Due per Series of Debt/Lease
2021	$ 44	Term Loan B-5	$ 42
		Finance lease obligation and other	2
2022	45	Term Loan B-5	42
		Finance lease obligation and other	3
2023	44	Term Loan B-5	42
		Finance lease obligation and other	2
2024	4,469	Term Loan B-5	3,934
		Drawn Revolving Credit Facility	535
2025	1,800	2025 Secured Notes	1,250
		2025 Unsecured Notes	550
2026 and beyond	3,005	2026 Secured Euro Notes	399
		2026 Unsecured Euro Notes	306
		2026 Unsecured Notes	1,100
		2028 Unsecured Notes	700
		2029 Unsecured Notes	500
Unamortized deferred financing costs and discount/premium	(104)		
Total debt book value as of December 31, 2020	$ 9,303		

Debt Financing Transactions

February 2018 Refinancing

On February 14, 2018, SGI issued an additional $900 million aggregate principal amount of its 2025 Secured Notes, €325 million aggregate principal amount of its new 2026 Secured Euro Notes and €250 million aggregate principal amount of its new 2026 Unsecured Euro Notes, and entered into an amendment to our credit agreement to refinance our existing term loan B-4 facility and increase the term loans outstanding by $900 million under a new term loan B-5 facility (the “February 2018 Refinancing”).

March 2019 Refinancing

On March 19, 2019, SGI issued $1,100 million in aggregate principal amount of its new 2026 Unsecured Notes. We used the net proceeds of the 2026 Unsecured Notes offering to redeem $1,000 million of our outstanding 2022 Unsecured Notes and pay accrued and unpaid interest thereon plus related premiums, fees, and costs, which redemption was completed on April 4, 2019, and paid related fees and expenses of the 2026 Unsecured Notes offering (the “March 2019 Refinancing”).

November 2019 Refinancing

On November 20, 2019, we entered into an amendment to the revolving credit facility under the credit agreement to refinance the existing revolving credit facility and to provide for an aggregate of $650 million of revolving credit commitments through 2024, and on November 26, 2019, SGI issued $700 million in aggregate principal amount of its new 2028 Unsecured Notes and $500 million in aggregate principal amount of its new 2029 Unsecured Notes (the “November 2019 Refinancing”). We used the net proceeds of the 2028 Unsecured Notes and the 2029 Unsecured Notes, together with cash on hand and borrowings under the revolving credit facility, to redeem the remaining $1,200 million of our outstanding 2022 Unsecured Notes and all $244 million of our outstanding 2020 Notes and pay accrued and unpaid interest thereon plus related premiums, fees, and costs, which redemption was completed on December 12, 2019, and paid related fees and expenses of the offering.

Issuance of 2025 Unsecured Notes and Redemption of 2021 Notes

On July 1, 2020, we completed the issuance of $550 million in aggregate principal amount of 8.625% senior unsecured notes due 2025 in a private offering and received total net proceeds of $543 million. We used a portion of the net proceeds to redeem all $341 million of our outstanding 2021 Notes and paid accrued and unpaid interest thereon plus related premiums, fees and costs, which redemption was completed on July 17, 2020, and are using the remaining net proceeds to fund working capital and general corporate purposes.

The 2025 Unsecured Notes were issued pursuant to an indenture dated as of July 1, 2020 (the “2025 Unsecured Notes Indenture”). We may redeem some or all of the 2025 Unsecured Notes at any time prior to July 1, 2022 at a redemption price

equal to 100% of the principal amount of the 2025 Unsecured Notes plus accrued and unpaid interest, if any, to the date of the redemption plus a "make whole" premium. We may redeem some or all of the 2025 Unsecured Notes at any time on or after July 1, 2022 at the prices specified in the 2025 Unsecured Notes Indenture.

The 2025 Unsecured Notes are senior obligations of SGI, rank equally to all SGI's existing and future senior debt and rank senior to all of SGI's existing and future debt, if any, that is expressly subordinated to the 2025 Unsecured Notes. The 2025 Unsecured Notes are guaranteed on a senior unsecured basis by SGC and all of its wholly owned domestic restricted subsidiaries (other than SGI, the unrestricted business entities comprising our SciPlay business segment and certain immaterial subsidiaries), subject to customary exceptions.

Debt issuance costs

We capitalize debt issuance costs associated with long-term financing arrangements and amortize the deferred debt issuance costs over the term of the arrangement using the effective interest method. The capitalized debt issuance costs associated with long-term debt financing, other than line-of-credit arrangements, are presented as a direct reduction from the carrying value of long-term debt, consistent with the treatment of unamortized debt discount. In connection with the February 2018 Refinancing, the March 2019 Refinancing and the November 2019 Refinancing, we reflected $26 million, $16 million and $17 million, respectively, in financing costs presented primarily as a reduction to long-term debt. In connection with the July 2020 issuance of the 2025 Unsecured Notes, we reflected $8 million in financing costs presented primarily as a reduction to long-term debt.

Loss on Debt Financing Transactions

The following are components of the loss on debt financing transactions resulting from debt extinguishment and modification accounting:

	Years Ended December 31,		
	2020	2019	2018
Repurchase and cancellation of principal balance at premium	$ —	$ 80	$ 110
Unamortized debt (premium) discount and deferred financing costs, net	—	20	(30)
Third party debt issuance fees	1	—	13
Total loss on debt financing transactions	$ 1	$ 100	$ 93

Description of Outstanding Debt

Credit agreement

SGC and certain of its subsidiaries are party to a credit agreement, dated as of October 18, 2013, by and among SGI, as the borrower, SGC, as a guarantor, Bank of America, N.A., as administrative agent, and the lenders and other agents party thereto (the "credit agreement"). As of December 31, 2020, the credit agreement included (a) a revolving credit facility of $650 million through November 20, 2024, with up to $350 million available for issuances of letters of credit and (b) a $4,060 million term B-5 loan facility that matures August 14, 2024.

The term B-5 loans amortize in equal quarterly installments in an amount equal to 1.00% per annum of the stated principal amount thereof, with the remaining balance due at final maturity. Our 2021 notes were extinguished on July 17, 2020 and are therefore no longer subject to provisions. All of the debt incurred under the revolving credit facility is subject to accelerated maturity if loans under our term B-5 loan facility remain outstanding 91 days prior to their stated maturity date of August 14, 2024 and we do not have sufficient liquidity at that time. In this case, liquidity would be based on our unrestricted cash (excluding SciPlay cash) and availability under our revolving credit facility. SGI may voluntarily prepay all or any portion of outstanding amounts under the credit agreement at any time, without premium or penalty, subject to redeployment costs in the case of a prepayment of eurocurrency loans on a day that is not the last day of the relevant interest period.

The applicable margin for the term B-5 loans is 2.75% per annum for eurocurrency (LIBOR) loans and 1.75% per annum for base rate loans. The applicable margin for revolver borrowings is 3.00% per annum for eurocurrency (LIBOR) loans and 2.00% per annum for base rate loans. SGI is required to pay commitment fees to revolving lenders on the actual daily unused portion of the revolving commitments at a rate of 0.50% per annum through maturity, subject to a step-down to 0.375% based upon the achievement of certain net first lien leverage ratios.

SciPlay Revolver

SciPlay Holding, a subsidiary of SciPlay, entered into the SciPlay Revolver, a $150 million revolving credit agreement, dated as of May 7, 2019, that matures in May 2024, by and among SciPlay Holding, as the borrower, SciPlay Parent

LLC, as a guarantor, the subsidiary guarantors party thereto (which are all domestic entities that comprise our SciPlay business segment), the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent.

The interest rate is either Adjusted LIBOR (as defined in the SciPlay Revolver) plus 2.250% (with one 0.250% leverage-based step-down to the margin and one 0.250% leverage-based step-up to the margin) or ABR (as defined in the SciPlay Revolver) plus 1.250% (with one 0.250% leverage-based step-down to the margin and one 0.250% leverage-based step-up to the margin) at the option of SciPlay Holding. SciPlay Holding is required to pay to the lenders a commitment fee of 0.500% per annum on the average daily unused portion of the revolving commitments through maturity, which fee varies based on the total net leverage ratio and is subject to a floor of 0.375%. The SciPlay Revolver provides for up to $15 million in letter of credit issuances.

Notes

The following table sets forth the date of the indenture, redemption prices and dates and ranking, guarantees and collateral for each of our outstanding series of notes:

Series of Notes	Indenture Date	Redeemable at Make Whole Price Prior To[1]	Ranking, Guarantees and Collateral
2025 Secured Notes	October 17, 2017	October 15, 2020	Senior Secured
2026 Secured Euro Notes[2]	February 14, 2018	February 15, 2021	Senior Secured
2025 Unsecured Notes	July 1, 2020	July 1, 2022	Senior Unsecured
2026 Unsecured Euro Notes[2]	February 14, 2018	February 15, 2021	Senior Unsecured
2026 Unsecured Notes	March 19, 2019	March 15, 2022	Senior Unsecured
2028 Unsecured Notes	November 26, 2019	May 15, 2023	Senior Unsecured
2029 Unsecured Notes	November 26, 2019	November 15, 2024	Senior Unsecured

(1) Refers to the date prior to which such series of notes may be redeemed at a redemption price equal to 100% of the principal amount of such notes plus accrued and unpaid interest, if any, to the date of redemption plus a “make whole” premium. On or after such date, such notes may be redeemed at the prices specified in the indenture governing such notes.

(2) Effective April 30, 2018, the 2026 Secured Euro Notes and 2026 Unsecured Euro Notes were listed on the Official List of The International Stock Exchange.

Ranking, guarantees and collateral

Borrowings under the credit agreement and the Secured Notes are senior secured obligations of SGI, rank equally to all of SGI’s existing and future senior debt and rank senior to all of SGI’s existing and future senior subordinated debt, if any. The Unsecured Notes are senior unsecured obligations of SGI, rank equally to all of SGI’s existing and future senior debt and rank senior to all of SGI’s existing and future senior subordinated debt, if any.

Borrowings under the credit agreement and the Senior Notes are guaranteed by us and each of our current and future direct and indirect wholly owned domestic subsidiaries (other than SGI, the unrestricted business entities comprising our SciPlay business segment and certain immaterial subsidiaries), subject to certain customary exceptions as set forth in the credit agreement and the indentures governing such notes. Borrowings under the credit agreement and the Senior Notes are structurally subordinated to all of the liabilities of our Non-Guarantor Subsidiaries.

The obligations under the credit agreement and the Secured Notes are secured by a first priority lien on (1) substantially all the property and assets (real and personal, tangible and intangible) of SGI and the other guarantors, and (2) 100% of the capital stock (or other equity interests) of the direct domestic subsidiaries of SGC, SGI and the guarantors and 65% of the capital stock (or other equity interests) of the direct foreign subsidiaries of SGC, SGI and the guarantors, in each case, subject to certain customary exceptions.

The SciPlay Revolver is secured by a (i) first priority pledge of the equity securities of SciPlay Holding, SciPlay Parent LLC’s restricted subsidiaries and each subsidiary guarantor party thereto and (ii) first priority security interests in, and mortgages on, substantially all tangible and intangible personal property and material fee-owned real property of SciPlay Parent LLC, SciPlay Holding and each subsidiary guarantor party thereto, in each case, subject to customary exceptions.

Restrictive covenants

Our only financial maintenance covenant (excluding SciPlay’s Revolver) is contained in SGI’s credit agreement. Prior to the Credit Agreement Amendment dated May 8, 2020, this covenant was tested at the end of each fiscal quarter and required us to not exceed a maximum consolidated net first lien leverage ratio of 5.00x Consolidated EBITDA (as defined in the credit agreement). Prior to the Credit Agreement Amendment and Credit Agreement Extension Amendment, this ratio stepped down

to 4.75x beginning with the fiscal quarter ended December 31, 2020 and to 4.50x beginning with the fiscal quarter ending December 31, 2021. See Note 1 for information on the Credit Agreement Amendment and Credit Agreement Amendment Extension. Additionally, the SciPlay Revolver requires that SciPlay maintain a maximum total net leverage ratio not to exceed 2.50x and maintain a minimum fixed charge coverage ratio of no less than 4.00x. We had no amounts drawn on our SciPlay Revolver as of December 31, 2020.

We were in compliance with the financial covenants under our debt agreements as of December 31, 2020. See Note 1 for new Credit Agreement Amendments and ratio requirements.

(16) Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset and liability in an orderly transaction between market participants at the measurement date. We estimate the fair value of our assets and liabilities when required using an established three-level hierarchy in accordance with ASC 820.

The fair value of our financial assets and liabilities is determined by reference to market data and other valuation techniques as appropriate. We believe the fair value of our financial instruments, which are principally cash and cash equivalents, restricted cash, receivables, other current assets, accounts payable and accrued liabilities, approximates their recorded values. Our assets and liabilities measured at fair value on a recurring basis are described below.

Derivative Financial Instruments

As of December 31, 2020, we held the following derivative instruments that were accounted for pursuant to ASC 815:

Interest Rate Swap Contracts

We currently use interest rate swap contracts as described below to manage exposure to interest rate fluctuations by reducing the uncertainty of future cash flows on our variable rate debt.

In February 2018, we entered into interest rate swap contracts to hedge a portion of our interest expense associated with our variable rate debt to effectively fix the interest rate that we pay. These interest rate swap contracts are designated as cash flow hedges under ASC 815. We pay interest at a weighted-average fixed rate of 2.4418% and receive interest at a variable rate equal to one-month LIBOR. The total notional amount of interest rate swaps outstanding was $800 million as of December 31, 2020. These hedges mature in February 2022.

These hedges are highly effective in offsetting changes in our future expected cash flows due to the fluctuation in the one-month LIBOR rate associated with our variable rate debt. We qualitatively monitor the effectiveness of these hedges on a quarterly basis. As a result of the effective matching of the critical terms on our variable rate interest expense being hedged to the hedging instruments being used, we expect these hedges to remain highly effective.

All gains and losses from these hedges are recorded in Other comprehensive income (loss) until the future underlying payment transactions occur. Any realized gains or losses resulting from the hedges are recognized (together with the hedged transaction) as interest expense. We estimate the fair value of our interest rate swap contracts by discounting the future cash flows of both the fixed rate and variable rate interest payments based on market yield curves. The inputs used to measure the fair value of our interest rate swap contracts are categorized as Level 2 in the fair value hierarchy as established by ASC 820.

The following table shows the gains (losses) and interest expense on our interest rate swap contracts:

	Year Ended December 31,		
	2020	**2019**	**2018**
Losses recorded in accumulated other comprehensive loss, net of tax	$ (6)	$ (11)	$ —
Interest expense recorded related to interest rate swap contracts	15	1	3

We do not expect to reclassify material amounts from Accumulated other comprehensive loss to interest expense in the next twelve months.

The following table shows the effect of interest rate swap contracts designated as cash flow hedges on the consolidated statements of operations:

	Year Ended December 31, 2020	Year Ended December 31, 2019
	Interest expense	Interest expense
Total interest expense which reflects the effects of cash flow hedges	$ (503)	$ (589)
Hedged item	(20)	(20)
Derivative designated as hedging instrument	5	19

Cross-Currency Interest Rate Swaps

In connection with the February 2018 Refinancing, we entered into certain cross-currency interest rate swap agreements to achieve more beneficial interest rates by effectively converting $460 million of our fixed-rate U.S. Dollar-denominated 2025 Secured Notes, including the semi-annual interest payments through October 2023, to fixed-rate Euro-denominated debt, with a fixed annual weighted average interest rate of approximately 2.946%. We have designated these cross-currency interest rate swap agreements as a net investment hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our operating results caused by the changes in foreign currency exchange rates of the Euro relative to the U.S. Dollar.

We use the spot method to measure the effectiveness of our net investment hedge. Under this method, for each reporting period, the change in the fair value of the $460 million cross-currency interest rate swaps is reported in foreign currency translation gain (loss) in Accumulated other comprehensive loss. The cross-currency basis spread (along with other components of the cross-currency swaps' fair value excluded from the spot method effectiveness assessment) are amortized and recorded to Interest expense. We evaluate the effectiveness of our net investment hedge at the beginning of each quarter.

The following table shows the fair value of our hedges:

		As of	
	Balance Sheet Line Item	December 31, 2020	December 31, 2019
Interest rate swaps[1][3]	Other liabilities	$ 22	$ 16
Cross-currency interest rate swaps[2][3]	Other assets	14	41

(1) The loss of $6 million, $16 million, and $0 million for the year ended December 31, 2020, 2019 and 2018, respectively, are reflected in Derivative financial instrument unrealized (loss) gain in Other comprehensive loss.

(2) The loss of $27 million, gains of $23 million and $18 million for the years ended December 31, 2020, 2019 and 2018, respectively, is reflected in Foreign currency translation gain (loss) in Other comprehensive loss.

(3) The inputs used to measure the fair value of our interest rate swap contracts are categorized as Level 2 in the fair value hierarchy.

Net Investment Non-derivative Hedge - 2026 Secured Euro Notes

For the fourth quarter of 2020, we designated $133 million of our 2026 Secured Euro Notes as a net investment non-derivative hedge of our investments in certain of our international subsidiaries that use the Euro as their functional currency in order to reduce the volatility in our results caused by the changes in foreign currency exchange rates of the Euro relative to the U.S. Dollar.

We use the spot method to measure the effectiveness of our net investment non-derivative hedge. Under this method, for each reporting period, the change in the hedged portion of the carrying value of the 2026 Secured Euro Notes due to remeasurement is reported in Foreign currency translation gain (loss) in Other comprehensive loss, and the remaining remeasurement change is recognized in Loss on remeasurement of debt in our consolidated statements of operations. We evaluate the effectiveness of our net investment non-derivative hedge at the beginning of each quarter and the inputs used to measure the fair value of this non-derivative hedge are categorized as Level 2 in the fair value hierarchy.

Contingent Acquisition Consideration Liabilities

In connection with our acquisitions, we have recorded certain contingent consideration liabilities, of which the values are primarily based on reaching certain earnings-based metrics. The related liabilities were recorded at fair value on the acquisition date as part of the consideration transferred and are remeasured each reporting period. The inputs used to measure the fair value of our liabilities are categorized as Level 3 in the fair value hierarchy.

We remeasured contingent acquisition consideration at each reporting period. These remeasurements included increases to the projected earnings-based measures and also the probability of achievement (categorized as Level 3 in the fair value hierarchy as established by ASC 820), which resulted in increases to the calculated fair value of contingent acquisition consideration by $0 million, $2 million and $29 million for the years ended December 31, 2020, 2019 and 2018, respectively. These changes were recorded in Restructuring and other. Contingent acquisition consideration liabilities as of December 31,

2020 are $13 million of which $11 million is included in Accrued liabilities with the remainder included in Other long-term liabilities. Contingent acquisition consideration liabilities as of December 31, 2019 were $14 million of which $7 million was included in Accrued liabilities with the remainder included in Other long-term liabilities.

(17) Stockholders' Deficit

The following reflects total stock-based compensation expense recognized under all programs:

	Year Ended December 31,		
	2020	2019	2018
Related to SGC stock options	$ 9	$ 5	$ 12
Related to SGC RSUs	30	23	32
Related to SciPlay RSUs	22	9	—
Total	$ 61	$ 37	$ 44

The following table sets forth the change in the number of shares of common stock outstanding during the fiscal years ended December 31, 2020 and 2019:

	December 31,	
	2020	2019
Shares outstanding as of beginning of period	94	92
Shares issued as part of equity-based compensation plans and the ESPP, net of shares surrendered	1	2
Shares outstanding as of end of period	95	94

Series A Junior Participating Preferred Stock and Rights Agreement

On June 19, 2017, the Board of Directors of SGC approved, and SGC entered into, a rights agreement between SGC and American Stock Transfer & Trust Company, LLC (the "Rights Agreement"). Concurrently, the Board of Directors of SGC adopted a resolution reserving for issuance a series of 20,000 shares of preferred stock. On January 10, 2018, the Rights Agreement was amended and restated to account for the Reincorporation Merger (the "Amended and Restated Rights Agreement"). In connection with the Amended and Restated Rights Agreement, the preferred stock was designated as Series A Junior Participating Preferred Stock, par value $.001 per share, upon the exercise of rights under the Amended and Restated Rights Agreement. The Amended and Restated Rights Agreement provides for a dividend of one preferred share purchase right ("Right") for each share of common stock of SGC. Each Right entitles the holder to purchase one ten-thousandth of a share of Series A Junior Preferred Stock for a purchase price of $109.00, subject to adjustment as provided in the Amended and Restated Rights Agreement.

On June 16, 2020, the Rights Agreement was further amended to extend its term to June 19, 2023 (subject to earlier expiration as described in the Rights Agreement). The Board will submit such amendment extending the Rights Agreement to a vote by the Company's stockholders at the Company's 2021 annual stockholders' meeting. As of December 31, 2020, none of these shares were outstanding and no Rights were exercised.

Scientific Games Stock-Based and Other Incentive Compensation

Pursuant to our incentive stock plans we offer stock-based compensation in the form of stock options and RSUs to employees and our non-employee directors. The terms of such stock option and RSU awards, including the vesting schedule of such awards, are determined at our discretion subject to the terms of the applicable equity-based compensation plan. We also offer an ESPP, which allows for a total of up to 2 million shares of common stock to be purchased by eligible employees under offerings made each January 1 and July 1. Employees participate through payroll deductions up to a maximum of 15% of eligible compensation. The term of each offering period is six months and shares are purchased on the last day of the offering period at a 15% discount to the stock's market value. For offering periods in 2020, 2019 and 2018 we issued approximately 80 thousand, 100 thousand and 83 thousand shares of common stock at an average price of $19.55 per share, $19.32 per share and $22.79 per share, respectively.

Options granted over the last several years have generally become exercisable in four equal installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met, in all cases, with a maximum term of ten years. RSUs typically vest in four equal installments beginning on the first anniversary of the date of grant or when certain performance targets are determined to have been met.

We recognize expense for stock-based compensation plans based on the estimated fair value of the related awards in accordance with ASC 718. Stock options are granted with exercise prices that are not less than the fair market value of our common stock on the date of grant. We periodically grant certain stock-based awards that are contingent upon SGC or certain of our subsidiaries achieving certain pre-determined financial performance targets. Upon determining that the performance target is probable, the fair value of the award is recognized over the service period. Determining the probability of achieving a performance target requires estimates and judgment.

As of December 31, 2020, we had approximately 23 million shares of common stock authorized for awards under the 2003 Incentive Compensation Plan, as amended and restated (the "2003 Plan") (plus available shares from a pre-existing equity-based compensation plan). As of December 31, 2020, we had approximately 3 million shares reserved under the 2003 Plan for future grants of equity awards and less than 0.1 million shares available under a pre-existing plan.

Stock Options

During 2020, we issued 2 million stock options with a weighted average exercise price of $35.41 and a total grant date fair value of $54 million. At December 31, 2020, we had $33 million of unrecognized stock-based compensation expense relating to approximately 2 million unvested stock options that will be amortized over a weighted-average period of approximately two years and have an average remaining contract term of 6.3 years with a weighted average exercise price of $33.60. During the year ended December 31, 2020, we received $4 million in cash from the exercise of stock options.

Restricted Stock Units

A summary of the changes in RSUs outstanding under our equity-based compensation plans during 2020 is presented below:

	Number of Restricted Stock Units	Weighted Average Grant Date Fair Value
Unvested RSUs as of December 31, 2019	2.9	$ 24.80
Granted	2.7	$ 13.75
Vested	(1.3)	$ 19.77
Cancelled	(1.0)	$ 19.25
Unvested RSUs as of December 31, 2020	3.3	$ 19.07

The weighted-average grant date fair value of RSUs granted during 2020 and 2019 was $13.75 and $21.78, respectively. The fair value of each RSU grant is based on the market value of our common stock at the time of grant. At December 31, 2020, we had $40 million of unrecognized stock-based compensation expense relating to unvested RSUs that will be amortized over a weighted-average period of approximately two years. The fair value at vesting date of RSUs vested during the years ended December 31, 2020, 2019 and 2018 was $16.8 million, $22.0 million and $88.0 million, respectively.

SciPlay Stock-Based Compensation

In 2019, SciPlay adopted the SciPlay Long-Term Incentive Plan ("SciPlay LTIP"). The SciPlay LTIP authorizes the issuance of up to 6.5 million shares of SciPlay's Class A common stock to be granted in connection with awards of incentive and nonqualified stock options, restricted stock, RSUs, stock appreciation rights and performance-based awards. As of December 31, 2020, there were a total of 4.1 million time-based and performance-based SciPlay RSUs outstanding with an average grant price of $15.27 per share of SciPlay Class A common stock. As of December 31, 2020, SciPlay had $8 million in unrecognized stock-based compensation expense that is expected to be recognized over a weighted-average expected vesting period of 0.6 years.

