

SCIENTIFIC GAMES CORP
Form DEF 14A
April 30, 2018

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

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Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted
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Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

SCIENTIFIC GAMES CORPORATION

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

April 30, 2018

Dear Stockholder:

You are cordially invited to attend the annual meeting of stockholders of Scientific Games Corporation to be held at 10:00 a.m. (local time) on Wednesday, June 13, 2018, at Greenberg Traurig, LLP, 3773 Howard Hughes Parkway, Suite 400 North, Las Vegas, Nevada.

At the meeting, we will be electing thirteen (13) members of our Board of Directors and conducting an advisory vote to approve executive officer compensation. We will also be seeking the ratification of the adoption of our regulatory compliance protection rights plan designed to strengthen our ability to secure and maintain our good standing with respect to our licenses, contracts, franchises and other regulatory approvals. Finally, we will be asking our stockholders to ratify the appointment of Deloitte & Touche LLP as our independent auditor. These matters are described in detail in the accompanying Notice of Annual Meeting of Stockholders and Proxy Statement.

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

We look forward to seeing you at the annual meeting.

Sincerely,

Kevin M. Sheehan
President and Chief Executive Officer

The accompanying Proxy Statement is dated April 30, 2018, and is first being mailed to our stockholders about or before May 16, 2018.

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

Notice is hereby given that the annual meeting of stockholders of Scientific Games Corporation (the "Company") will be held at 10:00 a.m. (local time) on Wednesday, June 13, 2018, at Greenberg Traurig, LLP, 3773 Howard Hughes Parkway, Suite 400 North, Las Vegas, Nevada, for the following purposes:

1. To elect thirteen (13) members of the Company's Board of Directors to serve for the ensuing year and until their respective successors are duly elected and qualified.
2. To approve, on an advisory basis, the compensation of the Company's named executive officers.
To ratify the adoption of the Company's regulatory compliance protection rights plan, which was previously adopted by the Board of Directors in an effort to protect stockholder value by strengthening the Company's ability to secure and maintain the Company's good standing with respect to its licenses, contracts, franchises and other regulatory approvals.
3. To ratify the appointment of Deloitte & Touche LLP as independent auditor for the fiscal year ending December 31, 2018.
4. To ratify the appointment of Deloitte & Touche LLP as independent auditor for the fiscal year ending December 31, 2018.
5. To consider and act upon any other matter that may properly come before the meeting or any adjournment thereof. Only stockholders of record at the close of business on April 16, 2018 are entitled to receive notice of and to vote at the meeting and any adjournment thereof. A list of the holders will be open to the examination of stockholders for ten days prior to the date of the meeting, between the hours of 9:00 a.m. and 5:00 p.m., at the office of the Corporate Secretary of the Company at 6601 Bermuda Road, Las Vegas, NV 89119 and will be available for inspection at the meeting itself.

To obtain directions to attend the meeting and vote in person, please telephone the Company at (702) 532-7663. Whether you plan to be personally present at the meeting or not, we encourage you to submit your vote by proxy as soon as possible using one of the advance voting methods (see page 1 of the accompanying Proxy Statement for additional details).

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on June 13, 2018:

The Proxy Statement and 2017 Annual Report will be available about or before May 16, 2018 through the Investors link on our website at www.scientificgames.com or through www.proxyvote.com.

By Order of the Board of Directors

Michael A. Quartieri
Executive Vice President, Chief Financial Officer,
Treasurer and Corporate Secretary
Dated: April 30, 2018

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Appendix B - Amended and Restated Rights Agreement

SCIENTIFIC GAMES CORPORATION

6601 Bermuda Road
Las Vegas, NV 89119

PROXY STATEMENT

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors (the “Board”) of Scientific Games Corporation (“Scientific Games,” the “Company,” “we” or “us”) of proxies to be voted at the annual meeting of stockholders to be held at 10:00 a.m. (local time) on Wednesday, June 13, 2018, at Greenberg Traurig, LLP, 3773 Howard Hughes Parkway, Suite 400 North, Las Vegas, Nevada, and any adjournment or postponement of the meeting, for the purposes set forth in the Notice of Annual Meeting of Stockholders.

Access to Proxy Materials

We expect our proxy materials, including this Proxy Statement and our 2017 Annual Report, to be made available to stockholders about or before May 16, 2018 through the Investors link on our website at www.scientificgames.com or through www.proxyvote.com.

Stockholders Entitled to Vote

All stockholders of record at the close of business on April 16, 2018 are entitled to vote at the meeting. At the close of business on April 16, 2018, 90,720,922 shares of common stock were outstanding. Each share is entitled to one vote on all matters that properly come before the meeting.

