

From: Winterscheidt, Mike [mailto:Michael.Winterscheidt@scientificgames.com]

Sent: Tuesday, May 02, 2017 12:37 AM

Subject: RE: Simplification of NonGAAP reporting

I appreciate the ability to provide feedback to the Board

As a preparer of about 20 years (previously an Audit Manager at a Big Six firm), I sometimes look back at some of the Annual Reports that I served on as an auditor, and see the ~40 pages and then look at my current 10-K and its 141 page count and wonder:

- How did we get here?
- What truly material information was so lacking 20+ years ago that we provide today – and how did we miss it by 3x-4x?
- How can an uninformed investor actually understand the financial filings that we put forth?
- Have we improved the disclosure regime, or have we actually just rendered the accounting to be less meaningful to the financial community?

It is with this background that I am providing feedback on NonGAAP reporting and potential simplifications.

I agree with remarks the Chairman and others have made in that the prevalence of NonGAAP reporting in the marketplace should inform GAAP as opposed to being looked upon as a scourge. A Big Four firm has put forth its guidance on the topic and other materials which seemingly imply the same thing – that there is a useful place in the reporting regime for such information. With that said, I believe FASB should undertake a simplification project aimed at identifying those metrics that companies most often use and where possible include definitions and calculations in the Codification:

- Free Cash Flow
- EBITDA
- FFO
- Net income before working capital changes
- ...and that is just a start to the list

Once the most common NonGAAP metrics are identified, then they should be defined and added to the Master Glossary of the Codification. After these items are added to the Master Glossary, then only the true outliers would require reconciliations. This would highlight the adjustments that companies make to some very standard reporting metrics in the reconciliations required under Reg G and the related C&Dis. Often the required reconciliations do not even provide meaningful data. For instance, EBITDA or Free Cash Flow immediately come to mind as examples of NonGAAP metrics in which all of the reconciling adjustments can generally be taken directly from the face of financial statements and/or footnotes. Notwithstanding this fact, under current standards such items still require reconciliation and additional disclosures. I struggle to understand how investors are helped by such repetitive disclosures for straightforward metrics.

I believe the aforementioned simplification would:

- significantly save on the quantity and length of reconciliations provided today,
- eliminate disclosure that otherwise would not be provided if such common metrics were included in/ defined in GAAP,

- likely reduce other NonGAAP disclosures that are not in these new GAAP-defined metrics, and
- thereby streamline earnings reports and S-X filings.

I truly appreciate the work that the Board is doing to simplify our reporting and accounting regime, and appreciate the opportunity to provide feedback.

Sincerely,

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