(18) Pension and Other Post-Retirement benefits

We have defined benefit pension plans for our U.K.-based union employees (the "U.K. Plan") and certain Canadian-based employees (the "Canadian Plan"). Collectively these two plans are referred to as the "Pension Plans". Retirement benefits under the U.K. Plan are generally based on an employee's average compensation over the two years preceding retirement. Retirement benefits under the Canadian Plan are generally based on the number of years of credited service. Our policy is to fund the minimum contributions permissible by the applicable authorities. We estimate that $9 million will be contributed to the Pension Plans in fiscal year 2021.

Our pension benefit costs are calculated using various actuarial assumptions and methodologies. These assumptions include discount rates, inflation, compensation increase rates, expected returns on plan assets, mortality rates and other factors.

The assumptions used in recording the obligations under our plans represent our best estimates, and we believe that they are reasonable, based on information as to historical experience and performance and other factors that might cause future expectations to differ from past trends. Differences in actual experience or changes in assumptions may affect our pension obligations and future expense. The primary factors contributing to actuarial gains and losses each year are (1) changes in the discount rate used to value pension benefit obligations as of the measurement date and (2) differences between the expected and the actual return on plan assets.

The following table sets forth the combined funded status of the Pension Plans and their reconciliation to the related amounts recognized in our Consolidated Financial Statements at our December 31, 2020 and 2019 measurement dates:

	December 31,	
	2020	2019
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 154	$ 125
Service cost	3	2
Interest cost	4	4
Participant contributions	1	1
Actuarial loss	17	21
Benefits paid	(4)	(3)
Other, principally foreign exchange	5	4
Benefit obligation at end of year	$ 180	$ 154
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 129	$ 107
Actual gain on plan assets	16	18
Employer contributions	4	4
Participant contributions	1	1
Benefits paid	(5)	(3)
Other, principally foreign exchange	3	2
Fair value of assets at end of year	$ 148	$ 129
Amounts recognized in the consolidated balance sheets:		
Funded status (current)	$ —	$ —
Funded status (non-current)	(32)	(25)
Accumulated other comprehensive loss:		
Unrecognized actuarial loss	40	34
Unrecognized prior service cost	(2)	—
Deferred taxes	—	(1)
Net amount recognized	$ 6	$ 8

The following table presents the components of our net periodic pension benefit cost:

	Year Ended December 31,		
	2020	2019	2018
Components of net periodic pension benefit cost:			
Service cost	$ 3	$ 2	$ 3
Interest cost	4	4	4
Expected return on plan assets	(6)	(5)	(6)
Amortization of actuarial losses	2	1	1
Net periodic cost	$ 3	$ 2	$ 2

The accumulated benefit obligation for the Pension Plans was $180 million and $154 million as of December 31, 2020 and 2019, respectively. The underfunded status of the Pension Plans recorded as a long-term liability in our Consolidated Balance Sheets as of December 31, 2020 and 2019 was $32 million and $25 million, respectively.

The amounts included in accumulated other comprehensive loss as of December 31, 2020 are expected to be recognized as components of net periodic pension benefit cost during the fiscal year ending December 31, 2021 are presented below:

Unrecognized loss	$ 2
Unrecognized prior service cost	(1)
Net amount expected to be recognized	$ 1

The U.K. Plan is closed to new participants and pensionable earnings used to calculate retirement benefits are limited to a 2% annual increase while the plan is less than 100% funded.

The investment policy is to maximize long-term financial return commensurate with security and minimizing risk. This is achieved by holding a portfolio of marketable investments that avoids over-concentration of investment and spreads assets both over industries and geographies. In setting investment strategy, we considered the lowest risk strategy that it could adopt in relation to the plan's liabilities and designed the asset allocation to achieve a higher return while maintaining a cautious approach to meeting the plan's liabilities. We considered a full range of asset classes, the risks and rewards of a range of alternative asset allocation strategies, the suitability of each asset class and the need for appropriate diversification.

The current strategy in the U.K. Plan is to hold approximately 37% in a global return fund, approximately 4% in U.K. equities, approximately 10% in real estate, approximately 16% in non-U.K. equities, approximately 20% in Liability Driven Investments (LDI) and approximately 13% in corporate bonds and other. The current strategy in the Canadian Plan is to hold approximately 23% in Canadian equities, approximately 44% in non-Canadian equities and approximately 33% in bonds and other.

The fair value of the plan assets for the Pension Plans at December 31, 2020 by asset category is presented below:

Asset Category	Market Value at 12/31/2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities[(a)]	$ 58	$ 41	$ 17	$ —
Global return fund[(a)]	32	—	32	—
Corporate bonds[(a)]	25	—	25	—
Government bonds	5	—	5	—
Real estate	9	—	—	9
LDI (Liability Driven Investment)	17	—	17	—
Cash and cash equivalents[(b)]	2	2	—	—
Total pension assets	$ 148	$ 43	$ 96	$ 9

(a) The assets are invested through managed funds that are valued using inputs derived principally from quoted prices in active markets for the underlying assets in the fund.
(b) The carrying value of cash and cash equivalents approximates fair value because of the short-term maturity of these instruments.

The fair value of the plan assets for both of the Pension Plans at December 31, 2019 by asset category is presented below:

Asset Category	Market Value at 12/31/2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity securities[(a)]	$ 62	$ 35	$ 27	$ —
Global return fund[(a)]	19	—	19	—
Corporate bonds[(a)]	13	—	13	—
Government bonds	12	—	12	—
Real estate	5	—	—	5
LDI (Liability Driven Investment)	14	—	14	—
Cash and cash equivalents[(b)]	4	4	—	—
Total pension assets	$ 129	$ 39	$ 85	$ 5

(a) The assets are invested through managed funds that are valued using inputs derived principally from quoted prices in active markets for the underlying assets in the fund.
(b) The carrying value of cash and cash equivalents approximates fair value because of the short-term maturity of these instruments.

The change in fair value of the Pension Plan assets valued using significant unobservable inputs (Level 3) is presented below:

	2020	2019
Significant unobservable inputs (Level 3), beginning of period	$ 5	$ 4
Unrealized gain on asset still held	4	1
Significant unobservable inputs (Level 3), end of period	$ 9	$ 5

The table below presents the weighted-average actuarial assumptions used to determine the benefit obligation and net periodic benefit cost for the Pension Plans.

	U.K. Plan			Canadian Plan		
	2020	2019	2018	2020	2019	2018
Discount rates:						
Benefit obligation	1.4 %	2.0 %	2.9 %	3.1 %	3.1 %	3.9 %
Net periodic pension cost	1.4 %	2.0 %	2.6 %	3.1 %	3.9 %	3.6 %
Rate of compensation increase	1.0 %	1.0 %	1.0 %	3.0 %	3.0 %	1.0 %
Expected return on assets	3.6 %	5.1 %	5.0 %	5.2 %	5.5 %	5.7 %

The overall expected long-term rate of return on assets assumption for the U.K. Plan has been determined as a weighted-average of the expected returns on the above asset classes for the U.K. Plan. The expected return on bonds is taken as the current redemption yield on the appropriate index. The expected return on equities and property is determined by assuming a measure of out performance over the gilt-yield. The expected return on cash is related to the Bank of England base rate. Returns so determined are reduced to allow for investment manager expenses.

The overall expected long-term rate of return on assets assumption for the Canadian Plan has been determined by consideration of the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class based on our active management of certain portfolio classes.

We expect benefit payments between $4 million and $6 million annually, which reflect expected future service, for each of the next five years. Additionally, we expect benefit payments of $32 million for benefit payments during the five years from 2026 to 2030.

U.S. plan

We have a 401(k) plan for U.S.-based employees. Those employees who participate in our 401(k) plan are eligible to receive matching contributions from us for the first 6% of participant contributions (as defined in the plan document). During 2020, as part of austerity measures implemented as a result of COVID-19, we temporarily eliminated 401(k) matching contributions, and they have not yet been reinstated. Contribution expense for the years ended December 31, 2020, 2019 and 2018 amounted to $5 million, $11 million and $12 million, respectively.

(19) Accumulated Other Comprehensive Loss

The accumulated balances for each classification of other comprehensive (loss) income are presented below:

	Foreign Currency Items	Derivative Financial Instruments[1]	Unrecognized pension benefit costs, net of taxes[2]	Accumulated Other Comprehensive Loss
Balance at January 1, 2018	$ (183)	$ —	$ (17)	$ (200)
Change during period	(99)	—	(2)	(101)
Reclassified into operations	—	—	1	1
Balance at December 31, 2018	$ (282)	$ —	$ (18)	$ (300)
Change during period	26	(11)	(8)	7
Reclassified into operations	—	—	1	1
Balance at December 31, 2019	$ (256)	$ (11)	$ (25)	$ (292)
Change during period	85	(6)	(5)	74
Reclassified into operations	—	—	—	—
Balance at December 31, 2020	$ (171)	$ (17)	$ (30)	$ (218)

(1) The change during the period is net of income taxes of $0 million, $4 million and $0 million in 2020, 2019 and 2018, respectively.
(2) The change during the period is net of income taxes of $0 million, $1 million and $1 million in 2020, 2019 and 2018, respectively.

(20) Income Taxes

Income taxes are determined using the liability method of accounting for income taxes, under which deferred tax assets (“DTAs”) and deferred tax liabilities (“DTLs”) are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax basis of assets and liabilities. If, based upon all available evidence, both positive and negative, it is more likely than not that such DTAs will not be realized, a valuation allowance is recorded.

Management assessed the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of existing DTAs in each taxpaying jurisdiction. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2020. Such strong objective evidence puts less emphasis on other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2020, a valuation allowance of $328 million has been recorded to recognize only the portion of the DTAs that are more likely than not to be realized; however, the amount of the DTAs considered realizable could be adjusted if estimates of future taxable income during the carryforward period change or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

As discussed in Note 1, the COVID-19 disruptions significantly impacted certain segments of our business during 2020. We considered the COVID-19 disruptions in our ability to realize deferred tax assets in the future and determined that such conditions did not change our overall valuation allowance positions. The U.S. signed into law on March 27, 2020 the CARES Act, which includes various income tax provisions to help stabilize U.S. businesses, including a provision to ease the limitation on deductible interest expense in 2019 and 2020, which will reduce our interest limitation for these years, preserving U.S. net operating losses. We continue to monitor and evaluate the tax implications resulting from the CARES Act and any new legislation passed in response to COVID-19 in the federal, state, and foreign jurisdictions where we have an income tax presence.

We apply a recognition threshold and measurement attribute related to uncertain tax positions taken or expected to be taken on our tax returns. We recognize a tax benefit for financial reporting of an uncertain income tax position when it has a greater than 50% likelihood of being sustained upon examination by the taxing authorities. We measure the tax benefit of an uncertain tax position based on the largest benefit that has a greater than 50% likelihood of being ultimately realized including evaluation of settlements.

The components of net loss from continuing operations before income taxes are as follows:

	Year Ended December 31,		
	2020	2019	2018
United States	$ (420)	$ (158)	$ (356)
Foreign	(124)	50	17
Net loss before income tax expense	$ (544)	$ (108)	$ (339)

The components of income tax expense are as follows:

	Year Ended December 31,		
	2020	2019	2018
Current			
U.S. Federal	$ 6	$ (5)	$ 19
U.S. State	(1)	1	4
Foreign	20	32	22
Total	25	28	45
Deferred			
U.S. Federal	(4)	(3)	(10)
U.S. State	(4)	(3)	(7)
Foreign	(13)	(12)	(15)
Total	(21)	(18)	(32)
Total income tax expense	$ 4	$ 10	$ 13

The reconciliation of the U.S. federal statutory tax rate to the actual tax rate is as follows:

	Year Ended December 31,		
	2020	2019	2018
Statutory U.S. federal income tax rate	21.0 %	21.0 %	21.0 %
Foreign earnings at rates different than U.S. federal rate	(0.2)%	(3.7)%	(1.5)%
Valuation allowance adjustments	(16.7)%	(31.0)%	(16.8)%
Impact of U.S. Tax Reform	— %	— %	(3.1)%
Permanent items	(1.9)%	(3.6)%	(2.5)%
Reduction of UTBs	0.3 %	6.2 %	— %
Goodwill impairments	(2.2)%	— %	— %
Other	(1.0)%	1.9 %	(1.0)%
Effective income tax rate	(0.7)%	(9.2)%	(3.9)%

Our 2020 and 2019 effective tax rates were impacted by changes in global valuation allowances totaling $119 million and $36 million, respectively, against net DTAs in various jurisdictions. Additionally, our 2019 rate was impacted by a decrease in the UTBs of $7 million due to settlements and statute closures. In 2020, we recorded a $54 million goodwill impairment for our legacy U.K. Gaming reporting unit, which resulted in a (2.2)% decrease in our effective tax rate.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying values of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The deferred income tax balances are established using the enacted statutory tax rates and are adjusted for changes in such rates in the period of change.

	As of December 31,	
	2020	2019
Deferred tax assets:		
Reserves and other accrued expenses	$ 89	$ 78
Net operating loss carry forwards	478	296
Tax credit carry forwards	42	40
Interest limitation carryforwards	22	157
Differences in financial reporting and tax basis for:		
Other	60	51
Valuation allowance	(328)	(209)
Realizable deferred tax assets	363	413
Deferred tax liabilities:		
Differences in financial reporting and tax basis for:		
Identifiable intangible assets	(253)	(312)
Property and equipment	(51)	(47)
Other	(14)	(25)
Total deferred tax liabilities	(318)	(384)
Net deferred tax asset on balance sheet	$ 45	$ 29

At December 31, 2020, we had the following NOL, interest limitation, R&D credit, and state tax credit carry forwards:

	December 31, 2020		
	Federal	State	Foreign
NOL carry forwards	$ 1,609	$ 1,488	$ 274
Interest limitation carry forwards	78	118	14
R&D and state credit carry forwards	44	—	—

The federal, state and foreign NOL carryforwards can be carried forward for periods that vary from five years to indefinitely. R&D tax credit carryforwards will expire through 2040, and state tax credits expire through 2023. The interest limitation carryforwards can be carried forward indefinitely in all jurisdictions in which we have them available.

Certain of our U.S. federal, state, and foreign tax attributes may be subject to annual limitations under Section 382 (or comparable provisions of state or foreign law) in the event that certain changes in ownership were to occur. Tax attributes that exceed the Section 382 limitation in any year continue to be allowed as carry forwards until they expire and can be used to offset taxable income for years within the carryover period subject to the limitation in each year. Given the Company's significant U.S. tax attributes, we continuously monitor potential ownership changes under Section 382. In the fourth quarter of 2020, we experienced an ownership change, triggering the application of Section 382. We do not expect any resulting Section 382 limitations to have a significant impact on the use of our tax attributes.

At December 31, 2020 and 2019, we had the following valuation allowances:

	December 31,	
	2020	2019
Federal	$ 220	$ 128
State	52	40
Foreign	56	41

Undistributed earnings of subsidiaries are accounted for as a temporary difference, except that DTLs are not recorded for undistributed earnings of foreign subsidiaries that are deemed to be indefinitely reinvested in foreign jurisdictions. The Tax Act required the Company to compute a tax on previously undistributed earnings and profits of its foreign subsidiaries upon transition from a worldwide tax system to a territorial tax system during the year ended December 31, 2017. The repatriation of such amounts in the future should generally be exempt from income taxes in the U.S. (as a result of the Tax Act) and in those

jurisdictions that have a similar territorial system of taxation. Substantially all of our current year foreign cash flows are not intended to be indefinitely reinvested offshore, and therefore the tax effects of repatriation (including applicable withholding taxes) of such cash flows are provided for in our financial reporting.

Unrecognized Tax Benefits

The total amount of unrecognized tax benefits ("UTBs") as of December 31, 2020 was $30 million. Of this amount, $30 million, if recognized, would be included in our Consolidated Statements of Operations and Comprehensive Loss and have an impact on our effective tax rate. We do not expect any material changes in unrecognized tax benefits before December 31, 2021.

We recognize interest and penalties for unrecognized tax benefits in income tax expense. The amounts recognized for interest and penalties during the years ended December 31, 2020, 2019 and 2018 were not material.

We file income tax returns in the U.S. Federal jurisdiction and various state and foreign jurisdictions. We are generally not subject to examination for periods prior to December 31, 2016; however as we utilize our net operating losses, prior periods can be subject to examination. There are no ongoing material U.S. federal, state, local or non-U.S. examinations by tax authorities.

The Company had the following activity for unrecognized tax benefits:

	Year Ended December 31,		
	2020	2019	2018
Balance at beginning of period	$ 28	$ 34	$ 22
Tax positions related to current year additions	1	1	11
Additions for tax positions of prior years	2	—	2
Reductions due to lapse of statute of limitations on tax positions	(1)	(7)	(1)
Balance at end of period	$ 30	$ 28	$ 34

(21) Litigation

We are involved in various legal proceedings, including those discussed below. We record an accrual for legal contingencies when it is both probable that a liability has been incurred and the amount or range of the loss can be reasonably estimated (although, as discussed below, there may be an exposure to loss in excess of the accrued liability). We evaluate our accruals for legal contingencies at least quarterly and, as appropriate, establish new accruals or adjust existing accruals to reflect (1) the facts and circumstances known to us at the time, including information regarding negotiations, settlements, rulings and other relevant events and developments, (2) the advice and analyses of counsel and (3) the assumptions and judgment of management. Legal costs associated with our legal proceedings are expensed as incurred. We had accrued liabilities of $3 million for all of our legal matters that were contingencies as of December 31, 2020 and 2019.

Substantially all of our legal contingencies are subject to significant uncertainties and, therefore, determining the likelihood of a loss and/or the measurement of any loss involves a series of complex judgments about future events. Consequently, the ultimate outcomes of our legal contingencies could result in losses in excess of amounts we have accrued. We may be unable to estimate a range of possible losses for some matters pending against us or our subsidiaries, even when the amount of damages claimed against us or our subsidiaries is stated because, among other things: (1) the claimed amount may be exaggerated or unsupported; (2) the claim may be based on a novel legal theory or involve a large number of parties; (3) there may be uncertainty as to the likelihood of a class being certified or the ultimate size of the class; (4) there may be uncertainty as to the outcome of pending appeals or motions; (5) the matter may not have progressed sufficiently through discovery or there may be significant factual or legal issues to be resolved or developed; and/or (6) there may be uncertainty as to the enforceability of legal judgments and outcomes in certain jurisdictions. Other matters have progressed sufficiently that we are able to estimate a range of possible loss. For those legal contingencies disclosed below, and those related to the previously disclosed settlement agreement entered into in February 2015 with SNAI S.p.a. ("SNAI"), as to which a loss is reasonably possible, whether in excess of a related accrued liability or where there is no accrued liability, and for which we are able to estimate a range of possible loss, the current estimated range is up to approximately $15 million in excess of the accrued liabilities (if any) related to those legal contingencies. This aggregate range represents management's estimate of additional possible loss in excess of the accrued liabilities (if any) with respect to these matters based on currently available information, including any damages claimed by the plaintiffs, and is subject to significant judgment and a variety of assumptions and inherent uncertainties. For example, at the time of making an estimate, management may have only preliminary, incomplete, or inaccurate information about the facts underlying a claim; its assumptions about the future rulings of the court or other tribunal

on significant issues, or the behavior and incentives of adverse parties, regulators, indemnitors or co-defendants, may prove to be wrong; and the outcomes it is attempting to predict are often not amenable to the use of statistical or other quantitative analytical tools. In addition, from time to time an outcome may occur that management had not accounted for in its estimate because it had considered that outcome to be remote. Furthermore, as noted above, the aggregate range does not include any matters for which we are not able to estimate a range of possible loss. Accordingly, the estimated aggregate range of possible loss does not represent our maximum loss exposure. Any such losses could have a material adverse impact on our results of operations, cash flows or financial condition. The legal proceedings underlying the estimated range will change from time to time, and actual results may vary significantly from the current estimate.

Colombia litigation

Our subsidiary, SGI, owned a minority interest in Wintech de Colombia S.A., or Wintech (now liquidated), which formerly operated the Colombian national lottery under a contract with Empresa Colombiana de Recursos para la Salud, S.A. (together with its successors, "Ecosalud"), an agency of the Colombian government. The contract provided for a penalty against Wintech, SGI and the other shareholders of Wintech of up to $5.0 million if certain levels of lottery sales were not achieved. In addition, SGI delivered to Ecosalud a $4.0 million surety bond as a further guarantee of performance under the contract. Wintech started the instant lottery in Colombia but, due to difficulties beyond its control, including, among other factors, social and political unrest in Colombia, frequently interrupted telephone service and power outages, and competition from another lottery being operated in a province of Colombia that we believe was in violation of Wintech's exclusive license from Ecosalud, the projected sales level was not met for the year ended June 30, 1993.

In 1993, Ecosalud issued a resolution declaring that the contract was in default. In 1994, Ecosalud issued a liquidation resolution asserting claims for compensation and damages against Wintech, SGI and other shareholders of Wintech for, among other things, realization of the full amount of the penalty, plus interest, and the amount of the bond. SGI filed separate actions opposing each resolution with the Tribunal Contencioso of Cundinamarca in Colombia (the "Tribunal"), which upheld both resolutions. SGI appealed each decision to the Council of State. In May 2012, the Council of State upheld the contract default resolution, which decision was notified to us in August 2012. In October 2013, the Council of State upheld the liquidation resolution, which decision was notified to us in December 2013.

In July 1996, Ecosalud filed a lawsuit against SGI in the U.S. District Court for the Northern District of Georgia asserting many of the same claims asserted in the Colombia proceedings, including breach of contract, and seeking damages. In March 1997, the District Court dismissed Ecosalud's claims. Ecosalud appealed the decision to the U.S. Court of Appeals for the Eleventh Circuit. The Court of Appeals affirmed the District Court's decision in 1998.

In June 1999, Ecosalud filed a collection proceeding against SGI to enforce the liquidation resolution and recover the claimed damages. In May 2013, the Tribunal denied SGI's merit defenses to the collection proceeding and issued an order of payment of approximately 90 billion Colombian pesos, or approximately $30.2 million, plus default interest (potentially accrued since 1994 at a 12% statutory interest rate). SGI filed an appeal to the Council of State, and on December 10, 2020, the Council of State issued a ruling affirming the Tribunal's decision. On December 16, 2020, SGI filed a motion for clarification of the Council of State's ruling, the filing of which has stayed the payment order.

SGI believes it has various defenses, including on the merits, against Ecosalud's claims. Although we believe these claims will not result in a material adverse effect on our consolidated results of operations, cash flows or financial position, it is not feasible to predict the final outcome, and we cannot assure that these claims will not ultimately be resolved adversely to us or result in material liability.

SNAI litigation

On April 16, 2012, certain VLTs operated by SNAI in Italy and supplied by Barcrest Group Limited ("Barcrest") erroneously printed what appeared to be winning jackpot and other tickets with a face amount in excess of €400.0 million. SNAI has stated, and system data confirms, that no jackpots were actually won on that day. The terminals were deactivated by the Italian regulatory authority. Following the incident, we understand that the Italian regulatory authority revoked the certification of the version of the gaming system that Barcrest provided to SNAI and fined SNAI €1.5 million, but determined to not revoke SNAI's concession to operate VLTs in Italy.

In October 2012, SNAI filed a lawsuit in the Court of First Instance of Rome in Italy against Barcrest and The Global Draw Limited ("Global Draw"), our subsidiary which acquired Barcrest from IGT-UK Group Limited, a subsidiary of IGT, claiming liability arising out of the April 2012 incident and asserting claims based on theories of breach of contract and tort. The lawsuit sought to terminate SNAI's agreement with Barcrest and damages arising from the deactivation of the terminals, including among other things, lost profits, expenses and costs, potential awards to players who have sought to enforce what appeared to be winning jackpot and other tickets, compensation for lost profits sought by managers of the gaming locations

where SNAI VLTs supplied by Barcrest were installed, damages to commercial reputation and any future damages arising from SNAI's potential loss of its concession or inability to obtain a new concession.

In February 2015, we entered into a settlement agreement with SNAI that provides, among other things, for us to make a €25.0 million upfront payment to SNAI, which payment was made in February 2015, and to indemnify SNAI against certain potential future losses. In connection with the settlement, the parties' pending claims in the Court of First Instance of Rome were dismissed on February 19, 2015. To date, we have paid €9.4 million to SNAI pursuant to our indemnification obligations.