Voting Procedures

You may vote your shares by proxy without attending the meeting. You may vote your shares by proxy over the Internet or by mail or telephone pursuant to instructions provided on the proxy card. If you are voting over the Internet or by telephone, you will need to provide the control number that is printed on the proxy card that you receive. If you are the record holder of your shares, you may also vote your shares in person at the meeting. If you are not the record holder of your shares (i.e., they are held in “street” name by a broker, bank or other nominee), you must first obtain a proxy issued in your name from the record holder giving you the right to vote the shares at the meeting.

Voting Matters

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

Proposal Board's Recommendation

Proposal

1:

Election FOR each Nominee
of

Directors

(page 4)

The

Board

and the

Nominating

and

Corporate

Governance

Committee

believe

that the

13

director

nominees

possess a

combination

of

qualifications,

experience

and

judgment

necessary

for a

well-functioning

Board

and the

effective

oversight

of the

Company.

Proposal FOR

2:

Approval,

on an

Advisory

Basis, of

the

Compensation

of the

Company's

Named

Executive Officers (page 51)
The Company has designed its executive compensation program to attract and retain executive talent, foster excellent business performance and align compensation with the long-term interests of our stockholders.
The Board and the Compensation Committee value stockholders' opinions and will take into account the outcome of the advisory vote when considering future executive compensation decisions.

FOR

Proposal
3:
Ratification
of the
Adoption
of Our
Regulatory
Compliance
Protection
Rights
Plan
(page
53)
The
Board
has
adopted
the
regulatory
compliance
protection
rights
plan in
an effort
to protect
stockholder
value by
strengthening
the
Company's
ability to
secure
and
maintain
its good
standing
with
respect to
its
licenses,
contracts,
franchises
and other
regulatory
approvals.
As a
matter of
good
corporate
practice,
stockholders

are being asked to ratify the Board's adoption of the regulatory compliance protection rights plan.

Proposal 4: Ratification of the Appointment of Deloitte & Touche LLP ("Deloitte") as Independent Auditor (page 58) The Audit Committee has appointed Deloitte to serve as our independent auditor for the fiscal year ending December 31, 2018. As a matter of good corporate governance, stockholders are being asked to ratify the Audit Committee's

appointment
of
Deloitte.

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

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

Changing Your Vote

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

Quorum

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

Vote Required

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

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

Effect of Withheld Votes or Abstentions

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

Effect of Broker Non-Votes

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

PROPOSAL 1

ELECTION OF DIRECTORS

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

Nominees for Election

The Board has nominated for election as a director to the Board the thirteen (13) persons named below to serve for a one-year term until the next annual meeting of stockholders of the Company and until their successors have been duly elected and qualified or until their earlier death, resignation or removal. Each of the director nominees is presently serving as a director. Additionally, each of our nominees was previously elected to the Board by our stockholders. Four of the nominees (Messrs. Perelman, Meister and Schwartz and Ms. Townsend) were designated for election to the Board by MacAndrews & Forbes Incorporated, our largest stockholder, pursuant to its rights under a stockholders' agreement with us (discussed more fully below). Pursuant to its rights under a stockholders' agreement, MacAndrews & Forbes Incorporated has the right to designate four nominees for election to the Board.

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

The name, age (as of April 6, 2018), business experience and certain other information regarding each of the nominees for director are set forth below.

Name	Age	Position with the Company	Director Since
Ronald O. Perelman	75	Director (Chairman)	2003
Kevin M. Sheehan	64	Director, President and Chief Executive Officer	2016
Peter A. Cohen	71	Director (Vice Chairman)	2000
Richard M. Hadrill	64	Director (Vice Chairman)	2014
M. Gavin Isaacs	53	Director (Vice Chairman)	2014
D. Viet Dinh	50	Director	2017
Gerald J. Ford	73	Director	2005
David L. Kennedy	71	Director	2009
Judge Gabrielle	75	Director	2014

K. McDonald Paul		
M. 65 Director		2012
Meister Michael		
J. 75 Director		2006
Regan Barry		
F. 68 Director		2003
Schwartz Frances		
F. 56 Director		2010
Townsend		

