WMS INDUSTRIES INC /DE/
Form DEF 14A
October 17, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §204.14a-12

WMS INDUSTRIES INC.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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800 South Northpoint Boulevard

Waukegan, Illinois 60085

October 12, 2012

NOTICE OF ANNUAL MEETING

Thursday, December 6, 2012

9:00 a.m., Central Time

WMS Industries Inc. Technology Campus

2718 W. Roscoe Street

Chicago, Illinois 60618

AGENDA:

1. To elect the nine nominees named in this Proxy Statement to serve on our Board;
2. To approve the adoption of the WMS Industries Inc. Incentive Plan (2012 Restatement) (the 2012 Restated Incentive Plan);
3. To ratify the appointment of Ernst & Young as our independent registered public accounting firm for our fiscal year ending June 30, 2013;
4. To hold an advisory vote on executive compensation; and
5. To transact such other business as may properly come before the meeting or any adjournment or adjournments thereof.

Only stockholders of record at the close of business on October 10, 2012 are entitled to notice of and to vote at our Annual Meeting and any adjournments thereof. A list of the stockholders entitled to vote will be available for examination by any of our stockholders for any purpose germane to the Annual Meeting during ordinary business hours at our principal place of business for the period beginning ten calendar days prior to the December 6, 2012 meeting until the end of the meeting.

YOUR BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR ALL DIRECTOR NOMINEES, AND FOR PROPOSALS 2, 3 AND 4.

By Order of the Board,

Kathleen J. McJohn

Senior Vice President, General Counsel

and Secretary

YOU ARE REQUESTED, WHETHER OR NOT YOU PLAN TO BE PRESENT AT THE ANNUAL MEETING, TO MARK, DATE, SIGN AND RETURN PROMPTLY THE ACCOMPANYING PROXY IN THE ENCLOSED PREPAID ENVELOPE.

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ANNUAL MEETING

WMS INDUSTRIES INC.

PROXY STATEMENT

IMPORTANT NOTICE

REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE

STOCKHOLDERS MEETING

TO BE HELD ON DECEMBER 6, 2012

This Notice of Annual Meeting, Proxy Statement, Proxy Card, our Annual Report on Form 10-K for fiscal year 2012 and our 2012 Summary Annual Report are being mailed to stockholders beginning on or about October 17, 2012.

PLEASE NOTE: ALTHOUGH WE HAVE SEPARATELY MAILED THESE DOCUMENTS TO OUR STOCKHOLDERS OF RECORD AS OF OCTOBER 10, 2012, OUR ANNUAL REPORT ON FORM 10-K FOR FISCAL YEAR 2012, OUR 2012 SUMMARY ANNUAL REPORT, THIS NOTICE OF ANNUAL MEETING, PROXY STATEMENT AND PROXY CARD ARE ALSO AVAILABLE ONLINE AT **http://*ir.wms.com***.

IMPORTANT VOTING INFORMATION

If you hold your shares through a broker, bank or other financial institution, the Securities and Exchange Commission has approved a New York Stock Exchange rule that affects the manner in which your vote in the election of directors will be handled at our upcoming 2012 Annual Meeting.

Only you can vote your shares on the election of directors (proposal 1), the adoption of the 2012 Restated Incentive Plan (proposal 2) and the advisory vote on executive compensation (proposal 4), so your participation in voting is important. Stockholders who hold our shares through a broker, bank or other financial institution will receive proxy materials and a Voting Instruction Form from their broker, bank or other financial institution before our stockholders meeting. In order for your broker to vote on your behalf on the election of directors, the adoption of the 2012 Restated Incentive Plan or the advisory vote on executive compensation, you must provide specific instructions by completing and returning the Voting Instruction Form either electronically or by mail or following the instructions provided to you to vote your shares via telephone or the Internet. For your vote to be counted, you need to communicate your voting decisions to your broker, bank or other financial institution before the date of the stockholders meeting.