Washington State Matter

On April 17, 2018, a plaintiff, Sheryl Fife, filed a putative class action complaint, *Fife v. Scientific Games Corporation*, against SGC in the United States District Court for the Western District of Washington. The plaintiff seeks to represent a putative class of all persons in the State of Washington who purchased and allegedly lost virtual coins playing SGC's online social casino games, including but not limited to *Jackpot Party Casino* and *Gold Fish Casino*. The complaint asserts claims for alleged violations of Washington's Recovery of Money Lost at Gambling Act, Washington's consumer protection statute, and for unjust enrichment, and seeks unspecified money damages (including treble damages as appropriate), the award of reasonable attorneys' fees and costs, pre- and post-judgment interest, and injunctive and/or declaratory relief. On July 2, 2018, SGC filed a motion to dismiss the plaintiff's complaint with prejudice, which the trial court denied on December 18, 2018. SGC filed its answer to the putative class action complaint on January 18, 2019. On August 24, 2020, the trial court granted plaintiff's motion for leave to amend her complaint and to substitute a new plaintiff, Donna Reed, for the initial plaintiff, and re-captioned the matter *Reed v. Scientific Games Corporation*. On August 25, 2020, the plaintiff filed a first amended complaint against SGC, asserting the same claims, and seeking the same relief, as the complaint filed by Sheryl Fife. On September 8, 2020, SGC filed a motion to compel arbitration of plaintiff's claims and to dismiss the action, or, in the alternative, to transfer the action to the United States District Court for the District of Nevada, and that motion is fully-briefed and pending before the trial court. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible loss.

TCS John Huxley Matter

On March 15, 2019, TCS John Huxley America, Inc., TCS John Huxley Europe Ltd., TCS John Huxley Asia Ltd., and Taiwan Fulgent Enterprise Co., Ltd. brought a civil action in the United States District Court for the Northern District of Illinois against SGC, Bally Technologies, Inc. and SG Gaming. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. and South African patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold to regulated casinos in the United States. On April 10, 2019, the defendants filed a motion to dismiss the plaintiffs' complaint with prejudice. On April 25, 2019, the district court denied the defendants' motion to dismiss without prejudice pursuant to the court's local rules, after the plaintiffs advised that they intended to file an amended complaint. The plaintiffs filed their amended complaint on May 3, 2019, and on May 22, 2019, the defendants filed a motion to dismiss the plaintiffs' amended complaint with prejudice. On March 20, 2020, the district court denied the defendants' motion to dismiss the plaintiffs' amended complaint, and defendants filed an answer to Plaintiffs' amended complaint on June 19, 2020. On June 3, 2020, the trial court granted the defendants' request to bifurcate proceedings in the case, with discovery to occur first into the statute of limitations and release defenses asserted by the defendants in their motion to dismiss, before proceeding into broader discovery. The trial court set a September 18, 2020, deadline for the parties to complete discovery relating to the statute of limitations and release defenses. On October 28, 2020, the court issued an order extending until January 15, 2021 the deadline for the parties to complete discovery relating to the statute of limitations defense. On February 9, 2021, the defendants filed a motion for summary judgment on their statute of limitations defense, addressing whether plaintiffs had actual knowledge of their claims prior to the start of the limitations period. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the lawsuit are without merit, and intend to vigorously defend against them.

Tonkawa Tribe Matter

On September 3, 2020, the Tonkawa Tribe of Indians of Oklahoma d/b/a Tonkawa Enterprises filed a putative class action complaint in the United States District Court for the District of Nevada against SGC, Bally Technologies, Inc. and SG Gaming, f/k/a Bally Gaming, Inc. On October 5, 2020, the plaintiff filed a first amended complaint to add Cow Creek Band of Umpqua Tribe of Indians and the Umpqua Indian Development Corp., d/b/a Seven Feathers Casino as a plaintiff. On October 26, 2020, the plaintiffs filed a second amended complaint. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for card shufflers sold or leased to regulated casinos in the United States. The plaintiffs seek to represent a putative class of all regulated United States casinos directly leasing or purchasing card shufflers from the defendants on or after April 1, 2009. The complaint seeks unspecified money damages, the award of plaintiff's costs of suit, including reasonable attorneys' fees and expert fees, and the award of pre-judgment and post-judgment interest. On

November 19, 2020, the defendants filed a motion to dismiss plaintiffs' second amended complaint. On November 20, 2020, Plaintiffs filed a motion for partial summary judgment, seeking a finding that defendants are collaterally estopped from re-litigating issues litigated in the 2018 litigation versus Shuffle Tech International Corp., Aces Up Gaming, and Poydras-Talrick Holdings. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the lawsuit are without merit, and intend to vigorously defend against them.

Giuliano and Rancho's Club Casino Matter

On September 4, 2020, Alfred T. Giuliano, as liquidation trustee for RIH Acquisition NJ, LLC d/b/a The Atlantic Club Casino Hotel filed a putative class action complaint in the United States District Court for the Northern District of Illinois against SGC, Bally Technologies, Inc. and SG Gaming, f/k/a Bally Gaming, Inc. In the complaint, the plaintiffs assert federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiffs allege that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The plaintiffs seek to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the Defendants, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the court to treble, the award of plaintiff's costs of suit, including attorneys' fees, and the award of pre-judgment and post-judgment interest. On September 8, 2020, Rancho's Club Casino, Inc., d/b/a Magnolia House Casino filed a putative class action complaint in the United States District Court for the Northern District of Illinois against SGC, Bally Technologies, Inc. and SG Gaming, f/k/a Bally Gaming, Inc. In the complaint, the plaintiff asserts federal antitrust claims arising from the defendants' procurement of particular U.S. patents. The plaintiff alleges that the defendants used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The plaintiff seeks to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the defendants, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the court to treble, the award of plaintiff's costs of suit, including attorneys' fees, and the award of pre-judgment and post-judgment interest.

On October 29, 2020, the trial court consolidated the Giuliano and Rancho's Club Casino matters. On October 30, 2020, the plaintiffs in the consolidated action filed a first amended consolidated complaint. On November 9, 2020, the defendants filed a motion to dismiss the plaintiffs' first amended consolidated complaint, and also filed a motion to compel arbitration of plaintiff Alfred T. Giuliano's individual claims. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the consolidated lawsuit are without merit, and intend to vigorously defend against them.

Mohawk Gaming Enterprises Matter

On November 9, 2020, Mohawk Gaming Enterprises LLC, d/b/a Akwesasne Mohawk Casino Resort, filed a demand for a putative class arbitration before the American Arbitration Association against SGC, Bally Technologies, Inc. and SG Gaming, f/k/a Bally Gaming, Inc. In the complaint, the claimant asserts federal antitrust claims arising from the respondents' procurement of particular U.S. patents. The claimant alleges that the respondents used those patents to create an allegedly illegal monopoly in the market for automatic card shufflers sold or leased in the United States. The claimant seeks to represent a putative class of all persons and entities that directly purchased or leased automatic card shufflers within the United States from the respondents, or any predecessor, subsidiary, or affiliate thereof, at any time between April 1, 2009, and the present. The complaint seeks unspecified money damages, which the complaint asks the arbitration panel to treble, and the award of claimant's costs of suit, including attorneys' fees. Respondents filed their answering statement on December 9, 2020. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the arbitration demand are without merit, and intend to vigorously defend against them.

SciPlay IPO Matter (New York)

On or about October 14, 2019, the Police Retirement System of St. Louis filed a putative class action complaint in New York state court against SciPlay, certain of its executives and directors, and SciPlay's underwriters with respect to its IPO (the "PRS Action"). The complaint was amended on November 18, 2019. The plaintiff seeks to represent a class of all persons or entities who acquired Class A common stock of SciPlay pursuant and/or traceable to the Registration Statement filed and issued in connection with the SciPlay IPO, which commenced on or about May 3, 2019. The complaint asserts claims for alleged violations of Sections 11 and 15 of the Securities Act, 15 U.S.C. § 77, and seeks certification of the putative class; compensatory damages of at least $146 million, and the award of the plaintiff's and the class's reasonable costs and expenses incurred in the action.

On or about December 9, 2019, Hongwei Li filed a putative class action complaint in New York state court asserting substantively similar causes of action under the Securities Act of 1933 and substantially similar factual allegations as those

alleged in the PRS Action (the "Li Action"). On December 18, 2019, the New York state court entered a stipulated order consolidating the PRS Action and the Li Action into a single lawsuit. On December 23, 2019, the defendants moved to dismiss the consolidated action. On August 28, 2020, the court issued an oral ruling granting in part and denying in part the defendants' motion to dismiss. On December 14, 2020, plaintiffs in the consolidated action filed a motion to certify the putative class. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible loss, if any. We believe that the claims in the lawsuit are without merit, and intend to vigorously defend against them.

SciPlay IPO Matter (Nevada)

On or about November 4, 2019, plaintiff John Good filed a putative class action complaint in Nevada state court against SciPlay, certain of its executives and directors, SGC, and SciPlay's underwriters with respect to the SciPlay IPO. The plaintiff seeks to represent a class of all persons who purchased Class A common stock of SciPlay in or traceable to the SciPlay IPO that it completed on or about May 7, 2019. The complaint asserts claims for alleged violations of Sections 11 and 15 of the Securities Act, 15 U.S.C. § 77, and seeks certification of the putative class; compensatory damages, and the award of the plaintiff's and the class's reasonable costs and expenses incurred in the action. On February 27, 2020, the trial court entered a stipulated order that, among other things, stayed the lawsuit pending entry of an order resolving the motion to dismiss that was pending in the SciPlay IPO matter in New York state court. On September 29, 2020, the trial court entered a stipulated order that extended the stay pending a ruling on class certification in the SciPlay IPO matter in New York state court. We are currently unable to determine the likelihood of an outcome or estimate a range of reasonably possible losses, if any. We believe that the claims in the lawsuit are without merit, and intend to vigorously defend against them.

SCHEDULE II
SCIENTIFIC GAMES CORPORATION AND SUBSIDIARIES
Valuation and Qualifying Accounts
Year Ended December 31, 2020, 2019 and 2018
(in millions)

Allowance for credit losses[1]	Balance at beginning of period	Additions	Deductions[2]	Balance at end of period
Year Ended December 31, 2020	$ 42	56	(12)	$ 86
Year Ended December 31, 2019	$ 40	9	(13)	$ 36
Year Ended December 31, 2018	$ 31	9	—	$ 40

(1) Results for reporting periods effective January 1, 2020 are presented in accordance with ASC 326 while prior period amounts continue to be reported in accordance with previously applicable U.S. GAAP. See Notes 1 and 6 for further details.

(2) Amounts written off, net of recovery, and related impact of foreign currency exchange.

Tax-related valuation allowance	Balance at beginning of period	Additions / (deductions)	Balance at end of period
Year Ended December 31, 2020	$ 209	119	$ 328
Year Ended December 31, 2019	$ 245	(36)	$ 209
Year Ended December 31, 2018	$ 159	86	$ 245

(1) Amounts written off, net of recovery, and related impact of foreign currency exchange.

(3). Exhibits

EXHIBIT INDEX

Exhibit Number	Description
2.1	Agreement and Plan of Merger, dated as of January 30, 2013, entered into by and among Scientific Games Corporation, Scientific Games International, Inc., SG California Merger Sub, Inc. and WMS Industries Inc. (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 5, 2013).
2.2	Agreement and Plan of Merger, dated as of August 1, 2014, by and among the Scientific Games Corporation, Scientific Games International, Inc., Scientific Games Nevada, Inc. and Bally Technologies, Inc. (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on August 4, 2014).
2.3	Arrangement Agreement, dated as of September 20, 2017, among Scientific Games Corporation, Bally Gaming And Systems UK Limited and NYX Gaming Group Limited (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on September 21, 2017).
2.4	First Amendment to Arrangement Agreement, dated as of November 21, 2017, among Scientific Games Corporation, Bally Gaming And Systems UK Limited and NYX Gaming Group Limited (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 27, 2017).
2.5	Agreement and Plan of Merger, dated as of September 18, 2017, by and between Scientific Games Corporation and SG Nevada Merger Company, a Nevada corporation and a wholly owned subsidiary of Scientific Games Corporation (incorporated by reference to Exhibit 2.1 to Scientific Games Corporation's Current Report on Form 8-K filed on September 18, 2017).
3.1(a)	Articles of Merger filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.3 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
3.1(b)	Certificate of Merger filed with the Secretary of State of the State of Delaware on January 10, 2018 (incorporated by reference to Exhibit 3.4 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
3.1(c)	Amended and Restated Articles of Incorporation of Scientific Games Corporation, filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.1 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
3.1(d)	Certificate of Designation of Series A Junior Participating Preferred Stock of Scientific Games Corporation, filed with the Secretary of State of the State of Nevada on January 10, 2018 (incorporated by reference to Exhibit 3.5 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
3.2	Amended and Restated Bylaws of Scientific Games Corporation, effective as of January 10, 2018 (incorporated by reference to Exhibit 3.2 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.1	Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on June 6, 2014).

4.2	Supplemental Indenture, dated as of September 15, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Scientific Games Productions, LLC, Scientific Games Distribution, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014).
4.3	Supplemental Indenture, dated as of November 21, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Bally Technologies, Inc., Casino Electronics, Inc., Alliance Holding Company, Bally Gaming International, Inc., Bally Gaming, Inc., Bally Gaming GP, LLC, Bally Gaming LP, LLC, Bally Properties East, LLC, Bally Properties West, LLC, Compudigm Services, Inc., SHFL Properties, LLC, Sierra Design Group, Arcade Planet, Inc. and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as successor trustee, relating to the Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.8 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
4.4	Supplemental Indenture, dated as of October 2, 2015, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Go For A Million Productions, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as successor trustee, relating to the Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
4.5	Supplemental Indenture, dated as of July 14, 2017, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Lapis Software Associates, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as successor trustee, relating to the Indenture, dated as of June 4, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).
4.6	Supplemental Indenture, dated as of January 10, 2018, by and among Scientific Games International, Inc., the subsidiary guarantors party thereto, Scientific Games Corporation and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of June 4, 2014, as amended and supplemented, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.5 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.7	Supplemental Indenture, dated as of November 1, 2018, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of June 4, 2014, as amended and supplemented, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.25 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).
4.8	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of June 4, 2014, as amended and supplemented, relating to the 6.625% Senior Subordinated Notes due 2021 (incorporated by reference to Exhibit 4.18 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).

4.9	Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
4.10	Supplemental Indenture, dated as of November 21, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
4.11	Supplemental Indenture, dated as of October 2, 2015, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Go For A Million Productions, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).
4.12	Supplemental Indenture, dated as of July 14, 2017, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Lapis Software Associates, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).
4.13	Supplemental Indenture, dated as of January 10, 2018, by and among Scientific Games International, Inc., the subsidiary guarantors party thereto, Scientific Games Corporation and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, as amended and supplemented, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.7 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.14	Supplemental Indenture, dated as of November 1, 2018, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, as amended and supplemented, relating to the 10.000% Senior Unsecured Notes due 2022 (incorporated by reference to Exhibit 4.31 to Scientific Games Corporation’s Annual Report on Form 10-K for the year ended December 31, 2018).
4.15	Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, related to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation’s Current Report on Form 8-K filed on November 26, 2014).
4.16	Supplemental Indenture, dated as of November 21, 2014, among Scientific Games International, Inc., Scientific Games Corporation, and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation’s Current Report on Form 8-K filed on November 26, 2014).
4.17	Supplemental Indenture, dated as of October 2, 2015, among Scientific Games International, Inc., Scientific Games Corporation, Go For A Million Productions, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.5 to Scientific Games Corporation’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).

4.18	Supplemental Indenture, dated as of February 14, 2017, among Scientific Games International, as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2017).
4.19	Supplemental Indenture, dated as of July 14, 2017, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Lapis Software Associates, LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, between SGMS Escrow Corp., as issuer, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017).
4.20	Supplemental Indenture, dated as of January 10, 2018, by and among Scientific Games International, Inc., the subsidiary guarantors party thereto, Scientific Games Corporation and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 21, 2014, as amended and supplemented, relating to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 4.6 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.21	Amended and Restated Rights Agreement, dated as of January 10, 2018, between Scientific Games Corporation and American Stock Transfer & Trust Company, LLC which includes the Form of Certificate of Designation of Series A Junior Participating Preferred Stock of Scientific Games Corporation as Exhibit A, the Form of Right Certificate as Exhibit B, the Summary of Rights to Purchase Shares of Preferred Stock of Scientific Games Corporation as Exhibit C and a the Form of Consent to Jurisdiction as Exhibit D (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Current Report on Form 8-K filed on January 10, 2018).
4.22	Amendment to Amended and Restated Rights Agreement, dated as of June 16, 2020, to the Amended and Restated Rights Agreement, dated as of January 10, 2018, by and between Scientific Games Corporation and American Stock Transfer & Trust Company, LLC (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on June 19, 2020).
4.23	Indenture, dated as of October 17, 2017, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 17, 2017).
4.24	Supplemental Indenture, dated as of February 14, 2018, among Scientific Games International, Inc. as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, among Scientific Games International, as issuer, Scientific Games Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).
4.25	Supplemental Indenture, dated as of November 1, 2018, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.41 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).

4.26	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025 (incorporated by reference to Exhibit 4.35 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.27	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee and collateral agent, relating to the Indenture, dated as of October 17, 2017, as amended and supplemented, relating to the 5.000% Senior Secured Notes due 2025.(†)
4.28	Collateral Agreement, dated as of October 17, 2017, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on October 17, 2017).
4.29	Indenture, dated as of February 14, 2018, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto, Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent, and Deutsche Bank AG, London Branch, as paying agent, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).
4.30	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent and Deutsche Bank AG, London Branch, as paying agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026.(†)
4.31	Collateral Agreement, dated as of February 14, 2018, among Scientific Games International, Inc., Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.3 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).
4.32	Supplemental Indenture, dated as of November 1, 2018, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.45 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).
4.33	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, collateral agent, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 3.375% Senior Secured Notes due 2026 (incorporated by reference to Exhibit 4.40 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.34	Indenture, dated as of February 14, 2018, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto, Deutsche Bank Trust Company Americas, as trustee, and Deutsche Bank AG, London Branch, as paying agent, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.4 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).

4.35	Supplemental Indenture, dated as of November 1, 2018, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, Don Best Sports Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.47 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).
4.36	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc., as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, registrar and transfer agent, relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.43 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.37	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, registrar and transfer agent. relating to the Indenture, dated as of February 14, 2018, as amended and supplemented, relating to the 5.500% Senior Unsecured Notes due 2026.(†)
4.38	Indenture, dated as of March 19, 2019, among Scientific Games International, Inc., as issuer, Scientific Games Corporation and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the 8.250% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on March 19, 2019).
4.39	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc. as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of March 19, 2019, as amended and supplemented, relating to the 8.250% Senior Unsecured Notes due 2026 (incorporated by reference to Exhibit 4.45 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.40	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of March 19, 2019, as amended and supplemented, relating to the 8.250% Senior Unsecured Notes due 2026.(†)
4.41	Indenture, dated as of November 26, 2019, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 7.000% Senior Unsecured Notes due 2028 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2019).
4.42	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc. as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.000% Senior Unsecured Notes due 2028 (incorporated by reference to Exhibit 4.47 to Scientific Games Corporation's Annual Report on Form 10-K filed on February 18, 2020).
4.43	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc., as issuer, SGI Lottery LLC and the guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.000% Senior Unsecured Notes due 2028.(†)

4.44	Indenture, dated as of November 26, 2019, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the other guarantors party thereto and Deutsche Bank Trust Company Americas, as trustee, relating to the 7.250% Senior Unsecured Notes due 2029 (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2019).
4.45	Supplemental Indenture, dated as of January 23, 2020, by and among Scientific Games International, Inc. as issuer, Scientific Games Corporation, NYX Digital Gaming (USA), LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.250% Senior Unsecured Notes due 2029 (incorporated by reference to Exhibit 4.49 to Scientific Games Corporations Annual Report on Form 10-K filed on February 18, 2020).
4.46	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc., as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of November 26, 2019, as amended and supplemented, relating to the 7.250% Senior Unsecured Notes due 2029.(†)
4.47	Indenture, dated as of July 1, 2020, among Scientific Games International, Inc., as issuer, Deutsche Bank Trust Company Americas, as trustee, and the other guarantors party thereto, relating to the 8.625 % Senior Unsecured Notes due 2025 (incorporated by reference to Exhibit 4.1 to Scientific Games Corporation's Current Report on Form 8-K filed on July 1, 2020).
4.48	Supplemental Indenture, dated as of January 5, 2021, by and among Scientific Games International, Inc, as issuer, SGI Lottery LLC and the other guarantors party thereto, and Deutsche Bank Trust Company Americas, as trustee, relating to the Indenture, dated as of July 1, 2020, as amended and supplemented, relating to the 8.625 % Senior Unsecured Notes due 2025.(†)
4.49	Description of Securities.(†)
10.1	Credit Agreement, dated as of October 18, 2013, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, the several lenders from time to time parties thereto, Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, JPMorgan Chase Bank, N.A., as issuing lender, Bank of America, N.A., Credit Suisse Securities (USA) LLC and UBS Securities LLC, as joint lead arrangers, Bank of America, N.A., Credit Suisse Securities (USA) LLC, UBS Securities LLC, J.P. Morgan Securities LLC, RBS Securities Inc., Deutsche Bank Securities Inc., Goldman Sachs Bank USA and HSBC Securities (USA) Inc., as joint bookrunners, Credit Suisse Securities (USA) LLC and UBS Securities LLC, as co-syndication agents, and J.P. Morgan Securities LLC, The Royal Bank of Scotland plc, Deutsche Bank Securities Inc., Goldman Sachs Bank USA and HSBC Securities (USA) Inc., as co-documentation agents (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 18, 2013).
10.2	Amendment No. 1 , dated as of October 1, 2014, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, the several banks and other financial institutions or entities from time to time party thereto, and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 among such parties, as set forth in Exhibit A and Exhibit B to such Amendment No. 1. to Credit Agreement (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on October 7, 2014).
10.3	Amendment No. 2, dated as of February 14, 2017, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2017).

10.4	Amendment No. 3, dated as of August 14, 2017, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on August 14, 2017).
10.5	Amendment No. 4, dated as of February 14, 2018, among Scientific Games International Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, and Amendment No. 3, dated as of August 14, 2017) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2018).
10.6	Amendment No. 5, dated as of November 20, 2019, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, Amendment No. 3, dated as of August 14, 2017, and Amendment No. 4, dated as of February 14, 2018) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation’s Current Report on Form 8-K filed on November 20, 2019).
10.7	Amendment No. 6, dated as of May 8, 2020, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, Amendment No. 3, dated as of August 14, 2017, Amendment No. 4, dated as of February 14, 2018, and Amendment No. 5 dated as of November 20, 2019) (incorporated by reference to Exhibit 10.11 to Scientific Games Corporation’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).
10.8	Amendment No. 7, dated as of October 8, 2020, among Scientific Games International, Inc., as the borrower, Scientific Games Corporation, as a guarantor, the several banks and other financial institutions or entities from time to time party thereto and Bank of America, N.A., as administrative agent, collateral agent, issuing lender and swingline lender, which amended and restated the Credit Agreement, dated as of October 18, 2013 (as amended, supplemented, amended and restated or otherwise modified from time to time, including without limitation, by that certain Amendment No. 1, dated as of October 1, 2014, Amendment No. 2, dated as of February 14, 2017, Amendment No. 3, dated as of August 14, 2017, Amendment No. 4, dated as of February 14, 2018, Amendment No. 5 dated as of November 20, 2019, and Amendment No. 6 dated as of May 8, 2020) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation’s Current Report on Form 8-K filed on October 8, 2020).
10.9	Escrow Credit Agreement, dated as of October 1, 2014, among SGMS Escrow Corp., the several lenders from time to time parties thereto, and Bank of America, N.A., as administrative agent (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation’s Current Report on Form 8-K filed on October 7, 2014).
10.10	Guarantee and Collateral Agreement, dated as of October 18, 2013, by and among Scientific Games Corporation, Scientific Games International, Inc., the guarantor parties named therein and Bank of America, N.A. as collateral agent (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Current Report on Form 8-K filed on October 18, 2013).