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

Kevin M. Sheehan joined our Board in August 2016 when he was also appointed to the position of President and Chief Executive Officer. Mr. Sheehan served as Chief Executive Officer of NCL Corporation Ltd., a leading global cruise line operator ("Norwegian Cruise Line"), from November 2008 through January 2015 and as President of Norwegian Cruise Line from August 2010 through January 2015 (and previously from August 2008 through March 2009). Mr. Sheehan also served as Chief Financial Officer of Norwegian Cruise Line from November 2007 until September 2010. Before joining Norwegian Cruise Line, Mr. Sheehan served as a consultant to private equity firms, including Cerberus Capital Management LP and Clayton Dubilier & Rice. From 2001 to 2005, Mr. Sheehan held various senior executive roles at Cendant Corporation, including Chairman and Chief Executive Officer of the corporation's Vehicle Services Division (which included global responsibilities of Avis, Budget, PHH Vehicle Management Services and Wright Express) from January 2003 through May 2005 and Chief Financial Officer from March 2001 through May 2003. Earlier in his career, Mr. Sheehan served as President of STT Video Partners (Sega Channel) and was instrumental in the creation and launch of Telemundo. Mr. Sheehan served on the board of directors of Bob Evans Farms, Inc. from 2014 to August 2017. From 2015 through August 2016, Mr. Sheehan served as the John J. Phelan, Jr. Distinguished Professor at the Robert B. Willumstad School of Business at Adelphi University and, from August 2005 to January 2008, Mr. Sheehan served on the faculty of Adelphi University as a Distinguished Visiting Professor of accounting, finance and economics. Mr. Sheehan currently serves on the boards of directors of Dave & Buster's Entertainment, Inc., operator of venues that combine entertainment and dining in North America for adults and families, where he has served since 2011, and New Media Investment Group Inc. and its predecessor, a diversified portfolio of local media assets and a digital marketing services business, where he has served since 2006. Peter A. Cohen has served as Vice Chairman of the Board since September 2004. Mr. Cohen is Chairman of Cowen Inc. (formerly known as Cowen Group, Inc.), a diversified financial services company, and served as Chairman and Chief Executive Officer from 2009 through December 2017. Mr. Cohen was a founding partner and principal of Ramius LLC, a private investment management firm formed in 1994 that was combined with Cowen in late 2009. Mr. Cohen served as a member of the board of directors of Chart Acquisition Corp. (which, as a result of a business combination, is now known as Tempus Applied Solutions Holdings, Inc.) from 2013 to 2015. From November 1992 to May 1994, Mr. Cohen was Vice Chairman of the Board and a director of Republic New York Corporation, as well as a member of its executive management committee. Mr. Cohen was Chairman and Chief Executive Officer of Shearson Lehman Brothers from 1983 to 1990.

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

M. Gavin Isaacs was appointed Vice Chairman of the Board in August 2016 and has been a member of the Board since 2014. He previously served as President and Chief Executive Officer of the Company from June 2014 until August 2016. Mr. Isaacs is an accomplished gaming industry executive with more than 15 years of leadership experience. He served as Chief Executive Officer of SHFL entertainment, Inc. from April 2011 through November 2013 when the company was acquired by Bally. Prior to joining SHFL entertainment, Inc., Mr. Isaacs served as Executive Vice President and Chief Operating Officer of Bally from 2006 through 2011. Prior to joining Bally, he held senior roles at Aristocrat Leisure Limited, including Head of Global Marketing and Business Development, Managing Director of Aristocrat's London-based European subsidiary and President of Aristocrat Technologies, Inc., Aristocrat's Las Vegas-based subsidiary. Mr. Isaacs previously served as a Trustee

and the President of the International Association of Gaming Advisors, and as Vice Chairman of the board of directors of the American Gaming Association.

Viet D. Dinh has been a Director since June 2017, and is a partner at Kirkland & Ellis LLP, an international law firm providing legal advice in the areas of complex litigation, corporate and tax law, intellectual property, restructuring and other general counseling matters. Mr. Dinh has also served as a Professional Lecturer in Law focusing on corporations and constitutional law at Georgetown University since 2014. Previously, he served as a tenured law professor at Georgetown University from 1996 to 2014. Prior to joining Kirkland & Ellis in 2016, Mr. Dinh was a partner at Bancroft PLLC, a law and strategic consulting firm which he founded in 2003. From 2001 to 2003, Mr. Dinh served as Assistant Attorney General for Legal Policy at the U.S. Department of Justice, where he played a key role in developing legal policy initiatives to combat terrorism, including the USA Patriot Act. Mr. Dinh has served on the boards of directors of the following publicly traded companies within the last five years: Twenty-First Century Fox, Inc. (since 2013); LPL Financial Holdings, Inc. (since 2015); Revlon, Inc. and Revlon Consumer Products Corporation (from 2012 to May 2017); and News Corporation (from 2004 to 2013).

Gerald J. Ford has been a financial institutions entrepreneur and private investor involved in numerous mergers and acquisitions of private and public sector financial institutions over the past 42 years. Mr. Ford has served as a director of Hilltop Holdings Inc., a Texas-based, publicly traded, diversified financial holding company, since 2005, and as Chairman since 2007, and has served as a director of Freeport-McMoRan Inc., an international mining company with headquarters in Phoenix, Arizona, since 2000, and as Chairman since January 2016. Mr. Ford also is the Co-Managing Member of Ford Financial Fund II, L.P., a private equity fund that owns the controlling interest of Mechanics Bank. During the past five years, Mr. Ford has also served as Chairman of the board of directors of Pacific Capital Bancorp (from 2010 to December 2012) and as a director of McMoRan Exploration Company (from 1998 to June 2013) and SWS Group, Inc. (from 2011 to 2015).