Your Participation in Voting the Shares You Own Is Important

Voting your shares is important to ensure that you have a say in the governance of our company and to fulfill the objectives of the majority voting standard that we apply in the election of directors. Please review the proxy materials and follow the instructions to vote your shares. We hope you will exercise your voting rights and fully participate as a stockholder in our company s future.

More Information Is Available

If you have any questions about the proxy voting process, please contact the broker, bank or other financial institution where you hold your shares. The Securities and Exchange Commission also has a website with more information about your rights as a stockholder (*http://www.sec.gov/spotlight/proxymatters.shtml*).

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FREQUENTLY ASKED QUESTIONS

1. *Why did I receive this Proxy Statement?*

Our Board is soliciting proxies for our 2012 Annual Meeting and any adjournment of that meeting. We have retained Georgeson Shareholder Communications, Inc. to assist in the distribution of our proxy materials. We will pay the entire cost of this solicitation, including Georgeson s fee which we expect to be approximately $15,000. When we ask for your proxy, we are required to provide you with a Proxy Statement containing the information specified by law.

2. *What may I vote on at the Annual Meeting?*

You may vote on:

- Ø The election of the nine directors named in this Proxy Statement to serve on our Board;
- Ø The approval of the adoption of the 2012 Restated Incentive Plan;
- Ø The ratification of the appointment of Ernst & Young as our independent registered public accounting firm for our fiscal year ending June 30, 2013;
- Ø An advisory vote on executive compensation; and
- Ø Other matters properly brought before the Annual Meeting.

3. *How does the Board recommend that I vote on the Proposals?*

Our Board recommends that you vote:

- Ø FOR each of the director nominees to serve on our Board;
- Ø FOR the adoption of the 2012 Restated Incentive Plan;
- Ø FOR the ratification of the appointment of Ernst & Young as our independent registered public accounting firm for our fiscal year ending June 30, 2013; and

- Ø FOR approval of the advisory vote on executive compensation.

4. ***Will any other items be considered at the Annual Meeting?***

We do not expect any other items of business to be addressed at the Annual Meeting. Nonetheless, if any such items do arise, your proxy will give discretionary authority to the persons named on the proxy to vote on such items. These persons will use their best judgment in voting your proxy.

5. ***Who is entitled to vote?***

Holders of shares of our common stock as of the close of business on October 10, 2012, the Record Date, are entitled to vote on all items properly presented at the Annual Meeting. On the Record Date, 54,582,919 shares of our common stock were outstanding. Every stockholder is entitled to one vote for each share of common stock held. A list of these stockholders will be available during ordinary business hours at our principal place of business, located at 800 South Northpoint Blvd., Waukegan, Illinois 60085, from our Corporate Secretary at least ten calendar days before December 6, 2012. The list of stockholders will also be available at the Annual Meeting.

6. ***How do I vote?***

You may vote in person by attending the Annual Meeting or you may vote by mail by completing and properly signing each proxy card you receive and returning it to us in the prepaid envelope. When received, your

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proxy will be voted as you direct by one of the individuals indicated on the card (your proxy). If you return your signed proxy card but do not mark the boxes showing how you wish to vote, your shares will be voted FOR the election of all of the director nominees, FOR the adoption of the 2012 Restated Incentive Plan, FOR the ratification of the appointment of Ernst & Young as our independent registered public accounting firm, and FOR approval of the advisory vote on executive compensation.

7. ***Who can attend the Annual Meeting?***

Only stockholders as of the close of business on October 10, 2012, holders of proxies for those stockholders and other persons invited by us can attend. If your shares are held by your broker in street name, you must bring a letter from your broker or a copy of your instruction form from your broker to the meeting showing that you were the direct or indirect (beneficial) owner of the shares on October 10, 2012 to attend the meeting.

8. ***Can I change my vote after I return my Proxy Card?***

Yes. You may change your vote at any time before the voting concludes at the Annual Meeting by taking any one of the following actions:

- Ø Sending in another proxy signed on a later date by mail so that it is received by us prior to voting;
- Ø Notifying our Corporate Secretary in writing before the Annual Meeting that you wish to revoke your proxy; or
- Ø Voting in person at the Annual Meeting.