10.11	Collateral Agreement, dated as of November 21, 2014, among Scientific Games International, Inc., as issuer, Scientific Games Corporation, the subsidiary guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, related to the 7.000% Senior Secured Notes due 2022 (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on November 26, 2014).
10.12	Amendment No. 1, dated as of February 14, 2017, among Scientific Games International, Inc., Scientific Games Corporation and the other guarantors party thereto and Deutsche Bank Trust Company Americas, as collateral agent, relating to the Collateral Agreement, dated as of November 21, 2014 (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Current Report on Form 8-K filed on February 14, 2017).
10.13	Stockholders' Agreement, dated as of September 6, 2000, by and among Scientific Games Corporation, (formerly known as Autotote Corporation), Pivot Buyer LLC (as successor-in-interest to Section 5 under the agreement to MacAndrews & Forbes Incorporated (formerly known as Mafco Holdings Inc.) ("MacAndrews") (as successor-in-interest under the agreement to Cirmatica Gaming S.A.)), The Oak Fund, Peconic Fund Ltd. Ramius Securities, LLC, and Olivetti International S.A. (incorporated by reference to Exhibit 10.38 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended July 31, 2000).
10.14	Supplemental Stockholders' Agreement, dated as of June 26, 2002, among Scientific Games Corporation and Pivot Buyer LLC (as successor-in-interest to MacAndrews (as successor-in-interest to Cirmatica Gaming S.A.)) (incorporated by reference to Exhibit 4.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2002).
10.15	Letter Agreement, dated as of October 10, 2003, by and between Scientific Games Corporation and Pivot Buyer LLC (as successor-in-interest to MacAndrews further supplementing the Stockholders' Agreement (incorporated by reference to Exhibit 3 to the Schedule 13D jointly filed by MacAndrews and SGMS Acquisition Corporation on Nov)ember 26, 2003).
10.16	Letter Agreement dated February 15, 2007 between Scientific Games Corporation and Pivot Buyer LLC (as successor-in-interest to MacAndrews) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on February 16, 2007).
10.17	Agreement, dated as of September 11, 2020, by and between Scientific Games Corporation and MacAndrews & Forbes Incorporated (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).
10.18	Agreement, dated as of September 11, 2020, by and among Scientific Games Corporation and Pivot Buyer LLC (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).
10.19	Share Purchase Agreement, dated as of April 26, 2011, by and among Scientific Games Corporation, Global Draw Limited, IGT-UK Group Limited, Cyberview International, Inc. and International Game Technology (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011).
10.20	Tax Receivable Agreement, dated May 7, 2019, by and among SciPlay Corporation, SciPlay Parent Company, LLC and each of the Members (as defined therein) from time to time party thereto (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on May 8, 2019).
10.21	Scientific Games Corporation 2003 Incentive Compensation Plan (Amended and Restated as of June 12, 2019) (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on June 14, 2019).*
10.22	1995 Equity Incentive Plan, as amended (incorporated by reference to Exhibit 10.14 to Scientific Games Corporation's Annual Report on Form 10-K for the fiscal year ended October 31, 1997).*

10.23	Asia-Pacific Business Incentive Compensation Program (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Current Report on Form 8-K filed on December 3, 2010).*
10.24	Omnibus Amendment of Compensation and Benefit Plans, effective January 10, 2018, to amend the Plans, as defined therein, to reflect the merger of Scientific Games Corporation, a Delaware corporation ("Parent") into SG Nevada Merger Company, a Nevada corporation and a wholly owned subsidiary of Parent (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).*
10.25	Scientific Games Corporation Change in Control Protection Plan, adopted as of August 25, 2020 (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Current Report on Form 8-K filed on August 25, 2020).*
10.26	Amended and Restated Employment Agreement, dated as of December 15, 2015, by and between Scientific Games Corporation and Michael Quartieri (incorporated by reference to Exhibit 10.47 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2015).*
10.27	Amendment to Amended and Restated Employment Agreement, dated as of December 17, 2018 (effective as of January 1, 2019), by and between Scientific Games Corporation and Michael Quartieri, which amended Mr. Quartieri's Amended and Restated Employment Agreement dated as of December 15, 2015 (incorporated by reference to Exhibit 10.25 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).*
10.28	Amendment to Employment Agreement, dated as of March 24, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Michael Quartieri (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.29	Amendment to Employment Agreement, dated as of May 19, 2020, by and between Scientific Games Corporation and Michael Quartieri (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.30	Consulting Agreement, entered into as of July 1, 2020, by and between Scientific Games Corporation and Michael Quartieri (incorporated by reference to Exhibit 10.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.31	Amended and Restated Employment Agreement, dated as of May 14, 2018, by and between Scientific Games Corporation and Derik Mooberry (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018).*
10.32	Amendment to Amended and Restated Employment Agreement, dated as of May 28, 2019, by and between Scientific Games Corporation and Derik Mooberry (incorporated by reference to Exhibit 10.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2019).*
10.33	Employment Agreement dated as of December 8, 2014 between Scientific Games Corporation and Richard Haddrill (incorporated by reference to Exhibit 10.29 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2014).*
10.34	Letter Agreement, dated as of October 29, 2015, by and between Scientific Games Corporation and Richard Haddrill, which amended Mr. Haddrill's Employment Agreement dated as of December 8, 2014 (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2015).*
10.35	Consulting Agreement, dated as of February 26, 2018, by and between Scientific Games Corporation and Richard Haddrill (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).*

10.36	Amendment to Consulting Agreement, dated as of January 11, 2019 (effective as of January 1, 2019), by and between Scientific Games Corporation and Richard Haddrill (incorporated by reference to Exhibit 10.48 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).*
10.37	Second Amendment to Consulting Agreement, dated as of April 29, 2019, by and between Scientific Games Corporation and Richard Haddrill (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2019).*
10.38	Third Amendment to Consulting Agreement, dated as of April 7, 2020, by and between Scientific Games Corporation and Richard Haddrill (incorporated by reference to Exhibit 10.10 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.39	Fourth Amendment to Consulting Agreement, dated as of June 30, 2020, by and between Scientific Games Corporation and Richard Haddrill (incorporated by reference to Exhibit 10.18 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.40	Scientific Games Corporation 2016 Employee Stock Purchase Plan (incorporated by reference to Appendix A to Scientific Games Corporation's Proxy Statement on Schedule 14A filed on April 29, 2016).*
10.41	Amended and Restated Employment Agreement dated as of February 27, 2017 by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017).*
10.42	Amendment to Employment Agreement, dated as of February 21, 2019 (effective as of February 25, 2019), by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.56 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).*
10.43	Amendment to Employment Agreement, dated as of March 27, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.9 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.44	Amendment to Employment Agreement, dated as of May 18, 2020, by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.15 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.45	Amendment to Employment Agreement, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Michael Winterscheidt (incorporated by reference to Exhibit 10.16 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.46	Letter Agreement, dated February 21, 2018, by and between Scientific Games Corporation and Stephen Richardson (incorporated by reference to Exhibit 10.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2018).*
10.47	Amendment to Employment Agreement, dated as of March 27, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Stephen Richardson (incorporated by reference to Exhibit 10.8 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.48	Amendment to Employment Letter, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Stephen Richardson (incorporated by reference to Exhibit 10.13 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*

10.49	Employment Agreement, dated as of May 4, 2018, by and between Scientific Games Corporation and Barry Cottle (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2018).*
10.50	Amendment to Employment Agreement, dated as of May 7, 2019, by and between Scientific Games Corporation and Barry L. Cottle (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Current Report on Form 8-K filed on May 8, 2019).*
10.51	Amendment to Employment Agreement, dated as of March 24, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Barry Cottle (incorporated by reference to Exhibit 10.1 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.52	Amended and Restated Employment Agreement, dated as of February 5, 2021 (effective as of June 1, 2021), by and between Scientific Games Corporation and Barry Cottle.*(†)
10.53	Amendment to Employment Agreement, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Barry Cottle (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.54	Social Award Agreement, dated as of May 7, 2019, by and between SciPlay Corporation and Barry L. Cottle (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Current Report on Form 8-K filed on May 8, 2019).*
10.55	Employment Agreement, dated as of September 4, 2018, by and between Scientific Games Corporation and James Sottile (incorporated by reference to Exhibit 10.2 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2018).*
10.56	Amendment to Employment Agreement, dated as of March 24, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and James Sottile (incorporated by reference to Exhibit 10.3 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.57	Amendment to Employment Agreement, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and James Sottile (incorporated by reference to Exhibit 10.7 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.58	Amendment to Employment Agreement, dated as of July 30, 2020, by and between Scientific Games Corporation and James Sottile (incorporated by reference to Exhibit 10.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.59	Amended and Restated Employment Agreement, dated as of January 1, 2019, by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.55 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2018).*
10.60	Amendment to Employment Agreement, dated as of February 26, 2020 (effective as of January 1, 2020), by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.6 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.61	Amendment to Employment Agreement, dated as of March 24, 2020(effective as of April 5, 2020), by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.7 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*

10.62	Amendment to Employment Agreement, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Patrick J. McHugh (incorporated by reference to Exhibit 10.11 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.63	Employment Agreement, dated as of July 6, 2019 (effective as of March 1, 2020), by and between Scientific Games Corporation and Matthew Wilson (incorporated by reference to Exhibit 10.4 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.64	Amendment to Employment Agreement, dated as of March 24, 2020 (effective as of April 5, 2020), by and between Scientific Games Corporation and Matthew Wilson (incorporated by reference to Exhibit 10.5 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020).*
10.65	Amendment to Employment Agreement, dated as of June 30, 2020 (effective as of July 1, 2020), by and between Scientific Games Corporation and Matthew Wilson (incorporated by reference to Exhibit 10.9 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.66	Amendment to Employment Agreement, dated as of July 24, 2020, by and between Scientific Games Corporation and Matthew Wilson (incorporated by reference to Exhibit 10.6 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.67	Employment Agreement, dated as of April 23, 2020, by and between Scientific Games Corporation and Michael Eklund (incorporated by reference to Exhibit 10.19 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020).*
10.68	First Amendment to Employment Agreement, dated as of November 30, 2020, by and between Scientific Games Corporation and Michael Eklund.*(†)
10.69	Consulting Agreement, entered into as of May 16, 2019, by and between Scientific Games Corporation and Jamie Odell (incorporated by reference to Exhibit 10.12 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.70	Amendment to Consulting Agreement, dated as of March 26, 2020, by and between Scientific Games Corporation and Jamie Odell (incorporated by reference to Exhibit 10.13 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.71	Amendment to Consulting Agreement, dated as of June 30, 2020, by and between Scientific Games Corporation and Jamie Odell (incorporated by reference to Exhibit 10.14 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.72	Amended and Restated Consulting Agreement, dated as of October 1, 2020, by and between Scientific Games Corporation and Jamie Odell (incorporated by reference to Exhibit 10.15 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.73	Consulting Agreement, entered into as of July 3, 2019, by and between Scientific Games Corporation and Antonia Korsanos (incorporated by reference to Exhibit 10.7 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.74	Amended and Restated Consulting Agreement, entered into as of August 20, 2019, by and between Scientific Games Corporation and Antonia Korsanos (incorporated by reference to Exhibit 10.8 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*

10.75	Amendment to Consulting Agreement, dated as of March 26, 2020, by and between Scientific Games Corporation and Antonia Korsanos (incorporated by reference to Exhibit 10.9 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.76	Amendment to Consulting Agreement, dated as of June 30, 2020, by and between Scientific Games Corporation and Antonia Korsanos (incorporated by reference to Exhibit 10.10 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
10.77	Amended and Restated Consulting Agreement, dated as of October 1, 2020, by and between Scientific Games Corporation and Antonia Korsanos (incorporated by reference to Exhibit 10.11 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020).*
21	List of Subsidiaries.(†)
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.(†)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.(†)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.(†)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.**
99.1	Terms and Conditions of Equity Awards to Non-Employee Directors under the Scientific Games Corporation 2003 Incentive Compensation Plan (Amended and Restated June 12, 2019) (incorporated by reference to Exhibit 99.10 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2014).*
99.2	Terms and Conditions of Equity Awards to Consultants under the Scientific Games Corporation 2003 Incentive Compensation Plan (Amended and Restated June 12, 2019) (incorporated by reference to Exhibit 99.11 to Scientific Games Corporation's Annual Report on Form 10-K for the year ended December 31, 2014).*
99.3	Terms and Conditions of Equity Awards to Key Employees under the Scientific Games Corporation 2003 Incentive Compensation Plan (incorporated by reference to Exhibit 99.1 to Scientific Games Corporation's Quarterly Report on Form 10-Q for the quarter ended March 30, 2018).*
99.4	Gaming Regulations.(†)
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Label Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document

104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

* Management contracts and compensation plans and arrangements in which directors and/or executive officers are eligible to participate.

(†) Filed herewith.

** Furnished herewith.

The agreements and other documents filed as exhibits to this Annual Report on Form 10-K are not intended to provide factual information or other disclosure other than with respect to the terms of the agreements or other documents themselves, and you should not rely on them for that purpose. In particular, any representations and warranties made by us in these agreements or other documents were made solely within the specific context of the relevant agreement or document and may not describe the actual state of affairs as of the date they were made or at any other time.

ITEM 16. FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 1, 2021

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael C. Eklund
Michael C. Eklund,
Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

By: /s/ Michael F. Winterscheidt
Michael F. Winterscheidt,
Senior Vice President and Chief Accounting Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on March 1, 2021.

Signature	Title
/s/ Barry L. Cottle Barry L. Cottle	President and Chief Executive Officer and Director (principal executive officer)
/s/ Michael C. Eklund Michael C. Eklund	Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary (principal financial officer)
/s/ Michael F. Winterscheidt Michael F. Winterscheidt	Senior Vice President and Chief Accounting Officer (principal accounting officer)
/s/ Jamie R. Odell Jamie R. Odell	Executive Chair of the Board of Directors and Director
/s/ Antonia Korsanos Antonia Korsanos	Executive Vice Chair of the Board of Directors and Director
/s/ Peter A. Cohen Peter A Cohen	Vice Chair of the Board of Directors and Director
/s/ Jack A. Markell Jack A. Markell	Director
/s/ Hamish McLennan Hamish McLennan	Director
/s/ Michael J. Regan Michael J. Regan	Director
/s/ Timothy Throsby Timothy Throsby	Director
/s/ Maria T. Vullo Maria T. Vullo	Director
/s/ Kneeland C. Youngblood Kneeland C. Youngblood	Director

Exhibit 4.27

SUPPLEMENTAL INDENTURE, dated as of January 5, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGI Lottery LLC, a Delaware limited liability company (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee and collateral agent (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of October 17, 2017, as amended and supplemented (the "Indenture"), relating to the Company's 5.000% Senior Secured Notes due 2025;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Additional Guarantor:

SGI Lottery LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.
SCIENTIFIC GAMES PRODUCTS, INC.
SG GAMING NORTH AMERICA, INC.
DON BEST SPORTS CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Treasurer and Secretary

MDI ENTERTAINMENT, LLC
SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member/manager

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Kathryn Fischer
Print Name: Kathryn Fischer
Its: Authorized Signatory

By: /s/ Irina Golovashchuk
Print Name: Irina Golovashchuk
Its: Authorized Signatory

Exhibit 4.30

SUPPLEMENTAL INDENTURE, dated as of January 5, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGI Lottery LLC, a Delaware limited liability company (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee, collateral agent, registrar and transfer agent (the "Trustee").

WHEREAS, the Company, the original Guarantors, the Trustee and Deutsche Bank AG, London Branch, as paying agent, executed an Indenture, dated as of February 14, 2018, as amended and supplemented (the "Indenture"), relating to the Company's 3.375% Senior Secured Notes due 2026;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Additional Guarantor:

SGI Lottery LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.
SCIENTIFIC GAMES PRODUCTS, INC.
SG GAMING NORTH AMERICA, INC.
DON BEST SPORTS CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Treasurer and Secretary

MDI ENTERTAINMENT, LLC
SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member/manager

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Kathryn Fischer
Print Name: Kathryn Fischer
Its: Authorized Signatory

By: /s/ Irina Golovashchuk
Print Name: Irina Golovashchuk
Its: Authorized Signatory

Exhibit 4.37

SUPPLEMENTAL INDENTURE, dated as of January 5, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGI Lottery LLC, a Delaware limited liability company (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee, registrar and transfer agent (the "Trustee").

WHEREAS, the Company, the original Guarantors, the Trustee and Deutsche Bank AG, London Branch, as paying agent, executed an Indenture, dated as of February 14, 2018, as amended and supplemented (the "Indenture"), relating to the Company's 5.500% Senior Unsecured Notes due 2026;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

(REMAINDER OF PAGE INTENTIONALLY LEFT BLANK)

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Additional Guarantor:

SGI Lottery LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.
SCIENTIFIC GAMES PRODUCTS, INC.
SG GAMING NORTH AMERICA, INC.
DON BEST SPORTS CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Treasurer and Secretary

MDI ENTERTAINMENT, LLC
SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member/manager

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Kathryn Fischer
Print Name: Kathryn Fischer
Its: Authorized Signatory

By: /s/ Irina Golovashchuk
Print Name: Irina Golovashchuk
Its: Authorized Signatory

Exhibit 4.40

SUPPLEMENTAL INDENTURE, dated as of January 5, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGI Lottery LLC, a Delaware limited liability company (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of March 19, 2019, as amended and supplemented (the "Indenture"), relating to the Company's 8.250% Senior Unsecured Notes due 2026;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Additional Guarantor:

SGI Lottery LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.
SCIENTIFIC GAMES PRODUCTS, INC.
SG GAMING NORTH AMERICA, INC.
DON BEST SPORTS CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Treasurer and Secretary

MDI ENTERTAINMENT, LLC
SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member/manager

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Kathryn Fischer
Print Name: Kathryn Fischer
Its: Authorized Signatory

By: /s/ Irina Golovashchuk
Print Name: Irina Golovashchuk
Its: Authorized Signatory

Exhibit 4.43

SUPPLEMENTAL INDENTURE, dated as of January 5, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGI Lottery LLC, a Delaware limited liability company (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of November 26, 2019, as amended and supplemented (the "Indenture"), relating to the Company's 7.000% Senior Unsecured Notes due 2028;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Additional Guarantor:

SGI Lottery LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.
SCIENTIFIC GAMES PRODUCTS, INC.
SG GAMING NORTH AMERICA, INC.
DON BEST SPORTS CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Treasurer and Secretary

MDI ENTERTAINMENT, LLC
SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member/manager

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Kathryn Fischer
Print Name: Kathryn Fischer
Its: Authorized Signatory

By: /s/ Irina Golovashchuk
Print Name: Irina Golovashchuk
Its: Authorized Signatory

Exhibit 4.46

SUPPLEMENTAL INDENTURE, dated as of January 5, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGI Lottery LLC, a Delaware limited liability company (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of November 26, 2019, as amended and supplemented (the "Indenture"), relating to the Company's 7.250% Senior Unsecured Notes due 2029;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Additional Guarantor:

SGI Lottery LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.
SCIENTIFIC GAMES PRODUCTS, INC.
SG GAMING NORTH AMERICA, INC.
DON BEST SPORTS CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Treasurer and Secretary

MDI ENTERTAINMENT, LLC
SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member/manager

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Kathryn Fischer
Print Name: Kathryn Fischer
Its: Authorized Signatory

By: /s/ Irina Golovashchuk
Print Name: Irina Golovashchuk
Its: Authorized Signatory

Exhibit 4.48

SUPPLEMENTAL INDENTURE, dated as of January 5, 2021 (this "Supplemental Indenture"), by and among Scientific Games International, Inc., a Delaware corporation (the "Company"), the Guarantors (as defined in the indenture referred to herein), SGI Lottery LLC, a Delaware limited liability company (the "Additional Guarantor"), and Deutsche Bank Trust Company Americas, a New York banking corporation, as trustee (the "Trustee").

WHEREAS, the Company, the original Guarantors and the Trustee executed an Indenture, dated as of July 1, 2020, as amended and supplemented (the "Indenture"), relating to the Company's 8.625% Senior Unsecured Notes due 2025;

WHEREAS, under certain circumstances, Section 10.17 of the Indenture requires the Company to cause each of the Company's Restricted Subsidiaries to execute and deliver to the Trustee a supplemental indenture and thereby become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture;

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture; and

WHEREAS, except as otherwise defined herein in this Supplemental Indenture, capitalized terms used in this Supplemental Indenture have the meanings specified in the Indenture;

NOW, THEREFORE, in consideration of the above premises, each party agrees, for the benefit of the other parties and for the equal and ratable benefit of the Holders of the Securities, as follows:

ARTICLE ONE

AMENDMENT

Section 1.01. Amendment. The Additional Guarantor hereby agrees to become a Guarantor bound by the Guarantee of the Securities on the terms set forth in Article Ten of the Indenture.

ARTICLE TWO

MISCELLANEOUS PROVISIONS

Section 2.01. Indenture. Except as amended hereby, the Indenture and the Securities are in all respects ratified and confirmed and all their terms shall remain in full force and effect.

Section 2.02. Trustee's Disclaimer. The Trustee shall not be responsible for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Company and the Additional Guarantor.

Section 2.03. Governing Law. THIS SUPPLEMENTAL INDENTURE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, BUT WITHOUT GIVING EFFECT TO APPLICABLE PRINCIPLES OF CONFLICTS OF LAWS TO THE EXTENT THAT THE APPLICATION OF THE LAW OF ANOTHER JURISDICTION WOULD BE REQUIRED THEREBY.

Section 2.04. Counterparts. This Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but all of them together shall represent the same agreement.

Section 2.05. Headings. The Article and Section headings in this Supplemental Indenture are for convenience only and shall not affect the construction of this Supplemental Indenture.

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IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed, all as of the date first written above.

Company:

SCIENTIFIC GAMES INTERNATIONAL, INC.

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Additional Guarantor:

SGI Lottery LLC

By: Scientific Games International, Inc., its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

Existing Guarantors:

SCIENTIFIC GAMES CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

SG GAMING, INC.
SCIENTIFIC GAMES PRODUCTS, INC.
SG GAMING NORTH AMERICA, INC.
DON BEST SPORTS CORPORATION

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Treasurer and Secretary

MDI ENTERTAINMENT, LLC
SCIENTIFIC GAMES NEW JERSEY, LLC

By: Scientific Games International, Inc., its sole member/manager

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Secretary and Treasurer

NYX DIGITAL GAMING (USA), LLC

By: Scientific Games Corporation, its sole member

By: /s/ Michael C. Eklund
Name: Michael C. Eklund
Title: Executive Vice President, Chief Financial Officer, Treasurer and Corporate Secretary

Trustee:

DEUTSCHE BANK TRUST COMPANY AMERICAS

By: /s/ Kathryn Fischer
Print Name: Kathryn Fischer
Its: Authorized Signatory

By: /s/ Irina Golovashchuk
Print Name: Irina Golovashchuk
Its: Authorized Signatory

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

Scientific Games Corporation has two classes of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended: our Common Stock and our Preferred Stock Purchase Rights (each as defined below).

The following summarizes the material terms of the Common Stock and Preferred Stock Purchase Rights of Scientific Games Corporation (the "Company") as set forth in the Company's Amended and Restated Articles of Incorporation (including the Certificate of Designation of Series A Junior Participating Preferred Stock incorporated therein, the "Charter") and the Company's Amended and Restated Bylaws (the "Bylaws"). While we believe that the following description covers the material terms of such securities, the following summary may not contain all of the information that may be important to you and is subject to and qualified in its entirety by reference to applicable Nevada law, including Chapters 78 and 92A of the Nevada Revised Statutes (the "NRS"), and to the Charter and the Bylaws, each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.49 is a part. As used herein, unless otherwise expressly stated or the context otherwise requires, the terms "Company", "we", "our" and "us" refer to Scientific Games Corporation and not to any of its subsidiaries.

General

We are incorporated under the laws of the State of Nevada. The rights of our stockholders are governed by the NRS, the Charter and the Bylaws.

Authorized Stock

Under the Charter, our authorized capital stock consists of 202,000,000 shares, consisting of (i) 200,000,000 shares of common stock, par value $0.001 per share (the "Common Stock"), and, (ii) 2,000,000 shares of preferred stock, par value $0.001 per share (the "Preferred Stock").

Common Stock

All shares of Common Stock that are issued and outstanding have been validly issued and are fully paid and nonassessable. Under the NRS, stockholders generally are not personally liable for a corporation's acts or debts.

The holders of Common Stock have no preemptive, subscription or redemption rights and are not entitled to the benefits of any sinking fund.