David L. Kennedy has served as a director since 2009, including serving as a Vice Chairman from 2009 through 2016. Mr. D. Kennedy has previously been an employee of the Company, most recently serving as Executive Vice Chairman from June 2014 to August 2014. Previously, he served as the Company's President and Chief Executive Officer from November 2013 to June 2014, and as Chief Administrative Officer from April 2011 until March 2012. During his 45-year business career, Mr. D. Kennedy held senior executive positions with Revlon, Inc. and The Coca-Cola Company and affiliates. In June 2016, he retired from his role as Senior Executive Vice President of MacAndrews & Forbes Incorporated and from the boards of Revlon, Inc., where he had served as Vice Chairman since 2009 (including serving in that capacity as an executive officer until November 2013) and as a director since 2006, and Revlon Consumer Products Corporation, where he had served as a director since 2006.

Judge Gabrielle K. McDonald is a former U.S. District Court judge. From 2001 until 2013, Judge McDonald served as a judge on the Iran-United States Claims Tribunal, The Hague, The Netherlands. Judge McDonald served as a judge on the International Criminal Tribunal for the former Yugoslavia in The Hague for six years, and was President of the Tribunal from 1997 until 1999. Judge McDonald is a member of the Council on Foreign Relations. During the past five years, Judge McDonald has also served as a director of Freeport-McMoRan Inc. and the American Arbitration Association.

Paul M. Meister has served as President of MacAndrews & Forbes Incorporated since 2014. Mr. Meister was appointed Executive Vice Chairman of Revlon, Inc. in January 2018. He is also co-founder and, since 2008, Chief Executive Officer of Liberty Lane Partners, LLC, a private investment company with diverse investments in healthcare, technology and distribution-related industries. Mr. Meister previously served as Chairman and Chief Executive Officer of inVentiv Health, Inc., a provider of commercial, consulting and clinical research services to the pharmaceutical and biotech industries, from 2010 until 2015. Mr. Meister was Chairman of Thermo Fisher Scientific Inc. ("Thermo Fisher"), a scientific instruments equipment and supplies company, from November 2006 until April 2007. He was previously Vice Chairman of Fisher Scientific International, Inc. ("Fisher Scientific"), a predecessor to Thermo Fisher, from March 2001 to November 2006, and Vice Chairman and Chief Financial Officer of Fisher Scientific from March 1991 to March 2001. Prior to Fisher Scientific, Mr. Meister held executive positions with the Henley Group, Wheelabrator Technologies and Abex, Inc. Mr. Meister has served as a director of Revlon,

Inc. since June 2016; LKQ Corporation, a distributor of vehicle products, since February 1999; Quanterix Corporation, a developer of ground-breaking tools in high definition diagnostics, since September 2013; and vTv Therapeutics Inc., a clinical-stage bio pharmaceutical company, since July 2015.

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

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

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

Designees of MacAndrews & Forbes Incorporated

Messrs. Perelman, Meister and Schwartz and Ms. Townsend were designated for election to the Board by MacAndrews & Forbes Incorporated pursuant to its rights under a stockholders' agreement with us dated September 6, 2000, as supplemented by agreements dated June 26, 2002, October 10, 2003 and February 15, 2007. The stockholders' agreement was originally entered into with holders of our Series A Convertible Preferred Stock in connection with the initial issuance of such preferred stock and provides for, among other things, the right of the holders to designate up to four members of our Board based on their ownership of preferred stock or the common stock issued upon conversion thereof. All of the preferred stock was converted into common stock in August 2004. MacAndrews & Forbes Incorporated, which owned approximately 92% of the preferred stock prior to conversion and currently owns approximately 38.11% of our outstanding common stock, currently has the right to designate up to four directors based on its level of share ownership. The percentages that must be maintained in order to designate directors are as follows: (a) 20% to designate four directors; (b) 16% to designate three directors; (c) 9% to designate two directors; and (d) 4.6% to designate one director. Such percentages, in each case, are to be determined based on our fully diluted common stock subject to certain exclusions of common stock or other securities that may be issued in the future.

Qualifications of Directors

Our directors are responsible for overseeing the management of the Company's business and affairs, which requires highly skilled and experienced individuals. The Nominating and Corporate Governance Committee is responsible for evaluating

and making recommendations to the Board concerning the appropriate size and needs of the Board with the objective of maintaining the necessary experience, skills and independence on the Board. The Nominating and Corporate Governance Committee and the Board believe that there are general qualifications that are applicable to all directors and other skills and experience that should be represented on the Board as a whole, but not necessarily by each director. The Nominating and Corporate Governance Committee and the Board consider the experience and qualifications of prospective directors individually and in the context of the Board's overall composition.

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

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