Voting Rights

The holders of Common Stock are entitled to notice of and to attend all meetings of the stockholders of the Company and are entitled to one vote per share on all matters to be voted on by the Company's stockholders.

Dividends

Subject to certain rights of holders of Preferred Stock of the Company having preference as to dividends and except as otherwise provided by the Charter or the NRS, the holders of Common Stock are entitled to receive dividends if, as and when declared by the board of directors of the Company (the "Board"), out of any funds legally available for such purpose. When and as dividends are declared thereon, whether payable in cash, property or securities of the Company, the holders of Common Stock will be entitled to share, ratably according to the number of shares of Common Stock held by them, in such dividends.

The NRS provides that no distribution (including dividends on, or purchases, redemptions, repurchases or other acquisitions of, shares of capital stock or distributions of indebtedness to or for the benefit of stockholders) may be made if, after giving effect to such distribution, (i) the Company would not be able to pay its debts as they become due in the usual course of business or (ii) except as otherwise specifically permitted by the Charter, the Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed immediately after the time of a dissolution to satisfy the preferential rights of preferred stockholders (the condition in this clause (ii), the "Balance Sheet Test"). Directors may consider financial statements prepared on the basis of accounting practices that are reasonable in the circumstances, a fair valuation, including but not limited to unrealized appreciation and depreciation, and any other method that is reasonable in the circumstances. Pursuant to NRS 78.288(2)(b), in the Charter the Company is specifically allowed to make any distribution that otherwise would be prohibited by the Balance Sheet Test.

Liquidation Rights

In the event of any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any distribution of any of its assets to any of its stockholders other than by dividends from funds legally available therefor, and other than payments made upon redemptions or purchases of shares of the Company, after payment in full of the amount which

the holders of Preferred Stock are entitled to receive in such event and, in the case of liquidation, dissolution or winding up, after paying or adequately providing for the payment of the Company's liabilities and obligations, the holders of Common Stock shall be entitled to share, ratably according to the number of shares of Common Stock held by them, in the remaining assets of the Company available for distribution to its stockholders.

Preferred Stock

Under the Charter, the Board is authorized, without further stockholder action, to issue up to 2,000,000 shares of Preferred Stock in one or more series by filing a certificate of designation in the manner prescribed by the NRS. On January 10, 2018, the Company filed a Certificate of Designation of Series A Junior Participating Preferred Stock with the Secretary of State of the State of Nevada (the "Certificate of Designation"). The Certificate of Designation designates 20,000 shares of Series A Junior Participating Preferred Stock (the "Series A Preferred Stock") to be issued and exercisable in connection with the Amended and Restated Rights Agreement (as defined below).

Voting Rights

The holders of Series A Preferred Stock are entitled to notice of and to attend all meetings of the stockholders of the Company and are entitled to a number of votes equal to the Adjustment Number (as defined in the Certificate of Designation) per share on all matters to be voted on by the Company's stockholders. Except as otherwise provided in another certificate of designation authorizing a series of Preferred Stock, if any, or as required by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Company having general voting rights vote together as one class on all matters submitted to a vote of the stockholders of the Company.

Dividends

The Series A Preferred Stock rank junior to all series of Preferred Stock as to the payment of dividends and as to the distribution of assets upon liquidation, dissolution or winding up, unless, in the case of any other series of Preferred Stock, the terms of any such series provide otherwise, and rank senior to the Common Stock as to such matters. Subject to certain rights of holders of any shares of any class or series of stock of the Company having preference as to dividends and except as otherwise provided by the Charter or the NRS, the holders of Series A Preferred Stock are entitled to receive dividends when and as declared by the Board, out of any funds legally available for such purpose. When and as dividends are declared thereon, whether payable in cash, property or securities of the Company, the holders of Series A Preferred Stock

will be entitled to share, ratably according to the number of shares of Series A Preferred Stock held by them, in such dividends. The Company shall declare a dividend or distribution on the Series A Preferred Stock immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock).

Liquidation Rights

Upon any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, no distribution shall be made to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received an amount per share the "Series A Liquidation Preference") equal to the greater of (i) $10.00 plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, and (ii) the Adjustment Number (as defined in the Certificate of Designation) times the per share amount of all cash and other property to be distributed in respect of the Common Stock upon such liquidation, dissolution or winding up of the Company. In the event that there are not sufficient assets available to permit payment in full of the Series A Liquidation Preference and the liquidation preferences of all other classes and series of stock of the Company, if any, that rank on a parity with the Series A Preferred Stock in respect thereof, then the assets available for such distribution shall be distributed ratably to the holders of the Series A Preferred Stock and the holders of such parity shares in proportion to their respective liquidation preferences.

Stockholder Rights Plan

On June 19, 2017, the board of directors of Scientific Games Corporation, a Delaware corporation (the "Predecessor Registrant"), approved, and the Predecessor Registrant entered into, a Rights Agreement (the "Rights Agreement") between the Predecessor Registrant and American Stock Transfer & Trust Company, LLC (the "Rights Agent"). On January 10, 2018 (the "Reincorporation Merger Effective Date"), the Predecessor Registrant changed its state of incorporation from Delaware to Nevada pursuant to the merger (the "Reincorporation Merger") of the Predecessor Registrant with and into the Company, then a wholly owned subsidiary of the Predecessor Registrant, with the Company continuing as the surviving corporation. On the Reincorporation Merger Effective Date, the Company and the Rights Agent entered into an Amended and Restated Rights Agreement (the "Amended and Restated Rights Agreement"), pursuant to which (i) the Company assumed and succeeded to, by virtue of the Reincorporation Merger, all of the duties and obligations of the Predecessor Registrant under the Rights Agreement and (ii) certain additional changes were made to reflect the reincorporation from Delaware to Nevada. On June 16, 2020, the Company entered into an amendment to the

Amended and Restated Rights Agreement to extend the term of the Amended and Restated Rights Agreement to June 19, 2023 (subject to earlier expiration as described in the Amended and Restated Rights Agreement).

The Amended and Restated Rights Agreement provides for a dividend of one preferred share purchase right (a "Right") for each share of the common stock of the Predecessor Registrant outstanding as of June 29, 2017 (the "Record Date"), as converted into one share of Common Stock on the Reincorporation Merger Effective Date. Each Right entitles the holder to purchase from the Company one ten-thousandth of a share of Series A Preferred Stock for a purchase price of $109.00, subject to adjustment as provided in the Amended and Restated Rights Agreement. The Rights become exercisable upon certain conditions set forth in the Amended and Restated Rights Agreement. At any time prior to the time any person or group becomes an Acquiring Person (as defined in the Amended and Restated Rights Agreement), the Board may redeem the Rights in whole, but not in part, at a price of $0.0001 per Right. The value of the Rights is *de minimis.*

Articles of Incorporation and Bylaws

Stockholders' rights and related matters are governed by the NRS, the Charter and the Bylaws. Certain provisions of the Charter and the Bylaws, descriptions of which are summarized herein, may have the effect, either alone or in combination with each other, of discouraging or making more difficult a tender offer or takeover attempt that is opposed by the Board but that a stockholder might consider to be in its best interest or otherwise effect the rights of our stockholders more generally. Such provisions may also adversely affect prevailing market prices for our capital stock. We believe that such provisions are necessary to enable us to develop our business in a manner that will foster our long-term growth without disruption caused by the threat of a takeover not deemed by the Board to be in our best interests and those of our stockholders.

Compliance with Gaming Laws

The Charter provides that all securities of the Company are held subject to all applicable gaming laws and the suitability standards, qualifications and requirements of the gaming authorities that regulate the operation and conduct of the business of the Company or any of its affiliates. Accordingly, any person who (i) refuses or fails to comply with the requests of a gaming authority within a reasonable period of time, (ii) withdraws or requests the withdrawal of a pending application for a gaming license from any gaming authority in anticipation of such person being denied such gaming license or receiving such gaming license subject to materially burdensome or unacceptable terms or conditions, (iii) is determined or shall have been

determined by any gaming authority not to be suitable or qualified to own or control securities of the Company or an affiliate of the company or (iv) whose ownership or control of securities of the Company may result, in the judgment of the Board, in the failure of the Company or any of its affiliates to obtain, maintain retain, renew or qualify for a gaming license, or cause or otherwise result in the imposition of any materially burdensome or unacceptable terms or conditions on any gaming license, shall sell or otherwise dispose of their securities or other interests in the Company, or the Company may redeem such securities, pursuant to a notice given by the Company (a "Notice").

Restrictions on Transfer

Under the Bylaws, immediately upon the transmittal by the Company of a Notice, the securities specified in such Notice shall become invalid securities (the "Invalid Securities"). Any direct or indirect acquisition, sale, transfer, exchange, assignment, liquidation, conveyance, pledge, abandonment, distribution, contribution or other disposition of Invalid Securities (a "Prohibited Transfer"), shall be void *ab initio*, unless prior approval of the Board is obtained. No employee or agent of the Company shall record any Prohibited Transfer and the purported transferee of a Prohibited Transfer shall not be recognized as a security holder of the Company for any purpose whatsoever in respect of the Invalid Securities. Once Invalid Securities have been acquired by the Company they shall cease to be Invalid Securities.

Restrictions on Business Combinations

The Company has not opted out of the Nevada combinations with interested stockholders statutes. Under NRS 78.411 to 78.444, inclusive, certain business combinations with an interested stockholder (one who beneficially owns, directly or indirectly, 10% or more of the voting power, or is an affiliate or associate of the Company who, within the previous two years, was the beneficial owner, directly or indirectly of 10% or more of the voting power) of the Company are subject to a two-year moratorium unless (i) the combination or the transaction by which such person first became an interested stockholder is approved by the Board before the person became an interested stockholder, or (ii) the combination is approved by the Board and, at or after that time, at a meeting of the stockholders by the affirmative vote of the holders of at least 60% of the outstanding voting power not beneficially owned by the interested stockholder or its affiliates or associates. After the two-year period has elapsed, the Company may not consummate a business combination with an interested stockholder unless (i) the combination or transaction by which the person first became an interested stockholder is approved by the Board before the person first became an interested stockholder; (ii) the combination is approved by a majority of the outstanding voting power not beneficially owned by the interested stockholder or its affiliates or associates; or (iii) the interested stockholders satisfy certain fair value

requirements. These statutes do not apply to any combination of the Company and an interested stockholder after the expiration of four years after the person first became an interested stockholder.

Acquisition of Controlling Interests

The Company has not opted out of the Nevada acquisition of controlling interest statutes (NRS 78.378 to 78.3793, inclusive), which protect the Company and its stockholders from persons acquiring a "controlling interest" in the Company. Pursuant to NRS 78.379, any person who acquires a controlling interest in the Company may not exercise voting rights with respect to any control shares unless such voting rights are conferred by a majority of the voting power of the Company and, if the acquisition would adversely affect any other outstanding class or series, the holders of a majority of such class or series, excluding the shares of the interested stockholders, by resolution approved at a special or annual meeting of the stockholders held upon the request and at the expense of the acquiring person. The NRS provides that a "controlling interest" means the ownership of outstanding voting shares of the Company sufficient to enable the acquiring person, individually or in association with others, directly or indirectly, to exercise (i) one fifth or more but less than one third, (ii) one third or more but less than a majority or (iii) a majority or more of the voting power of the Company in the election of directors, and voting rights must be conferred by a majority of the disinterested stockholders as each threshold is reached and/or exceeded. In the event that a controlling interest is accorded full voting rights and the acquiring person acquires a controlling interest with a majority or more of all the voting power, any stockholder, other than the acquiring person, who does not vote in favor of authorizing voting rights for the control shares is entitled to dissent and demand payment of the fair value of such person's shares.

The NRS provides that the acquisition of controlling interest statutes do not apply to any acquisition of a controlling interest in the Company if the articles of incorporation or bylaws of the Company in effect on the 10th day following the acquisition of a controlling interest by the acquiring person provide that the provisions of those sections do not apply to the Company or to an acquisition of a controlling interest specifically by types of existing or future stockholders, whether or not identified. In addition, NRS 78.3788 provides that the acquisition of controlling interest statutes apply only to a corporation that has 200 or more stockholders of record, at least 100 of whom have addresses in Nevada appearing on the Company's stock ledger, at all times during the preceding 90 days, and which does business directly or indirectly in Nevada. NRS 78.378(2) provides that the Company may impose stricter requirements on the acquisition of a controlling interest if it so desires.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

The Bylaws establish advance notice procedures for stockholder proposals and the nomination, other than by or at the direction of the Board, of candidates for election as directors. These procedures provide that the notice of stockholder proposals and stockholder nominations for the election of directors at an annual meeting must be in writing and received by our secretary at least 90 days but not more than 120 days prior to the first anniversary of our preceding year's annual meeting. However, if the date of our annual meeting is more than 30 days earlier than, or more than 60 days later than, such anniversary date, notice by a stockholder will be considered timely if it is delivered not earlier than the 120th day prior to the date of such annual meeting and not later than the close of business of the 90th day prior to the date of such annual meeting or, 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, the 10th day following the day on which public announcement of the date of the annual meeting is made by the Company. The notice of nominations for the election of directors must set forth certain information concerning the stockholder giving the notice and each nominee.

By requiring advance notice of nominations by stockholders, these procedures afford the Board an opportunity to consider the qualifications of the proposed nominees and, to the extent deemed necessary or desirable by the Board, to inform stockholders about these qualifications. By requiring advance notice of other proposed business, these procedures provide the Board with an opportunity to inform stockholders of any business proposed to be conducted at a meeting, together with any recommendations as to the Board's position on action to be taken on such business. This should allow stockholders to better decide whether to attend a meeting or to grant a proxy for the disposition of any such business.

Amendments

The Bylaws provide that a majority of the total number of directors or of the stockholders at any meeting upon proper notice has the power to amend, alter or repeal the Bylaws. NRS 78.390 requires the approval of the Board and a majority of the stockholders entitled to vote (or such greater proportion of the voting power as may be required in certain cases) for an amendment to the Charter.

Removal of Directors

Any director may be removed from office at any special meeting of the stockholders either with or without cause by the vote of the holders of not less than two-thirds of the voting power of the issued and outstanding stock entitled to vote generally in the election of directors, excluding stock entitled to vote only upon the happening of a fact or event unless such fact or

event has occurred. If the entire Board or any one or more directors be so removed, new directors may be elected at the same meeting.

Forum Selection Clause

Under the Bylaws, unless otherwise agreed by the Company in writing, the Eighth Judicial District Court of Clark County, Nevada is the sole and exclusive forum for any actions, suits or proceedings, whether civil, administrative or investigative or that assert any claim or counterclaim (a) brought in the name or right of the Company or on its behalf, (b) asserting a claim for breach of any fiduciary duty owed by any director, officer, employee or agent of the Company to the Company or the Company's stockholders, (c) arising or asserting a claim arising pursuant to any provision of NRS Chapters 78 or 92A or any provision of the Charter or the Bylaws or (d) asserting a claim governed by the internal affairs doctrine. In the event that the Eighth Judicial District Court of Clark County, Nevada does not have jurisdiction over any such action, suit or proceeding, then any other state district court located in the State of Nevada shall be the sole and exclusive forum therefor and in the event that no state district court in the State of Nevada has jurisdiction over any such action, suit or proceeding, then a federal court located within the State of Nevada shall be the sole and exclusive forum therefor.

Limitation on Personal Liability

The Charter provides that the liability of directors and officers of the Company be eliminated or limited to the fullest extent permitted by the NRS. Pursuant to NRS 78.138, a director or officer of the Company shall not be individually liable to the Company, its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless (i) the presumption that directors and officers act in good faith, on an informed basis and with a view to the interests of the Company has been rebutted; and (ii) it is proven that (a) the director's or officer's act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and (b) the breach of those duties involved intentional misconduct, fraud or a knowing violation of law. Directors may also be liable for unlawful distributions, including the payment of dividends or for stock purchases, redemptions or repurchases, or for distributions of indebtedness, under certain circumstances.

Employment Agreement

This Employment Agreement (this "Agreement") is made as of February 5, 2021, by and between Scientific Games Corporation, a Delaware corporation (the "Company"), and Barry Cottle ("Executive").

WHEREAS, Executive is currently employed by the Company pursuant to the Prior Employment Agreement (as defined below); and

WHEREAS, the Company and Executive wish to enter into this Agreement and to supersede the terms of the Prior Employment Agreement.

NOW, THEREFORE, in consideration of the premises and mutual benefits to be derived herefrom and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Company and Executive, the parties agree as follows.

1. Employment; Term. The Prior Employment Agreement expires on May 31, 2021 and, for the avoidance of doubt, will not automatically extend. The Company hereby agrees to employ Executive following May 31, 2021, and Executive hereby accepts employment with the Company, in accordance with and subject to the terms and conditions set forth in this Agreement. This term of employment of Executive under this Agreement (the "Term") shall be the period commencing on June 1, 2021 (the "Effective Date") and ending on May 31, 2024, as may be extended in accordance with this Section 1 and subject to earlier termination in accordance with Section 4. The Term shall be extended automatically without further action by either party by one (1) additional year (added to the end of the Term), and then on each succeeding annual anniversary thereafter, unless either party shall have given written notice to the other party prior to the date which is sixty (60) days prior to the date upon which such extension would otherwise have become effective electing not to further extend the Term, in which case Executive's employment shall terminate on the date upon which such extension would otherwise have become effective, unless earlier terminated in accordance with Section 4. A notice of non-renewal of the Term by the Company pursuant to this Section 1 shall be deemed to be a termination without Cause by the Company for purposes of this Agreement as of the end of the Term.

2. Position and Duties. During the Term, Executive will serve as President and Chief Executive Officer of the Company and as an officer or director of any subsidiary or affiliate of the Company if elected to any such position by the stockholders or by the board of directors of any such subsidiary or affiliate, as the case may be. In such capacities, Executive shall perform such duties and shall have such responsibilities as are normally associated with such positions, and as otherwise may be assigned to Executive from time to time by or upon the authority of the board of directors of the Company (the "Board"). Subject to Section 4(e), Executive's functions, duties and responsibilities are subject to reasonable changes as the Company may in good faith determine from time to time. Executive hereby agrees to accept such employment and to serve the Company and its subsidiaries and affiliates to the best of Executive's ability in such capacities, devoting all of Executive's business time to such employment. Notwithstanding the foregoing, during the Term, Executive may (i) participate in charitable, civic, educational, professional, community or industry affairs, but service on any board shall be subject to (ii), (ii) with prior written consent for each individual board position (which may be granted or denied in the Board's sole discretion), serve as a member of the boards of directors of for-profit and not-for-profit entities, and (iii) manage Executive's passive personal investments, so long as such activities, individually or in the aggregate, do not materially interfere or conflict with Executive's duties hereunder or create an actual or potential business or fiduciary conflict. Executive's principal work location shall be the Company's headquarters in Las Vegas, Nevada. Executive acknowledges that he may be required to

work from other Company offices from time to time as appropriate and to engage in business travel as necessary to perform his duties hereunder.

3. Compensation.

(a) *Base Salary*. During the Term, Executive will receive a base salary of one million eight hundred thousand U.S. dollars (US$1,800,000) per annum (pro-rated for any partial year), payable in accordance with the Company's regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive. In the event that the Company, in its sole discretion, from time to time determines to increase Executive's base salary as an annual merit increase or otherwise, such increased amount shall, from and after the effective date of such increase, constitute the "base salary" of Executive for purposes of this Agreement.

(b) *Incentive Compensation*. Executive shall have the opportunity annually to earn incentive compensation ("Incentive Compensation") in amounts determined by the Compensation Committee of the Board (the "Compensation Committee") in its sole discretion in accordance with the applicable incentive compensation plan of the Company as in effect from time to time (the "Incentive Compensation Plan"). Under such Incentive Compensation Plan, Executive shall have the opportunity annually to earn up to 100% of Executive's base salary as Incentive Compensation at "target opportunity" ("Target Bonus") and up to 200% of Executive's base salary as Incentive Compensation at "maximum opportunity" on the terms and subject to the conditions of such Incentive Compensation Plan (any such Incentive Compensation to be subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive). For 2021, Executive's Incentive Compensation opportunity, if earned, shall be calculated using a blended rate of Executive's base salary in effect from and after the Effective Date and Executive's base salary in effect from January 1, 2021 through the date immediately preceding the Effective Date. Up to 50% of Executive's Incentive Compensation may be paid in fully-vested restricted stock units ("RSUs") that settle within five (5) business days or such other date as is mutually agreed between Executive and the Company, provided that, in order to constitute a "short-term deferral" for purposes of Section 409A (as defined below), such RSUs shall settle no later than March 15 of the year following the year in which they are no longer subject to a "substantial risk of forfeiture" for purposes of Section 409A, with the remainder paid in cash, consistent with the method of payment of Incentive Compensation the Compensation Committee of the Board sets for other executive officers.

(c) *Equity Awards.*

(i) The Company will grant to Executive within ten (10) days after the Effective Date a special equity award for 2021 consisting of 50,000 time-vesting RSUs (the "2021 Special Equity Award"). The 2021 Special Equity Award shall vest as follows: 16,667 RSUs on May 31, 2022, 16,667 RSUs on May 31, 2023 and 16,666 RSUs on May 31, 2024. The 2021 Special Equity Award will be granted pursuant to the Incentive Compensation Plan. The 2021 Special Equity Award will be evidenced by the execution of the Company's standard form of award agreement under the Incentive Compensation Plan.

(ii) Beginning in 2022, Executive shall be eligible to receive an annual grant of stock options, restricted stock units or other equity awards currently expected to be targeted at approximately 250% of Executive's base salary, in the sole discretion of the

Compensation Committee and in accordance with the applicable plans and programs of the Company for senior executives of the Company and subject to the Company's right to at any time amend or terminate any such plan or program, so long as any such change does not adversely affect any accrued or vested interest of Executive under any such plan or program.

(iii) All equity awards granted pursuant to this Agreement shall be subject to the terms of the Company's standard form of award agreement under the Incentive Compensation Plan modified to provide that, if Executive remains employed by the Company through the date when he becomes 65 years of age and retires at any time thereafter, any unvested equity held by Executive as of that retirement date shall vest ten days after such retirement, subject to the achievement of any applicable performance criteria; provided that, settlement of any such awards shall be in accordance with Section 4(g).

(d) *Expense Reimbursement*. Subject to Section 3(f), the Company shall reimburse Executive for all reasonable and necessary travel, business entertainment and other business expenses incurred by Executive in connection with the performance of Executive's duties under this Agreement, on a timely basis upon timely submission by Executive of vouchers therefor in accordance with the Company's standard policies and procedures.

(e) *Health and Welfare Benefits*. Executive shall be entitled to participate, without discrimination or duplication, in any and all medical insurance, group health, disability, life insurance, accidental death and dismemberment insurance, 401(k) or other retirement, deferred compensation, stock ownership and such other plans and programs which are made generally available by the Company to senior executives of the Company in accordance with the terms of such plans and programs and subject to the right of the Company (or its applicable affiliate) to at any time amend or terminate any such plan or program. Executive shall be entitled to paid vacation, holidays and any other time off in accordance with the Company's policies in effect from time to time. Executive will be entitled to twenty-seven (27) day of paid time off each year. In addition, Executive may use private charter jets for business travel in his good faith judgement when justified because of location, efficiency or other business reasons, subject to review and refinement by the Board of the permitted uses and creation of good faith policies. Subject to Section 3(d), the Company will reimburse Executive for reasonable transportation and lodging expenses Executive incurs in connection with his travel between his then current residence and the Company's headquarters. To the extent any such reimbursement is taxable to Executive, the Company will provide Executive with an additional payment so that Executive has no net after tax costs for such expenses.

(f) *Taxes and Internal Revenue Code 409A*. Payment of all compensation and benefits to Executive under this Agreement shall be subject to all legally required and customary withholdings. The Company makes no representations or warranties and shall have no responsibility regarding the tax implications of the compensation and benefits to be paid to Executive under this Agreement, including under Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable administrative guidance and regulations ("Section 409A"). Section 409A governs plans and arrangements that provide "nonqualified deferred compensation" (as defined under the Code) which may include, among others, nonqualified retirement plans, bonus plans, stock option plans, employment agreements and severance agreements. The Company reserves the right to pay compensation and provide benefits under this Agreement (including under Section 3 and Section 4) in amounts, at times and in a manner that minimizes taxes, interest or penalties as a result of Section 409A. In addition, in the event any benefits or amounts paid to Executive hereunder are deemed to be subject to Section 409A,

Executive consents to the Company adopting such conforming amendments as the Company deems necessary, in its reasonable discretion, to comply with Section 409A (including delaying payment until six (6) months following termination of employment). To the extent any payments of money or other benefits due to Executive hereunder could cause the application of an accelerated or additional tax under Section 409A, such payments or other benefits may be deferred if deferral will make such payment or other benefits compliant under Section 409A, or otherwise such payments or other benefits shall be restructured, to the extent permissible under Section 409A, in a manner determined by the Company that does not cause such an accelerated or additional tax. To the extent any reimbursements or in-kind benefits due to Executive under this Agreement constitute deferred compensation under Section 409A, any such reimbursements or in-kind benefits shall be paid to Executive in a manner consistent with Treas. Reg. Section 1.409A-3(i)(1)(iv). Any tax gross-up payment provided under this Agreement will be made no later than the end of the calendar year immediately following the calendar year in which Executive remits the related taxes. Each payment made under this Agreement shall be designated as a "separate payment" within the meaning of Section 409A.

4. Termination of Employment. Executive's employment may be terminated at any time prior to the end of the Term under the terms described in this Section 4, and the Term shall automatically terminate upon any termination of Executive's employment. For purposes of clarification, except as provided in Section 5.6, all stock options, restricted stock units and other equity-based awards will be governed by the terms of the plans, grant agreements and programs under which such options, restricted stock units or other awards were granted on any termination of the Term and Executive's employment with the Company.

(a) *Termination by Executive for Other than Good Reason*. Executive may terminate Executive's employment hereunder for any reason or no reason upon 60 days' prior written notice to the Company referring to this Section 4(a); provided, however, that a termination by Executive for "Good Reason" (as defined below) shall not constitute a termination by Executive for other than Good Reason pursuant to this Section 4(a). In the event Executive terminates Executive's employment for other than Good Reason, Executive shall be entitled only to the following compensation and benefits (the payments set forth in Sections 4(a)(i) through 4(a)(iii), collectively, the "Standard Termination Payments"):

(i) any accrued but unpaid base salary for services rendered by Executive to the date of such termination, payable in accordance with the Company's regular payroll practices and subject to such deductions or amounts to be withheld as required by applicable law and regulations or as may be agreed to by Executive;

(ii) any vested non-forfeitable amounts owing or accrued at the date of such termination under benefit plans, programs and arrangements set forth or referred to in Section 3(e) in which Executive participated during the Term (which will be paid under the terms and conditions of such plans, programs, and arrangements (and agreements and documents thereunder)) and, excluding, for the avoidance of doubt, any termination for Cause, any vesting to which Executive is entitled due to retirement; and

(iii) reasonable business expenses and disbursements incurred by Executive prior to such termination will be reimbursed in accordance with Section 3(d).

(b) *Termination By Reason of Death*. If Executive dies during the Term, the last beneficiary designated by Executive by written notice to the Company (or, in the absence of such

designation, Executive's estate) shall be entitled only to the Standard Termination Payments, including any benefits that may be payable under any life insurance benefit of Executive for which the Company pays premiums, in accordance with the terms of any such benefit and subject to the right of the Company (or its applicable affiliate) to at any time amend or terminate any such benefit, and, as currently provided by the Company's equity incentive plan, all equity awards held by Executive shall vest in full.

(c) *Termination By Reason of* Total *Disability*. The Company may terminate Executive's employment in the event of Executive's "Total Disability." For purposes of this Agreement, "Total Disability" shall mean Executive's (1) becoming eligible to receive benefits under any long-term disability insurance program of the Company or (2) failure to perform the duties and responsibilities contemplated under this Agreement for a period of more than 180 days during any consecutive 12-month period due to physical or mental incapacity or impairment. In the event that Executive's employment is terminated by the Company by reason of Total Disability, Executive shall be entitled only to the Standard Termination Payments and any amounts due under any Company disability policy, and, as currently provided by the Company's equity incentive plan, all equity awards held by Executive shall vest in full.

(d) *Termination by the Company for Cause*. The Company may terminate the employment of Executive at any time for "Cause." For purposes of this Agreement, "Cause" shall mean: (i) gross neglect by Executive of Executive's duties hereunder; (ii) Executive's indictment for or conviction of a felony, or any non-felony crime or offense involving the property of the Company or any of its subsidiaries or affiliates or evidencing moral turpitude; (iii) willful misconduct by Executive in connection with the performance of Executive's duties hereunder; (iv) intentional breach by Executive of any material provision of this Agreement; (v) material violation by Executive of a material provision of the Company's Code of Business Conduct; (vi) Executive's failure to qualify (or failure to remain qualified) under any suitability or licensing requirements to which Executive may be subject by reason of Executive's position with the Company; (vii) Executive's failure to cooperate with or respond to any regulatory requests for information in connection with such licensing requirements; (viii) Executive's failure to timely file required license applications; (ix) the denial of any license application submitted by Executive or (x) any other willful or grossly negligent conduct of Executive that would make the continued employment of Executive by the Company materially prejudicial to the best interests of the Company. In the event Executive's employment is terminated for "Cause," Executive shall not be entitled to receive any compensation or benefits under this Agreement except for the Standard Termination Payments.

(e) *Termination by the Company without Cause or by Executive for Good Reason*. The Company may terminate Executive's employment at any time without Cause, for any reason or no reason, and Executive may terminate Executive's employment for "Good Reason." For purposes of this Agreement "Good Reason" shall mean that, without Executive's prior written consent, any of the following shall have occurred: (A) a material adverse change to Executive's positions, titles, offices, or duties following the Effective Date from those set forth in Section 2, except, in such case, in connection with the termination of Executive's employment for Cause or due to Total Disability, death or expiration of the Term; (B) a material decrease in base salary or material decrease in Executive's Incentive Compensation opportunity provided under this Agreement; (C) a requirement that on a continuing basis Executive reports to anyone other than the Board; or (D) any other material failure by the Company to perform any material obligation under, or material breach by the Company of any material provision of, this Agreement; provided, however, that a termination by Executive for Good Reason under any of clauses (A) through (D) of this Section 4(e) shall not be considered effective unless Executive shall have provided the Company with written notice of the specific reasons for such termination within thirty (30) days after he has knowledge of the event or circumstance constituting Good Reason and the Company

shall have failed to cure the event or condition allegedly constituting Good Reason within thirty (30) days after such notice has been given to the Company and Executive actually terminates his employment within one (1) year following the initial occurrence of the event giving rise to Good Reason. In the event that Executive's employment is terminated by the Company without Cause or by Executive for Good Reason (and not, for the avoidance of doubt, in the event of a termination pursuant to Section 4(a), (b), (c) or (d) or due to a notice of non- renewal of the Term by the Executive pursuant to Section 1), the Company shall pay the following amounts, and make the following other benefits available, to Executive.

(i) Standard Termination Payments;

(ii) an amount equal to two times (2x) the sum of (A) Executive's base salary and (B) an amount equal to the highest annual Incentive Compensation paid to Executive (if any) in respect of the two (2) most recent fiscal years of the Company but not more than Executive's Target Bonus for the-then current fiscal year (such amount under this sub-clause (B), the "Severance Bonus Amount"), such amount under this clause (ii) payable in substantially equal installments over a period of twenty-four (24) months after such termination in accordance with Section 4(g); provided that, to the extent paying any portion of such amount in accordance with the foregoing schedule would constitute an impermissible deferral of compensation under Section 409A, then such portion shall be payable at a time that would not result in a deferral of compensation and that is as near as possible to the payment timing contemplated by the foregoing;

(iii) in lieu of any Incentive Compensation for the year in which such termination occurs, payment of an amount equal to (A) the Incentive Compensation (if any) which would have been payable to Executive had Executive remained in employment with the Company during the entire year in which such termination occurred, multiplied by (B) a fraction the numerator of which is the number of days Executive was employed in the year in which such termination occurs and the denominator of which is the total number of days in the year in which such termination occurs, payable when bonuses are paid to other executives of the Company, but no later than March 15 following the end of the year in which such termination occurs.

(iv) if Executive timely elects to continue medical coverage under the Company's group health plan in accordance with COBRA, the full monthly premiums for such coverage on a monthly basis until the earlier of: (A) a period of eighteen (18) months has elapsed; or (B) Executive is eligible for medical coverage under a plan provided by a new employer. In addition, if the eighteen (18) month period set forth in the foregoing sub-section (A) expires before Executive is eligible for medical coverage under a plan provided by a new employer, then the Company shall pay the full monthly premiums for Executive's medical coverage under a health plan obtained by Executive that is comparable to the Company's group health plan, until the earlier of a period of six (6) additional months has elapsed (for the avoidance of doubt, until the end of the 24-month period following the date of such termination) or Executive is eligible for medical coverage under a plan provided by a new employer; and

(v) all outstanding equity awards held by Executive shall continue to vest during the term of this Agreement and through the end of the Covered Time (as defined in Section 5.1(f)) with any equity awards that remain unvested on the day following the last day of the Covered Time being forfeited; provided that if any such awards that were

granted prior to June 1, 2021 would constitute deferred compensation subject to Section 409A as a result of the foregoing, the portion of such award that would have vested during the Covered Time shall vest upon the earlier of (A) the regularly scheduled vesting date and (B) March 15 of the year following the year in which such termination occurs (or, if such March 15 is not a trading day, the immediately preceding trading day) and the remainder shall be forfeited. For the avoidance of doubt, if such termination occurs on or after Executive becomes 65 years of age, the retirement provisions described in Section 4(c)(ii) shall prevail. Settlement of equity awards shall be subject to Section 4(g) and shall in all events be in accordance with Section 409A. Other than as set forth in this Agreement, equity awards shall be governed by the terms of the applicable award agreement pursuant to which such equity awards were granted.

(f) *Termination by the Company without Cause or by Executive for Good Reason in connection with a Change in Control*. In the event Executive's employment is terminated by the Company without Cause or by Executive for Good Reason pursuant to Section 4(e) and such termination occurs upon, or within one (1) year immediately following, a "Change in Control" (as defined below), Executive shall be entitled (without duplication) to the payments and benefits described in Section 4(e), except that, to the extent that the payments and benefits under Section 4(e)(ii) are exempt from Section 409A and/or if such Change in Control constitutes a change in ownership, change in effective control or a change in ownership of a substantial portion of the assets of the Company under Regulation Section 1.409A-3(i)(5), such amount otherwise payable under Section 4(e)(ii) shall be paid in a lump sum in accordance with Section 4(g) of this Agreement.

For purposes of this Agreement, a "Change in Control" shall be deemed to have occurred if: (i) any "person" as defined in Section 3(a)(9) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as used in Sections 13(d) and 14(d) thereof, including a "group" as defined in Section 13(d) of the Exchange Act, but excluding the Company and any subsidiary or affiliate and any employee benefit plan sponsored or maintained by the Company or any subsidiary or affiliate (including any trustee of such plan acting as trustee) or any current stockholder of 20% or more of the outstanding common stock of the Company, directly or indirectly, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing at least 40% of the combined voting power of the Company's then-outstanding securities; (ii) the stockholders of the Company approve a merger, consolidation, recapitalization, or reorganization of the Company, or a reverse stock split of any class of voting securities of the Company, or the consummation of any such transaction if stockholder approval is not obtained, other than any such transaction that would result in at least 60% of the total voting power represented by the voting securities of the Company or the surviving entity outstanding immediately after such transaction being beneficially owned by persons who together beneficially owned at least 80% of the combined voting power of the voting securities of the Company outstanding immediately prior to such transaction; provided that, for purposes of this Section 4(f), such continuity of ownership (and preservation of relative voting power) shall be deemed to be satisfied if the failure to meet such 60% threshold is due solely to the acquisition of voting securities by an employee benefit plan of the Company or such surviving entity or of any subsidiary of the Company or such surviving entity; (iii) the stockholders of the Company approve a plan of complete liquidation of the Company, an agreement for the sale or disposition by the Company of all or substantially all of its assets (or any transaction having a similar effect); or (iv) during any period of two (2) consecutive years, individuals who at the beginning of such period constitute the Board, together with any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in clause (i), (ii) or (iii) above) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3) of the

directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority of the Board.

(g) *Timing of Certain Payments under Section 4*. For purposes of Section 409A, references herein to the Executive's "termination of employment" shall refer to Executive's separation from service with the Company within the meaning of Treas. Reg. Section 1.409A-1(h). If at the time of Executive's separation from service with the Company other than as a result of Executive's death, (i) Executive is a "specified employee" (as defined in Section 409A(a)(2)(B)(i) of the Code), (ii) one or more of the payments or benefits received or to be received by Executive pursuant to this Agreement would constitute deferred compensation subject to Section 409A, and (iii) the deferral of the commencement of any such payments or benefits otherwise payable hereunder as a result of such separation of service is necessary in order to prevent any accelerated or additional tax under Section 409A, such payments shall be made as follows: (x) no payments for a six-month period following the date of Executive's separation from service with the Company; (y) an amount equal to the aggregate sum that would have been otherwise payable during the initial six-month period paid in a lump sum on the first payroll date following six (6) months following the date of Executive's separation of service with the Company (subject to such deductions or amounts to be withheld as required by applicable law and regulations); and (z) during the period beginning six (6) months following Executive's separation from service with the Company through the remainder of the applicable period, payment of the remaining amount due in equal installments in accordance with the Company's standard payroll practices (subject to such deductions or amounts to be withheld as required by applicable law and regulations).

(h) *Mitigation*. In the event the Company terminates Executive's employment without Cause, Executive terminates his employment for Good Reason and Executive is employed by or otherwise engaged to provide services to another person or entity at any time prior to the end of any period of payments to or on behalf of Executive contemplated by this Section 4, (i) Executive shall immediately advise the Company of such employment or engagement and any health insurance benefits to which he is entitled in connection therewith, and (ii) the Company's obligation to make continued health insurance payments to or on behalf of Executive shall be reduced by any health insurance coverage obtained by Executive during the applicable period through such other employment or engagement (without regard to when such coverage is paid)

(i) *Set-Off*. To the fullest extent permitted by law and provided an acceleration of income or the imposition of an additional tax under Section 409A would not result, any amounts otherwise due to Executive hereunder (including any payments pursuant to this Section 4) shall be subject to set-off with respect to any amounts Executive otherwise owes the Company or any subsidiary or affiliate thereof.

(j) *No Other Benefits or Compensation*. Except as may be specifically provided under this Agreement, under any other effective written agreement between Executive and the Company that expressly survives execution of this Agreement, or under the terms of any plan or policy applicable to Executive, Executive shall have no right to receive any other compensation from the Company or any subsidiary or affiliate thereof, or to participate in any other plan, arrangement or benefit provided by the Company or any subsidiary or affiliate thereof, with respect to any future period after such termination or resignation. Executive acknowledges and agrees that he is entitled to no compensation or benefits from the Company or any of its subsidiaries or affiliates of any kind or nature whatsoever in respect of periods prior to the date of this Agreement, except to the extent such compensation or benefits are expressly provided for in a written agreement between Executive and the Company that expressly survives

execution of this Agreement. Executive acknowledges and agrees that he shall not receive any fees or other compensation (including equity compensation) for Board service.

(k) *Release of Employment Claims; Compliance with Section 5*. Executive agrees, as a condition to receipt of any termination payments and benefits provided for in this Section 4 (other than the Standard Termination Payments), that Executive will execute a general release agreement, in a form reasonably satisfactory to the Company, releasing any and all claims arising out of Executive's employment and the termination of such employment. Such release agreement will not impose upon Executive any non-competition, non-solicitation, non-disparagement or similar restrictive covenant not otherwise set forth herein or in any other agreement entered into by Executive prior to the date of the release, nor shall the release agreement impose upon Executive any post-termination restrictions or service requirements not otherwise set forth herein or in any other agreement entered into by Executive prior to the date of the release. The Company shall provide Executive with the proposed form of general release agreement referred to in the immediately preceding sentence no later than seven (7) days following the date of termination. Executive shall thereupon have 21 days or, if required by the Older Workers Benefit Protection Act, 45 days, to consider such general release agreement and, if he executes such general release agreement, shall have seven (7) days after execution of such general release agreement to revoke such general release agreement. Absent such revocation, such general release agreement shall become binding on Executive. If Executive does not revoke such general release agreement, payments contingent on such general release agreement that constitute deferred compensation under Section 409A (if any) shall be paid on the later of the 60th day after the date of termination or the date such payments are otherwise scheduled to be paid pursuant to this Agreement. The Company's obligation to make any termination payments and benefits provided for in this Section 4 (other than the Standard Termination Payments) shall immediately cease if Executive willfully or materially breaches Section 5.1, 5.2, 5.3, 5.4, or 5.8.

(l) *Section 280G*. If the aggregate of all amounts and benefits due to Executive under this Agreement or any other plan, program, agreement or arrangement of the Company or any of its affiliates, which, if received by Executive in full, would constitute "parachute payments," as such term is defined in and under Section 280G of the Code (collectively, "Change in Control Benefits"), reduced by all Federal, state and local taxes applicable thereto, including the excise tax imposed pursuant to Section 4999 of the Code, is less than the amount Executive would receive, after all such applicable taxes, if Executive received aggregate Change in Control Benefits equal to an amount which is $1.00 less than three (3) times Executive's "base amount," as defined in and determined under Section 280G of the Code, then such Change in Control Benefits shall be reduced or eliminated to the extent necessary so that the Change in Control Benefits received by Executive will not constitute parachute payments. If a reduction in the Change in Control Benefits is necessary, reduction shall occur in the following order unless the Executive elects in writing a different order, subject to the Company's consent (which shall not be unreasonably withheld or delayed): (i) severance payment based on multiple of base salary and/or Target Bonus; (ii) other cash payments; (iii) any pro-rated bonus paid as severance; (iv) acceleration of vesting of stock options with an exercise price that exceeds the then fair market value of stock subject to the option, provided such options are not permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (v) any equity awards accelerated or otherwise valued at full value, provided such equity awards are not permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (vi) acceleration of vesting of stock options with an exercise price that exceeds the then fair market value of stock subject to the option, provided such options are permitted to be valued under Treasury Regulations Section 1.280G-1 Q/A – 24(c); (vii) acceleration of vesting of all other stock options and equity awards; and (viii) within any category, reductions shall be from the last due payment to the first.

It is possible that after the determinations and selections made pursuant to the preceding paragraph that the Executive will receive Change in Control Benefits that are, in the aggregate, either more or less than the amounts contemplated by the preceding paragraph (hereafter referred to as an "Excess Payment" or "Underpayment," respectively). If there is an Excess Payment, the Executive shall promptly repay the Company an amount consistent with this paragraph. If there is an Underpayment, the Company shall pay the Executive an amount consistent with this paragraph.

5. Noncompetition; Non-solicitation; Nondisclosure; etc.

5.1 *Noncompetition; Non-solicitation*.

(a) Executive acknowledges the highly competitive nature of the Company's business and that access to the Company's confidential records and proprietary information renders Executive special and unique within the Company's industries. In addition to the protection of confidential records and proprietary information covered in Section 5.2, the provisions set forth in this Section 5.1 are necessary in order to protect the goodwill of the Company and the relationships developed by the Company with employees, customers and suppliers. In consideration of the amounts that may hereafter be paid to Executive pursuant to this Agreement (including Sections 3 and 4), Executive agrees that during the Term (including any extensions thereof) and during the Covered Time, Executive, alone or with others, will not, directly or indirectly, engage (as owner, investor, partner, stockholder, employer, employee, consultant, advisor, director or otherwise) in any Competing Business. For purposes of this Section 5, "Competing Business" shall mean any business or operations: (i)(A) involving the design, development, manufacture, production, sale, lease, license, provision, operation or management (as the case may be) of (1) instant lottery tickets or games or any related marketing, warehouse, distribution, category management or other services or programs; (2) lottery-related terminals or vending machines (whether clerk-operated, self-service or otherwise), (3) gaming machines, terminals or devices (including video or reel spinning slot machines, video poker machines, video lottery terminals and fixed odds betting terminals), (4) lottery, video gaming (including server-based gaming), sports betting or other wagering or gaming systems, regardless of whether such systems are land-based, internet-based or mobile (including control and monitoring systems, local or wide-area progressive systems and redemption systems); (5) lottery, real money gaming or social gaming-related proprietary or licensed content (including themes, entertainment and brands), platforms, websites and loyalty and customer relationship management programs regardless of whether any of the foregoing are land-based, internet-based or mobile-based; (6) social casino games or websites or mobile phone or tablet applications (or similar known, or hereafter existing, technologies) featuring social casino games or any related marketing, distribution, or other services or programs; (7) interactive casino gaming products or services, including interactive casino-game themed games and platforms for websites or mobile phone or tablet applications (or similar known, or hereafter existing, technologies); (8) gaming utility products (including shufflers, card-reading shoes, deck checkers and roulette chip sorters), table games (including live, simulated, online, social gaming, interactive and electronic) and related products and services; (9) slot accounting, casino management, casino marketing, player tracking, lottery, video lottery, bingo or similar gaming- or casino-related systems and related peripheral hardware, software and services; (10) prepaid cellular or other phone cards; or (11) ancillary products (including equipment, hardware, software, marketing materials, chairs and signage) or services (including field service, maintenance and support) related to any of the foregoing under sub-clauses (1) through (10) above; or (B) in which the Company is then or was within the previous 12 months engaged, or in which the Company, to Executive's knowledge, contemplates to engage in during the Term or the Covered Time; (ii) in which Executive was engaged or involved (whether in an executive or supervisory capacity or otherwise) on behalf of the Company or with respect to which Executive has obtained proprietary or confidential information; and (iii) which were conducted

anywhere in the United States or in any other geographic area in which such business was conducted or contemplated to be conducted by the Company. Notwithstanding anything to the contrary in the foregoing, the holding of up to one percent (1%) of the outstanding equity in a publicly traded entity for passive investment purposes shall not, in and of itself, be construed as engaging in a Competing Business.

(b) In further consideration of the amounts that may hereafter be paid to Executive pursuant to this Agreement (including Sections 3 and 4), Executive agrees that, during the Term (including any extensions thereof) and during the Covered Time, Executive shall not, directly or indirectly: (i) solicit or attempt to induce any of the employees, agents, consultants or representatives of the Company to terminate his, her, or its relationship with the Company; (ii) solicit or attempt to induce any of the employees, agents, consultants or representatives of the Company to become employees, agents, consultants or representatives of any other person or entity; (iii) solicit or attempt to induce any customer, vendor or distributor of the Company to curtail or cancel any business with the Company; or (iv) hire any person who, to Executive's actual knowledge, is, or was within 180 days prior to such hiring, an employee of the Company.

(c) In further consideration of the amounts that may hereafter be paid to Executive pursuant to this Agreement (including Sections 3 and 4), Executive agrees that, during the Covered Time, he will, at the request of the Company, provide consulting services to the Company for up to twenty (20)% of the time he devoted to business employment during the Term. For the avoidance of doubt, Executive's compensation for the provision of such consulting services are the amounts that may be hereafter paid to Executive pursuant to this Agreement, and Executive shall not be entitled to any additional compensation for such consulting services.

(d) During the Term (including any extensions thereof) and during the Covered Time, Executive agrees that upon the earlier of Executive's (i) negotiating with any Competitor (as defined below) concerning the possible employment of Executive by the Competitor, (ii) responding to (other than for the purpose of declining) an offer of employment from a Competitor, or (iii) becoming employed by a Competitor, (A) Executive will provide copies of Section 5 of this Agreement to the Competitor, and (B) in the case of any circumstance described in (iii) above occurring during the Covered Time, and in the case of any circumstance described in (i) or (ii) above occurring during the Term or during the Covered Time, Executive will promptly provide notice to the Company of such circumstances. Executive further agrees that the Company may provide notice to a Competitor of Executive's obligations under this Agreement. For purposes of this Agreement, "Competitor" shall mean any person or entity (other than the Company, its subsidiaries or affiliates) that engages, directly or indirectly, in the United States in any Competing Business; provided, however, the parties agree that an entity that is a Competitor solely on the basis that it is a distributor, general platform or licensor shall not be deemed to be engaged in a Competing Business.

(e) Executive understands that the restrictions in this Section 5.1 may limit Executive's ability to earn a livelihood in a business similar to the business of the Company but nevertheless agrees and acknowledges that the consideration provided under this Agreement (including Sections 3 and 4) is sufficient to justify such restrictions. In consideration thereof and in light of Executive's education, skills and abilities, Executive agrees that Executive will not assert in any forum that such restrictions prevent Executive from earning a living or otherwise should be held void or unenforceable.

(f) For purposes of this Agreement, "Covered Time" shall mean the period beginning on the date of termination of Executive's employment (the "Date of Termination") and ending twenty-four (24) months after the Date of Termination.

(g) In the event that a court of competent jurisdiction or arbitrator(s), as the case may be, determines that the provisions of Section 5.1 are unenforceable for any reason, the parties acknowledge and agree that the court or arbitrator(s) is expressly empowered to reform any provision of this Section so as to make them enforceable as described in Section 10 below.

5.2 *Proprietary Information; Inventions.*

(a) Executive acknowledges that, during the course of Executive's employment with the Company, Executive necessarily will have (and during any employment by, or affiliation with, the Company prior to Effective Date has had) access to and made use of proprietary information and confidential records of the Company. Executive covenants that Executive shall not, during the Term or at any time thereafter, directly or indirectly, use for Executive's own purpose or for the benefit of any person or entity other than the Company, nor otherwise disclose to any person or entity, any such proprietary information, unless and to the extent such disclosure has been authorized in writing by the Company or is otherwise required by law. The term "proprietary information" means: (i) the software products, programs, applications, and processes utilized by the Company; (ii) the name and/or address of any customer or vendor of the Company or any information concerning the transactions or relations of any customer or vendor of the Company with the Company; (iii) any information concerning any product, technology, or procedure employed by the Company but not generally known to its customers or vendors or competitors, or under development by or being tested by the Company but not at the time offered generally to customers or vendors; (iv) any information relating to the Company's computer software, computer systems, pricing or marketing methods, sales margins, cost of goods, cost of material, capital structure, operating results, borrowing arrangements or business plans; (v) any information identified as confidential or proprietary in any line of business engaged in by the Company; (vi) any information that, to Executive's actual knowledge, the Company ordinarily maintains as confidential or proprietary; (vii) any business plans, budgets, advertising or marketing plans; (viii) any information contained in any of the Company's written or oral policies and procedures or manuals; (ix) any information belonging to customers, vendors or any other person or entity which the Company, to Executive's actual knowledge, has agreed to hold in confidence; and (x) all written, graphic, electronic data and other material containing any of the foregoing. Executive acknowledges that information that is not novel or copyrighted or patented may nonetheless be proprietary information. The term "proprietary information" shall not include information generally known or available to the public, information that becomes available to Executive on an unrestricted, non-confidential basis from a source other than the Company or any of its directors, officers, employees, agents or other representatives (without breach of any obligation of confidentiality of which Executive has knowledge, after reasonable inquiry, at the time of the relevant disclosure to Executive), or general gaming industry information to the extent not particularly related or proprietary to the Company that was already known to Executive at the time Executive commenced his employment with the Company that is not subject to nondisclosure by virtue of Executive's prior employment or otherwise. Notwithstanding the foregoing and Section 5.3, Executive may disclose or use proprietary information or confidential records solely to the extent (A) such disclosure or use may be required or appropriate in the performance of his duties as a director or employee of the Company, (B) required to do so by a court of law, by any governmental agency having supervisory authority over the business of the Company or by any administrative or legislative body (including a committee thereof) with apparent jurisdiction to order him to divulge, disclose or make accessible such information (provided that in such case Executive shall first give the Company prompt written notice of any such legal

requirement, disclose no more information than is so required and cooperate fully with all efforts by the Company to obtain a protective order or similar confidentiality treatment for such information), (C) such information or records becomes generally known to the public without his violation of this Agreement, or (D) disclosed to Executive's spouse, attorney and/or his personal tax and financial advisors to the extent reasonably necessary to advance Executive's tax, financial and other personal planning (each an "Exempt Person"); provided, however, that any disclosure or use of any proprietary information or confidential records by an Exempt Person shall be deemed to be a breach of this Section 5.2 or Section 5.3 by Executive.

(b) Executive agrees that all processes, technologies and inventions (collectively, "Inventions"), including new contributions, improvements, ideas and discoveries, whether patentable or not, conceived, developed, invented or made by Executive during the Term (and during any employment by, or affiliation with, the Company prior to the Effective Date) shall belong to the Company, provided that such Inventions grew out of Executive's work with the Company or any of its subsidiaries or affiliates, are related in any manner to the business (commercial or experimental) of the Company or any of its subsidiaries or affiliates or are conceived or made on the Company's time or with the use of the Company's facilities or materials. Executive shall further: (i) promptly disclose such Inventions to the Company; (ii) assign to the Company, without additional compensation, all patent and other rights to such Inventions for the United States and foreign countries; (iii) sign all papers necessary to carry out the foregoing; and (iv) give testimony in support of Executive's inventorship. If any Invention is described in a patent application or is disclosed to third parties, directly or indirectly, by Executive within two (2) years after the termination of Executive's employment with the Company, it is to be presumed that the Invention was conceived or made during the Term. Executive agrees that Executive will not assert any rights to any Invention as having been made or acquired by Executive prior to the date of this Agreement, except for Inventions, if any, disclosed in Exhibit C to this Agreement.

5.3 *Confidentiality and Surrender of Records*.

(a) Executive shall not, during the Term or at any time thereafter (irrespective of the circumstances under which Executive's employment by the Company terminates), except to the extent required by law, directly or indirectly publish, make known or in any fashion disclose any confidential records to, or permit any inspection or copying of confidential records by, any person or entity other than in the course of such person's or entity's employment or retention by the Company, nor shall Executive retain, and will deliver promptly to the Company, any of the same following termination of Executive's employment hereunder for any reason or upon request by the Company. For purposes hereof, "confidential records" means those portions of correspondence, memoranda, files, manuals, books, lists, financial, operating or marketing records, magnetic tape, or electronic or other media or equipment of any kind in Executive's possession or under Executive's control or accessible to Executive which contain any proprietary information. All confidential records shall be and remain the sole property of the Company during the Term and thereafter.

(b) Notwithstanding anything herein to the contrary, nothing in this Agreement shall (i) prohibit Executive from making reports of possible violations of federal law or regulation to any governmental agency or entity in accordance with the provisions of and rules promulgated under Section 21F of the Securities Exchange Act of 1934 or Section 806 of the Sarbanes-Oxley Act of 2002, or of any other whistleblower protection provisions of state or federal law or regulation, or (ii) require notification or prior approval by the Company of any reporting described in clause (i). Executive understands that activities protected by Sections 5.2 and 5.3 may include disclosure of trade secret or confidential information within the limitations permitted by the Defend Trade Secrets Act ("DTSA"). And, in this

regard, Executive acknowledges notification that under the DTSA no individual will be held criminally or civilly liable under Federal or State trade secret law for disclosure of a trade secret (as defined in the Economic Espionage Act) that is: (A) made in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and made solely for the purpose of reporting or investigating a suspected violation of law; or, (B) made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal so that it is not made public. An individual who pursues a lawsuit for retaliation by an employer for reporting a suspected violation of the law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual files any document containing the trade secret under seal, and does not disclose the trade secret, except as permitted by court order.

5.4 *Non-disparagement*. Executive shall not, during the Term and thereafter, disparage in any material respect the Company, any affiliate of the Company, any of their respective businesses, any of their respective officers, directors or employees, or the reputation of any of the foregoing persons or entities. Upon expiration of the Term, the Company shall direct its directors and Executive's direct reports not to disparage in any material respect Executive or his reputation. Notwithstanding the foregoing, nothing in this Agreement shall preclude Executive or any other person from making truthful statements that are required by applicable law, regulation or legal process.

5.5 *No Other Obligations*. Executive represents that Executive is not precluded or limited in Executive's ability to undertake or perform the duties described herein by any contract, agreement or restrictive covenant. Executive covenants that Executive shall not employ the trade secrets or proprietary information of any other person in connection with Executive's employment by the Company without such person's authorization.

5.6 *Forfeiture of Outstanding Equity Awards; "Clawback" Policies*. The provisions of Section 4 notwithstanding, if Executive willfully and materially fails to comply with Section 5.1, 5.2, 5.3, 5.4, or 5.8, all options to purchase common stock, restricted stock units and other equity-based awards granted by the Company or any of its affiliates (whether prior to, contemporaneous with, or subsequent to the date hereof) and held by Executive or a transferee of Executive shall be immediately forfeited and cancelled. Executive acknowledges and agrees that, notwithstanding anything contained in this Agreement or any other agreement, plan or program, any incentive-based compensation or benefits contemplated under this Agreement (including Incentive Compensation and equity-based awards) shall be subject to recovery by the Company under any compensation recovery or "clawback" policy, generally applicable to senior executives of the Company, that the Company may adopt from time to time, including any policy which the Company may be required to adopt under Section 954 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the Securities and Exchange Commission thereunder or the requirements of any national securities exchange on which the Company's common stock may be listed.

5.7 *Enforcement*. Executive acknowledges and agrees that, by virtue of Executive's position, services and access to and use of confidential records and proprietary information, any violation by Executive of any of the undertakings contained in this Section 5 would cause the Company immediate, substantial and irreparable injury for which it has no adequate remedy at law. Accordingly, Executive agrees and consents to the entry of an injunction or other equitable relief by a court of competent jurisdiction restraining any violation or threatened violation of any undertaking contained in this Section 5. Executive waives posting of any bond otherwise necessary to secure such injunction or other equitable relief. Rights and remedies provided for in this Section 5 are cumulative and shall be in addition to rights and remedies otherwise available to the parties hereunder or under any other agreement or applicable law.

5.8 *Cooperation with Regard to Litigation*. Executive agrees to cooperate reasonably with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), by providing information to the Company regarding matters related to his term of employment and by being available to testify on behalf of the Company in any action, suit, or proceeding, whether civil, criminal, administrative, or investigative. In addition, except to the extent that Executive has or intends to assert in good faith an interest or position adverse to or inconsistent with the interest or position of the Company, Executive agrees to cooperate reasonably with the Company, during the Term and thereafter (including following Executive's termination of employment for any reason), to assist the Company in any such action, suit, or proceeding by providing information and meeting and consulting with the Board or its representatives or counsel, or representatives or counsel to the Company, in each case, as reasonably requested by the Company. The Company agrees to pay (or reimburse, if already paid by Executive) all reasonable travel and communication expenses actually incurred in connection with Executive's cooperation and assistance. The Company further agrees to pay Executive a reasonable amount for his time spent in responding to the Company's request for his cooperation and assistance, to the extent that Executive provides such cooperation and assistance after expiration of the Covered Time.

5.9 *Survival*. The provisions of this Section 5 shall survive the termination of the Term and any termination or expiration of this Agreement.

5.10 *Company*. For purposes of this Section 5, references to the "Company" shall include the Company and each subsidiary and/or affiliate of the Company (and each of their respective joint ventures and equity method investees).

6 Code of Conduct. Executive acknowledges that he has read the Company's Code of Business Conduct and agrees to abide by such Code of Business Conduct, as amended or supplemented from time to time, and other policies applicable to employees and executives of the Company.

7 Indemnification. The Company shall indemnify Executive to the full extent permitted under the Company's Certificate of Incorporation or By-Laws and pursuant to any other agreements or policies in effect from time to time in connection with any action, suit or proceeding to which Executive may be made a party by reason of Executive being an officer, director or employee of the Company or of any subsidiary or affiliate of the Company. This provision shall survive termination of employment.

8 Assignability; Binding Effect. Neither this Agreement nor the rights or obligations hereunder of the parties shall be transferable or assignable by Executive, except in accordance with the laws of descent and distribution and as specified below. The Company may assign this Agreement and the Company's rights and obligations hereunder to any affiliate of the Company, provided that upon any such assignment the Company shall remain liable for the obligations to Executive hereunder. This Agreement shall be binding upon and inure to the benefit of Executive, Executive's heirs, executors, administrators, and beneficiaries, and shall be binding upon and inure to the benefit of the Company and its successors and assigns.

9 Complete Understanding; Amendment; Waiver. This Agreement constitutes the complete understanding between the parties with respect to the employment of Executive from and after the Effective Date and supersedes all other prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof, including (i) that certain Employment Agreement, dated as of October 2015 between the Company and Executive (ii) that certain Amendment to Employment Agreement, made as of July 28, 2017 and (iii) that certain Employment Agreement dated

as of May 4, 2018 between the Company and Executive, as amended through the date hereof (collectively, the "Prior Employment Agreements"), and no statement, representation, warranty or covenant has been made by either party with respect thereto except as expressly set forth herein; provided, however, nothing contained in this Agreement shall limit, impair or supersede any agreement between the Company and Executive relating to grants of stock options, restricted stock units or other equity-based awards granted to Executive prior to the Effective Date (including, for the avoidance of doubt, any equity awards with respect to SciPlay or its business), which shall remain in full force and effect in accordance with the terms of such agreements and the plan pursuant to which such awards were granted. Executive acknowledges and agrees that the termination of the Prior Employment Agreements and the execution of this Agreement does not constitute a termination of Executive's employment under the Prior Employment Agreements for any purpose. Except as contemplated by Section 3(f), this Agreement shall not be modified, amended or terminated except by a written instrument signed by each of the parties. Any waiver of any term or provision hereof, or of the application of any such term or provision to any circumstances, shall be in writing signed by the party charged with giving such waiver. Waiver by either party of any breach hereunder by the other party shall not operate as a waiver of any other breach, whether similar to or different from the breach waived. No delay by either party in the exercise of any rights or remedies shall operate as a waiver thereof, and no single or partial exercise by either party of any such right or remedy shall preclude other or further exercise thereof.

10 Severability. If any provision of this Agreement or the application of any such provision to any person or circumstances shall be determined by any court of competent jurisdiction to be invalid or unenforceable to any extent, the remainder of this Agreement, or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid or unenforceable, shall not be affected thereby, and each provision hereof shall be enforced to the fullest extent permitted by law. If any provision of this Agreement, or any part thereof, is held to be invalid or unenforceable because of the scope or duration of or the area covered by such provision, the parties agree that the court making such determination shall reduce the scope, duration and/or area of such provision (and shall substitute appropriate provisions for any such invalid or unenforceable provisions) in order to make such provision enforceable to the fullest extent permitted by law and/or shall delete specific words and phrases, and such modified provision shall then be enforceable and shall be enforced. The parties recognize that if, in any judicial proceeding, a court shall refuse to enforce any of the separate covenants contained in this Agreement, then that invalid or unenforceable covenant contained in this Agreement shall be deemed eliminated from these provisions to the extent necessary to permit the remaining separate covenants to be enforced. In the event that any court determines that the time period or the area, or both, are unreasonable and that any of the covenants is to that extent invalid or unenforceable, the parties agree that such covenants will remain in full force and effect, first, for the greatest time period, and second, in the greatest geographical area that would not render them unenforceable.

11 Survivability. The provisions of this Agreement which by their terms call for performance subsequent to termination of Executive's employment hereunder, or of this Agreement, shall so survive such termination, whether or not such provisions expressly state that they shall so survive.

12 Governing Law; Arbitration.

(a) *Governing Law*. This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada applicable to agreements made and to be wholly performed within that State, without regard to its conflict of laws provisions.

(b) *Arbitration*.

(i) Executive and the Company agree that, except for claims for workers' compensation, unemployment compensation, and any other claim that is non-arbitrable under applicable law, final and binding arbitration shall be the exclusive forum for any dispute or controversy between them, including, without limitation, disputes arising under or in connection with this Agreement, Executive's employment, and/or termination of employment, with the Company; provided, however, that the Company shall be entitled to commence an action in any court of competent jurisdiction for injunctive relief in connection with any alleged actual or threatened violation of any provision of Section 5. Judgment may be entered on the arbitrators' award in any court having jurisdiction. For purposes of entering such judgment or seeking injunctive relief with regard to Section 5, the Company and Executive hereby consent to the jurisdiction of any state or federal court of competent jurisdiction located in Las Vegas, Nevada; provided that damages for any alleged violation of Section 5, as well as any claim, counterclaim or cross-claim brought by Executive or any third-party in response to, or in connection with, any court action commenced by the Company seeking said injunctive relief shall remain exclusively subject to final and binding arbitration as provided for herein. The Company and Executive hereby waive, to the fullest extent permitted by applicable law, any objection which either may now or hereafter have to such jurisdiction, venue and any defense of inconvenient forum. Thus, except for the claims carved out above, this Agreement includes all common-law and statutory claims (whether arising under federal state or local law), including any claim for breach of contract, fraud, fraud in the inducement, unpaid wages, wrongful termination, and gender, age, national origin, sexual orientation, marital status, disability, or any other protected status.

(ii) Any arbitration under this Agreement shall be filed exclusively with, and administered by, the American Arbitration Association in Las Vegas, Nevada before three arbitrators, in accordance with the National Rules for the Resolution of Employment Disputes of the American Arbitration Association in effect at the time of submission to arbitration. The Company and Executive hereby agree that a judgment upon an award rendered by the arbitrators may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The Company shall pay all costs uniquely attributable to arbitration, including the administrative fees and costs of the arbitrators. Each party shall pay that party's own costs and attorney fees, if any, unless the arbitrators rule otherwise. Executive understands that he is giving up no substantive rights, and this Agreement simply governs forum. The arbitrators shall apply the same standards a court would apply to award any damages, attorney fees or costs. Executive shall not be required to pay any fee or cost that he would not otherwise be required to pay in a court action, unless so ordered by the arbitrators.

EXECUTIVE INITIALS: [ ] COMPANY INITIALS: [ ]

(c) ***WAIVER OF JURY TRIAL*****. BY SIGNING THIS AGREEMENT, EXECUTIVE AND THE COMPANY ACKNOWLEDGE THAT THE RIGHT TO A COURT TRIAL AND TRIAL BY JURY IS OF VALUE, AND KNOWINGLY AND VOLUNTARILY WAIVE THAT RIGHT FOR ANY DISPUTE SUBJECT TO THE TERMS OF THIS ARBITRATION PROVISION.**

13 Titles and Captions. All paragraph titles or captions in this Agreement are for convenience only and in no way define, limit, extend or describe the scope or intent of any provision hereof.

14 Joint Drafting. In recognition of the fact that the parties had an equal opportunity to negotiate the language of, and draft, this Agreement, the parties acknowledge and agree that there is no single drafter of this Agreement and, therefore, the general rule that ambiguities are to be construed against the drafter is, and shall be, inapplicable. If any language in this Agreement is found or claimed to be ambiguous, each party shall have the same opportunity to present evidence as to the actual intent of the parties with respect to any such ambiguous language without any inference or presumption being drawn against any party. Each party was represented by counsel, and Executive acknowledges that he was represented by Shearman & Sterling LLP in connection with this Agreement.

15 Notices. All notices and other communications to be given or to otherwise be made to any party to this Agreement shall be deemed to be sufficient if contained in a written instrument delivered in person or duly sent by certified mail or by a recognized national courier service, postage or charges prepaid, (a) to Scientific Games Corporation, Attn: to Scientific Games Corporation, Attn: Legal Department, 6601 Bermuda Road, Las Vegas, Nevada 89119, (b) to Executive, at the last address shown in the Company's records, with a copy (which shall not constitute notice) to: Gillian Emmett Moldowan, Shearman & Sterling LLP, 599 Lexington Avenue, New York, NY 10022, or (c) to such other replacement address as may be designated in writing by the addressee to the addressor.

16 Legal Fees. The Company shall reimburse Executive for up to $10,000 in the aggregate for any documented legal fees expended or incurred by Executive through the date hereof in connection with negotiating the terms of this Agreement, payable within 60 days of Executive's submission of reasonably satisfactory documentation of such fees.

17 Interpretation. When a reference is made in this Agreement to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated. Whenever the words "include," "includes" or "including" are used in this Agreement, they shall be deemed to be followed by the words "without limitation," unless the context otherwise indicates. When a reference in this Agreement is made to a "party" or "parties," such reference shall be to a party or parties to this Agreement unless otherwise indicated or the context requires otherwise. Unless the context requires otherwise, (a) the terms "hereof," "herein," "hereby," "hereto", "hereunder" and derivative or similar words in this Agreement refer to this entire Agreement, (b) the word "or" is disjunctive but not exclusive and (c) words in this Agreement using the singular or plural number also include the plural or singular number, respectively, and the use of any gender herein shall be deemed to include the other genders. References in this Agreement to "dollars" or "$" are to U.S. dollars. When a reference is made in this Agreement to a law, statute or legislation, such reference shall be to such law, statute or legislation as it may be amended, modified, extended or re-enacted from time to time (including any successor law, statute or legislation) and shall include any regulations promulgated thereunder from time to time. The headings used herein are for reference only and shall not affect the construction of this Agreement.

IN WITNESS WHEREOF, each of the parties has duly executed this Agreement as of the date above written.

SCIENTIFIC GAMES CORPORATION

/s/James Sottile

By: /s/ James Sottile
Name: James Sottile

Title: Executive Vice President & Chief Legal Officer

EXECUTIVE

/s/Barry Cottle

Barry Cottle

First Amendment to Employment Agreement

This First Amendment to the Employment Agreement (the "First Amendment") between Michael Eklund ("Executive") and Scientific Games Corporation, a Nevada corporation (the "Company") is made as of November 30, 2020.

WHEREAS, the Company and Executive entered into an Employment Agreement dated as of April 23, 2020 (the "Agreement"); and

WHEREAS, the Company and Executive wish to enter into an amendment of the Agreement on the terms and conditions set forth in this First Amendment;

NOW THEREFORE, in consideration of the premises and the mutual benefits to be derived herefrom and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. Timing of Payment of Cash Sign-On Award: The Agreement is hereby amended by adding the following sentence to the end of Section 3(g):

   "If Executive's employment is terminated by the Company without Cause, pursuant to Section 4(e) of this Agreement, within one year after the Employment Start Date, then the Cash Sign-On Award shall be paid to Executive (i) in the event such termination is prior to January 1, 2021, as soon as practicable, but no later than March 15, 2021 or (ii) in the event such termination is on or after January 1, 2021, on June 1, 2021; provided that, in the case of clause (i), payment may be later than March 15, 2021 if calculation of the amount of the Cash Sign-On Award is not administratively practicable due to events beyond the control of Executive (or Executive's beneficiary)."

2. Termination of Executive's Employment By the Company Without Cause Before June 1, 2022: The Agreement is hereby amended by adding the following sentences to the end of Section 4(e)(ii):

   "The foregoing amounts described in this subsection (e)(ii) shall be paid or provided to Executive if his employment is terminated by the Company without Cause on or after June 1, 2022. If Executive's employment is terminated by the Company without Cause before June 1, 2022, then Executive's severance pursuant to this subsection (e)(ii) shall be an amount equal to two times the sum of (A) and (B) above, multiplied by a fraction with a numerator equal to the number of days in the period beginning on the day following the date Executive's employment is terminated and ending on May 31, 2023, inclusive, and with a denominator equal to 730 (the "Pre-June 1, 2022 Severance Amount"). Such amount shall be payable in installments in accordance with the Company's normal payroll practices over a period beginning with the first payroll date following the date Executive's employment is terminated and ending with the first payroll date following May 31, 2023 as follows, subject to Section 4(k) (and otherwise in accordance with Section 4(g)): (x) the first 26 such installments will each be equal to the amount that would have been payable pursuant to each installment if such termination had been a termination by Executive for Good Reason and (y) the remaining installments will each be equal to (I) the amount of the Pre-June 1, 2022 Severance Amount minus the amount payable pursuant to (x) divided by (II) the number of remaining installments, such that the total amount payable pursuant to (x) and (y) shall equal the Pre-

June 1, 2022 Severance Amount. For clarity, the intent of the foregoing is that the first 26 such installments shall be in the same amount and paid on the same dates regardless of whether Executive's termination is without Cause or for Good Reason.

3. Classification of Incentive Compensation Paid to Executive in 2020: The Agreement is hereby amended by adding the following sentences to the end of Sections 4(e)(ii) and 4(f)(ii):

   "For purposes of calculating any amounts due to Executive pursuant to this clause, the parties agree that three hundred thousand dollars ($300,000) of the Cash Sign-On Award shall be considered to be Incentive Compensation paid to Executive in the 2020 fiscal year."

4. Accelerated Vesting of Sign-On Equity Award Upon Executive's Termination by the Company Without Cause: The Agreement is hereby amended by adding the following new subsection (v) to Section 4(e):

   "Notwithstanding anything to the contrary in this Agreement (including Section 3(f)), as of the date of the First Amendment to this Agreement, Executive's Sign-On Equity Award consists of 135,000 time-vesting restricted stock units ("RSUs"), which amount is comprised of the sum of 60,000 time-vesting RSUs as described in Section 3(f) of the Agreement, and an additional 75,000 time-vesting RSUs as described in the Form 4 filed by the Company with the U.S. Securities & Exchange Commission on November 6, 2020. In the event Executive's employment is terminated by the Company without Cause prior to the vesting of all 135,000 RSUs that now comprise Executive's Sign-on Equity Award, and subject to Section 4(k) and Section 5.6, then any unvested portion of the Sign-on Equity Award will, upon the effectiveness of the release referred to in Section 4(k), become fully vested and shall be settled as soon as practicable, but no later than the 60th day after the date of Executive's termination. The Sign-On Equity Award will remain subject to any forfeiture and claw back provisions of the Sign-On Equity Award Agreement and this Agreement.

5. Except as set forth in this Amendment, all terms and conditions of the Agreement shall remain unchanged and in full force and effect in accordance with their terms. All references to the "Agreement" in the Agreement shall refer to the Agreement as amended by this Amendment. Any defined terms used in this Amendment and not defined herein shall have the meaning as set forth in the Agreement.

6. This Amendment may be executed in counterparts, each of which shall for all purposes be deemed to be an original and all of which shall constitute the same instrument. Delivery of an executed counterpart of a signature page of this Amendment by electronic transmission shall be effective as delivery of a manually executed counterpart of this Amendment.

IN WITNESS WHEREOF, each of the parties hereto has duly executed this First Amendment as of the date first written above.

SCIENTIFIC GAMES CORPORATION

By: /s/ James Sottile
Name: James Sottile
Title: Executive Vice President and Chief Legal Officer

Michael Eklund

/s/ Michael Eklund

SCIENTIFIC GAMES CORPORATION SUBSIDIARIES

(All subsidiaries are 100% owned unless otherwise stated)
As of December 31, 2020

*Indicates a SciPlay Corporation (Nevada) ("SciPlay") subsidiary. SciPlay's Class A common stock is traded on The NASDAQ Global Select Market. To date, Scientific Games Corporation continues to control shares representing a majority of the combined voting power in SciPlay.

A.L.I. Online Inc. (British Columbia, Canada)
Australasian Gaming Industries Pty Limited (Australia)
B.G.I. Australia Pty. Limited (Australia)
BGI Gaming & Systems, S. de R.L. de C.V. (Mexico)
Bally Gaming and Systems (France)
Bally Gaming and Systems Holdings Limited (England and Wales)
Bally Gaming and Systems S.A. (Uruguay)
Bally Gaming and Systems UK Limited (England and Wales)
Bally Gaming Canada Ltd. (New Brunswick, Canada)
Bally Gaming, družba za prodajo in vzdrževanje igralnih naprav, igralnih pripomočkov in igralnih sistemov, d.o.o. (Slovenia) – short name Bally Gaming d.o.o.
Bally Gaming de Puerto Rico, Inc. (Puerto Rico)
Bally Gaming GP, LLC (Nevada)
Bally Gaming LP, LLC (Nevada)
Bally Gaming Netherlands I B.V. (Netherlands)
Bally Gaming Netherlands II B.V. (Netherlands)
Bally Gaming Netherlands III B.V. (Netherlands)
Bally Servicios, Sociedad de Responsabilidad Limitada de CapitalVariable (Mexico)
Bally Technologies Bermuda, L.P. (Bermuda)
Bally Technologies Colombia SAS (Colombia)
Bally Technologies Italy S.r.l. Unipersonale In Liquidazione (Italy)
Bally Technologies New Zealand Limited (New Zealand)
Bally Technologies Singapore Pte. Ltd. (Singapore)
Barcrest Development B.V. (Netherlands) (50%)
Barcrest Group Limited (England and Wales)
Beijing Guard Libang Technology Co., Ltd. (China) (50%)
Betdigital Ltd (England and Wales)
Come2Play Ltd. (Israel)*
Cryptologic (Asia Pacific) Pte. Ltd. (Singapore)
CryptoLogic Callco ULC (Nova Scotia, Canada)
Cryptologic Exchange Corporation (Ontario, Canada)
Cryptologic Inc. (Ontario, Canada)
Cryptologic Limited (Guernsey)
Cryptologic Malta Holding Limited (Malta)
Cryptologic Malta Limited (Malta)
Customized Games Limited (England and Wales)
Davisville Game Studio Inc. (Ontario, Canada)
DBS Canada Corporation (Ontario, Canada)
DMWSL 699 Limited (England and Wales)
Don Best Sports Corporation (Nevada)
Dragonplay Ltd (Israel)*
E-SYS Tecnologia Em Informàtica S.A. (Brazil) (70%)

Estrela Instantânea Loteria SPE S.A. (Brazil) (50%)
Game360 S.R.L. (Italy)
Gaming Products Pty Ltd (Australia)
Global Draw Limited (England and Wales)
Happy Sun Technologies Ltd. (British Virgin Islands) (50%)
Hillbeck Trading Limited (Cyprus)
Importadora Bally Technologies Chile Limitada (Chile)
International Terminal Leasing (Bermuda) (50%)
Jadestone Group AB (Sweden)
Jadestone Networks (Malta) Limited (Malta)
Knightway Promotions Limited (England and Wales)
Les Studios Side City Inc./Side City Studios Inc. (Canada)
MDI Entertainment, LLC (Delaware)
N T Media Limited (England and Wales)
NextGen Gaming (USA) LLC (Nevada)
NextGen Gaming Pty Ltd (Australia)
NYX Digital Gaming (Alberta) Inc. (Alberta, Canada)
NYX Digital Gaming (Alderney) Limited (Alderney)
NYX Digital Gaming (Betdigital Holdings) Limited (England and Wales)
NYX Digital Gaming (Canada) ULC (British Columbia, Canada)
NYX Digital Gaming (Gibraltar II) Limited (Gibraltar)
NYX Digital Gaming (Guernsey) Limited (Guernsey)
NYX Digital Gaming (International) Limited (Malta)
NYX Digital Gaming (Malta) Limited (Malta)
NYX Digital Gaming (Malta Holdings) Limited (Malta)
NYX Digital Gaming (OB Holdings) Limited (England and Wales)
NYX Digital Gaming (OB SPV) Limited (England and Wales)
NYX Digital Gaming (Services) Limited (Malta)
NYX Digital Gaming (USA), LLC (Nevada)
NYX Gaming (Krakow) sp. z o.o. (Poland)
NYX Gaming Group LLC (Nevada)
NYX Interactive Malta Ltd (Malta)
NYX Interactive Aktiebolag (Sweden)
OB Acquisition Limited (England and Wales)
OB Financing Limited (England and Wales)
OB Midco Limited (England and Wales)
OB Topco Limited (England and Wales)
OnGame Network Limited (Gibraltar)
Ongame Services AB (Sweden)
OpenBet Asia Pacific Pty Ltd (Australia)
OpenBet Hellas (Software Development) Societe Anonyme (Greece)
OpenBet Limited (England and Wales)
OpenBet New Zealand Limited (New Zealand)
OpenBet North America Corporation (Canada)
OpenBet Retail Limited (England and Wales)
OpenBet Singapore Pte. Limited (Singapore)
OpenBet Technologies Limited (England and Wales)
Phantom EFX, LLC (Nevada)*
PPC hf (Iceland)
Red7Mobile Ltd (England and Wales)
Scientific Connections India Private Limited (India)

Scientific Connections SDN. BHD. (Malaysia)
SG Digital Limited (England and Wales)
Scientific Games (Bermuda) Limited (Bermuda)
Scientific Games (China) Company Limited (China)
Scientific Games (Gibraltar) Limited (Gibraltar)
Scientific Games Asia Pacific Ltd. (Bermuda)
Scientific Games Asia Services Pte. Ltd. (Singapore)
Scientific Games Australia Pty Ltd (Australia)
Scientific Games Brasil Ltda. (Brazil)
Scientific Games Chile Limitada (Chile) (99.99%)
Scientific Games China Holdings Ltd. (Bermuda)
Scientific Games del Peru, S.R.L. (Peru) (99.99%)
Scientific Games Deutschland GmbH (Germany)
Scientific Games Dominican Republic, S.R.L. (Dominican Republic)
Scientific Games Europe S.à.r.l. (Luxembourg)
Scientific Games France SARL (France)
Scientific Games Germany GmbH (Germany)
Scientific Games Global Gaming S.à.r.l. (Luxembourg)
Scientific Games Hellas Sole Shareholder Limited Liability Company (Greece)
Scientific Games Holdings (Canada) ULC (Nova Scotia, Canada)
Scientific Games Holdings Limited (Ireland)
Scientific Games Honsel GmbH (Germany)
Scientific Games India Private Limited (India)
Scientific Games International GmbH (Austria)
Scientific Games International Holdings Limited (England and Wales)
Scientific Games International Limited (England and Wales)
Scientific Games International, Inc. (Delaware)
Scientific Games Italy Investments S.r.l. (Italy)
Scientific Games Latino America SpA (Chile)
Scientific Games Luxembourg Holdings S.à.r.l. (Luxembourg)
Scientific Games New Jersey, LLC (Delaware)
Scientific Games Products (Canada) ULC (Nova Scotia, Canada)
Scientific Games Products (Australia) Pty Ltd (Australia)
Scientific Games Products, Inc. (Delaware)
Scientific Games Puerto Rico, LLC (Puerto Rico)
Scientific Games Services Italy S.r.l. (Italy)
Scientific Games Sweden AB (Sweden)
Scientific Games Szerencsejáték Szolgáltatások Korlátolt Felelősségű Társaság (Hungary) - short name Scientific Games Kft.
Scientific Games Taiwan Limited (Taiwan)
Scientific Games Turkey Şans Oyunlari Anonim Şirketi (Turkey)
Scientific Games Ukraine Limited Liability Company (Ukraine)
Scientific Games Worldwide Limited (Ireland)
SciPlay Corporation (Nevada)
SciPlay Holding Company, LLC (Nevada)*
SciPlay Parent Company, LLC (Nevada)*
SG Digital (Gibraltar) Limited (Gibraltar)
SG Digital UK Holdings Limited (England and Wales)

SG Gaming Africa Proprietary Ltd. (Republic of South Africa) (74.8%)
SG Gaming ANZ Pty Ltd (Australia)
SG Gaming Argentina, S.A. (Argentina)
SG Gaming Asia Limited (Macau)
SG Gaming Australia Holdings I Pty Ltd (Australia)
SG Gaming Australia Holdings II Pty Ltd (Australia)
SG Gaming Australia Property Pty Ltd (Australia)
SG Gaming Limited (England and Wales)
SG Gaming New Zealand Pty Limited (New Zealand)
SG Gaming North America, Inc. (Nevada)
SG Gaming Services Philippines, Inc. (Philippines)
SG Gaming Puerto Rico, LLC (Puerto Rico)
SG Gaming Qingdao Company Limited (China)
SG Gaming Singapore Pte. Ltd. (Singapore)
SG Gaming UK Limited (England and Wales)
SG Gaming, Inc. (Nevada)
SG Social Holding Company, LLC (Nevada)
SG Social Holding Company I, LLC (Nevada)
SG Social Holding Company II, LLC (Nevada)
SG Supply Chain Services, HK Limited (Hong Kong)
SGI Lottery LLC (Delaware)
Shenzhen Leli (China) (50%)
SHFL entertainment (Argentina) S.R.L. (Argentina)
SHFL entertainment (Australasia) Holdings Pty Limited (Australia)
Shuffle Master Australasia Group Pty Ltd (Australia)
Shuffle Master Australia Pty Ltd (Australia)
Shuffle Master GmbH & Co KG (Austria)
Shuffle Master GmbH (Austria)
Shuffle Master Holding GmbH (Austria)
Shuffle Master International, Inc. (Nevada)
Shuffle Master Management-Service GmbH (Austria)
Stargames Australia Pty Limited (Australia)
Stargames Group Management Pty Limited (Australia)
Stargames Holdings Pty Limited (Australia)
Stargames Investments Pty Limited (Australia)
Stargames Pty Ltd (Australia)
Success Trader SZ (China) (50%)
Success Trader Technologies Limited (Hong Kong) (50%)
VIP Gaming Solutions Pty Limited (Australia)
Wagerlogic (Ireland) Limited (Ireland)
Wagerlogic (UK) Limited (England and Wales)
WagerLogic Casino Software Limited (Malta)
WagerLogic Limited (Cyprus)
WMS Gaming Australia Pty Limited (Australia)
WMS Gaming International, S.L. (Spain)
WMS Gaming Peru S.R.L. (Peru)
WMS Gaming Services Europe, S.L. (Spain)

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-05811, 333-44983, 333-110141, 333-134043, 333-157638, 333-161232, 333-191817, 333-197948, 333-200463, 333-213432, 333-213434, and 333-232987 on Form S-8 and No. 333-112452 on Form S-3 of our reports dated March 1, 2021, relating to the financial statements of Scientific Games Corporation and the effectiveness of Scientific Games Corporation's internal control over financial reporting appearing in this Annual Report on Form 10-K of Scientific Games Corporation for the year ended December 31, 2020.

/s/ DELOITTE & TOUCHE LLP

Las Vegas, Nevada

March 1, 2021

Exhibit 31.1

Certification by Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Barry L. Cottle, certify that:

1. I have reviewed this Annual Report on Form 10-K of Scientific Games Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Barry L. Cottle
Barry L. Cottle
Chief Executive Officer

Date: March 1, 2021

Exhibit 31.2

Certification by Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Michael C. Eklund, certify that:

1. I have reviewed this Annual Report on Form 10-K of Scientific Games Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Michael C. Eklund

Michael C. Eklund
Chief Financial Officer

Date: March 1, 2021

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Scientific Games Corporation (the "Company") for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barry L. Cottle, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Barry L. Cottle

Barry L. Cottle
Chief Executive Officer
March 1, 2021

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of Scientific Games Corporation (the "Company") for the period ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael C. Eklund, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ Michael C. Eklund

Michael C. Eklund
Chief Financial Officer
March 1, 2021

Exhibit 99.4

Gaming Regulations

Licensing and Suitability Determinations- Generally

The manufacture, distribution and operation of gaming equipment and related software is subject to regulation and approval by various city, county, state, provincial, federal, tribal and foreign agencies (collectively, "gaming authorities"). Gaming laws require us to obtain licenses or findings of suitability from gaming authorities for our company, including each of our subsidiaries engaged in manufacturing, distributing and operating gaming products and services, and certain of our directors, officers and employees. The criteria used by gaming authorities to make determinations as to qualification and suitability of an applicant varies among jurisdictions, but generally require the submission of detailed personal and financial information followed by a thorough investigation. The burden of demonstrating suitability and the cost of the investigation resides with the applicant. In evaluating individual applicants, gaming authorities consider the individual's character, criminal and financial history and, in some cases, the character of those with whom the applicant associates. Gaming authorities have very broad discretion in determining whether an applicant qualifies for licensing or should be found suitable. Gaming authorities may, subject to certain administrative proceeding requirements, (i) deny an application, or limit, condition, restrict, revoke or suspend any license, registration, finding of suitability or approval and (ii) fine any entity or person licensed, registered or found suitable or approved, for any cause they deem reasonable.

If any director, officer or employee of ours fails to qualify for a license or is found unsuitable (including due to the failure to submit the required documentation or application) by a gaming authority, we may deem it necessary, or be required to, sever our relationship with such person, which may include terminating the employment of any such person.
Gaming authorities may investigate any individual or entity having a material relationship to, or material involvement with, us or any of our subsidiaries, to determine whether such individual or entity is suitable or should be licensed as a business associate of ours. In addition, gaming authorities in Nevada, as well as other jurisdictions, monitor the activities of the entities they regulate both in their respective jurisdiction and in other jurisdictions to ensure that such entities are in compliance with local standards on a worldwide basis. The Nevada gaming authorities require us and our gaming subsidiaries, such as SG Gaming, Inc. and NYX Digital Gaming (USA), LLC, to maintain Nevada standards of conduct for all of our gaming activities and operations worldwide.

Licensing Requirements of Security Holders

Many jurisdictions require certain of our stockholders or holders of our debt securities to file an application, be investigated, and be found suitable to own any of our debt securities. For example, a holder of our stock or of our issued debt may be required to file an application, be investigated and be subject to a suitability hearing as a beneficial holder if the Nevada Gaming Commission has reason to believe that the holder's ownership in our securities would be inconsistent with the commission's public policies or those of the state of Nevada.

Many jurisdictions also require any person who acquires beneficial ownership of more than a certain percentage (typically five percent) of our voting securities and, in some jurisdictions, our non-voting securities, to report the acquisition to the gaming authorities and apply for a finding of suitability. However, most gaming authorities, allow an "institutional investor" to apply for a waiver that allows such institutional investor to acquire, in most cases, up to ten percent of our voting securities without applying for a finding of suitability.

Any person who is found unsuitable by a gaming authority may be prohibited by applicable gaming regulations from holding, directly or indirectly, the beneficial ownership of any voting security or debt security of any public corporation which is registered with the gaming authority. In light of these regulations and their potential impact on our business, our amended and restated articles of incorporation and amended and restated bylaws prohibit persons or entities who fail to comply with informational or other regulatory requirements under applicable gaming laws, who are found unsuitable to hold our common stock by gaming authorities, whose stock ownership adversely affects our gaming licenses, or is a purported transferee of a stockholder who acquires shares made invalid pursuant to our amended and restated articles of incorporation and amended and restated bylaws, from owning stock in our company.

Any person who holds, directly or indirectly, any beneficial ownership of our securities, and, to the extent applicable, fails or refuses to apply for a license or a finding of suitability within the time period prescribed by the applicable gaming authorities, may be denied a license or found unsuitable, as applicable, and may be found guilty of a criminal offense. The same restrictions may also apply to a record owner who fails or refuses to identify a beneficial owner of our securities. Furthermore, we may be

subject to disciplinary action if, after we receive notice that a person is unsuitable to be a stockholder or to have any other relationship with us or any of our subsidiaries, we:

- pay that person any dividend or interest upon our voting securities;
- allow that person to exercise, directly or indirectly, any voting right conferred through securities held by that person;
- pay remuneration in any form to that person for services rendered or otherwise;
- make any payment to the unsuitable person by way of principal, redemption, conversation, exchange, liquidation or similar transaction; or
- fail to pursue all lawful efforts to terminate our relationship with that person, including, if necessary, the immediate purchase of said voting securities for cash at fair market value.

Notification and Approval of Certain Transactions or Changes in Directors and Officers

Depending on the jurisdiction, we may be required to notify, or obtain approval from gaming authorities with respect to certain transactions to which we or any of subsidiaries are a party, including the following:

- material loans, leases, sales of securities and similar financing transactions;
- a public offering of our securities (or those of our subsidiaries) if the securities or their proceeds are intended to be used for certain gaming expenditures;
- repurchases of our voting securities (such as repurchases that treat security holders differently) above the current market price; and
- recapitalizations proposed in response to tender offers.

In addition, change of control transactions (whether through merger, consolidation, stock or asset acquisitions or otherwise) require prior approval of gaming authorities in certain jurisdictions. Entities seeking to acquire control of us or one of our subsidiaries must satisfy a variety of stringent standards established by the gaming authorities prior to assuming control. Gaming authorities may also require controlling stockholders, officers, directors and other persons having a material relationship with the proposed acquirer to be investigated and licensed as part of the approval process relating to a change of control transaction.

Any change in our directors or officers, including the directors or officers of our licensed subsidiaries, must be reported to or, if such change relates to a position in which the individual is required to be licensed, qualified, found suitable or approved by the requisite gaming authority.

Testing and Approvals for Gaming Products

In Nevada and in most other jurisdictions, gaming devices and systems may not be sold unless they have been approved by the relevant regulatory authority (or an agency of such authority). The authority will conduct rigorous testing of the gaming device or system and related equipment through a testing laboratory (which may be run by such gaming authority or by an independent third party) and may require a field trial of the gaming device, platform or system before determining that the gaming device, platform or system meets the agency's strict technical standards. As part of the approval process, gaming authorities may require equipment and software modifications and several rounds of approval.

We do not have control over the length of time that any regulatory agency or testing laboratory takes to review our products. However, we work closely with the gaming authority's staff, or the staff of the independent testing laboratory, as the case may be, to timely respond to inquiries and assist where possible in the evaluation, inspection and review of our products.

Federal Registration

The Federal Gambling Devices Act of 1962 (commonly known as the Johnson Act) generally makes it unlawful for a person to manufacture, transport or receive gaming machines or components across state lines unless that person has first registered with the Criminal Division of the United States Department of Justice. As required by the Johnson Act, certain of our entities must register and renew their registration annually with the Criminal Division of the United States Department of Justice in order to manufacture, sell, distribute, or operate gaming equipment. The Johnson Act also imposes on us various record-keeping and equipment-identification requirements. A violation of the Johnson Act may result in the seizure and forfeiture of gaming equipment, as well as the imposition of other penalties.

Native American Regulation

Numerous Native American tribes have become engaged in or have licensed gaming activities on Native American tribal lands as a means of generating revenue for tribal governments. Gaming on Native American lands, including the terms and conditions under which gaming equipment and systems can be sold or leased to Native American tribes, is or may be subject to regulation under the laws of the tribes, the laws of the state, and the Indian Gaming Regulatory Act of 1988 ("IGRA"), which includes regulation and oversight by the National Indian Gaming Commission ("NIGC") and the Secretary of the United States Department of the Interior. Furthermore, gaming on Native American lands may also be subject to the provisions of contracts (known as compacts) between states and Native American tribes, which are also administered by the Secretary of the United States Department of the Interior.

The IGRA classifies legalized gaming into three categories: "Class I" gaming consists of traditional Native American social and ceremonial games; "Class II" gaming consists of bingo, electronic aids to bingo, and, if played at the same location where bingo is offered, pull-tabs and other games similar to bingo; and "Class III" gaming consists of all other forms of gaming that are not included in either Class I or Class II, including traditional casino gaming machines.

Class I gaming is regulated exclusively at the Native American tribe level. We do not currently offer Class I gaming products or services.

Class II gaming is regulated by the NIGC and the laws of the Native American tribe conducting such gaming. Subject to the detailed requirements of the IGRA, federally recognized Native American tribes are typically permitted to conduct Class II gaming on Indian lands pursuant to tribal ordinances approved by the NIGC.

The IGRA generally permits Native American tribes to conduct Class III gaming activities on reservation lands subject to the detailed requirements of the IGRA, including NIGC approval of the Native American tribe's gaming ordinance and the entering into of a tribal-state compact between the Native American tribe and the state in which the Native American tribe intends to conduct Class III gaming activities on its trust lands. Tribal-state compacts vary from state to state. Many require that gaming suppliers meet ongoing registration and licensing requirements established by the state and/or the tribe and some impose background check requirements on the gaming suppliers' officers, directors and shareholders.

Under the IGRA, tribes are required to regulate gaming on their tribal lands under ordinances approved by the NIGC. These ordinances may impose standards and technical requirements on hardware and software and may impose registration, licensing and background check requirements on gaming suppliers and their officers, directors and shareholders.

International Regulation

We engage in the manufacture, distribution and operation of gaming equipment and systems and related products, as well as license our games and intellectual property, in various international markets worldwide. Many foreign jurisdictions permit the importation, sale and/or operation of gaming equipment in casino and non-casino environments. Where importation is permitted, some jurisdictions prohibit or restrict the payout feature of the traditional gaming machine or limit the operation of gaming machines to a controlled number of casinos or casino-like locations. Each gaming machine must comply with the individual jurisdiction's regulations. Some jurisdictions require the licensing of gaming suppliers.

In the U.K., the Gambling Act of 2005, and the accompanying secondary legislation, regulates, among other things, the type of licensed gaming activity that is carried out by operators, the licensing of the various types of venues for the conduct of licensed gaming activities, the categories and number of gaming machines allowed in each type of venue, the licensing and regulation of the supply and operation of those machines and the issuance of technical specifications, standards and licensing requirements for each category of gaming device. As of October 2019, the UK Government reduced the maximum stake on a fixed odds betting terminal (also known as a category B2 gaming machine), which we supply to land-based bookmakers, from £100 to £2. As of April 2019, remote gaming duty was increased to 21%.

Violation of Gaming Laws

If we or any of our subsidiaries violate applicable gaming laws, our gaming licenses could be limited, conditioned, suspended or revoked by gaming authorities, and we could be subject to substantial fines. Furthermore, a violation of laws in one jurisdiction could result in disciplinary action in other jurisdictions. As a result, a violation of applicable gaming laws by us or any of our subsidiaries could have a material adverse effect on our financial condition, prospects and results of operations.