9. ***How do I vote my shares if they are held by my broker*?**

If your shares are held by your broker in street name, you will receive a form from your broker seeking instruction as to how your shares should be voted. We urge you to complete this form and instruct your broker how to vote on your behalf. You can also vote in person at the Annual Meeting, but you must bring a letter from your broker showing that you were the beneficial owner of your shares on October 10, 2012. See Important Voting Information above.

10. ***What is a Quorum ?***

A quorum is a majority of our outstanding shares of common stock. The shares may be present at the Annual Meeting or represented by proxy. There must be a quorum for the Annual Meeting to be held. If you submit a properly executed proxy card, even if you abstain from voting, you will be considered part of the quorum. Broker non-votes are also considered a part of the quorum, but will not be counted for purposes of determining the number of shares represented and voted with respect to an individual proposal, and therefore will have no effect on the outcome of the vote on any individual proposal. Broker non-votes occur when a broker holding shares for a beneficial owner does not vote on a particular matter because, under the rules of the New York Stock Exchange, the broker does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. See Important Voting Information above.

11. ***How are matters passed or defeated at the Annual Meeting?***

- Ø Proposal 1, election of directors. Under Delaware law, the nine director nominees receiving the highest number of affirmative votes will be elected. Our Board has adopted a policy requiring that in an uncontested election any director nominee who receives a greater number of votes withheld than votes for his or her election must tender his or her resignation to the Board for consideration by our Nominating and Corporate Governance Committee and our Board. For purposes of this calculation, abstentions will not be counted. A properly executed proxy marked WITHHOLD AUTHORITY with respect to the election of one or more directors will not be voted with respect to the director or directors indicated, although it will be counted for purposes of determining whether there is a quorum.

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- Ø Proposal 2, adoption of the 2012 Restated Incentive Plan. We must receive affirmative votes from more than 50% of the shares that are present and entitled to vote, provided that at least a majority of our outstanding shares of common stock vote on the proposal, in order for this proposal to be approved. An abstention has the same effect as a vote AGAINST this proposal.

- Ø Proposal 3, ratification of the appointment of our independent registered public accounting firm. We must receive affirmative votes from more than 50% of the shares that are present and entitled to vote in order for this proposal to be approved. An abstention has the same effect as a vote AGAINST this proposal.

- Ø Proposal 4, approval of the advisory resolution on executive compensation. We are asking stockholders to vote on an advisory resolution on executive compensation. Stockholders will be able to vote for the resolution, against the resolution or abstain. This advisory vote on executive compensation is non-binding.

12. ***Who will count the votes?***

Votes will be tabulated by our transfer agent, American Stock Transfer and Trust Company.

13. ***Is my vote confidential?***

Proxy cards, ballots and voting tabulations that identify individual stockholders are mailed or returned directly to American Stock Transfer and Trust Company and handled in a manner that protects your voting privacy. Your vote will not be disclosed except (i) as needed to permit American Stock Transfer and Trust Company to tabulate and certify the vote and (ii) as required by law. However, comments written on the proxy card may be forwarded to management. In that case, your identity may not be kept confidential.

14. ***Delivery of documents to stockholders sharing an address***

If you are the beneficial owner, but not the record holder of our shares, your broker, bank or other nominee may only deliver one copy of our Notice of Annual Meeting, Proxy Statement, Proxy Card, Annual Report on Form 10-K for fiscal year 2012 and 2012 Summary Annual Report to multiple stockholders who share an address unless that nominee has received contrary instructions from you or one or more of the other stockholders at the same address. We will deliver promptly, upon written or oral request, a separate copy of our Notice of Annual Meeting, Proxy Statement, Proxy Card, Annual Report on Form 10-K for fiscal year 2012 and 2012 Summary Annual Report to a stockholder at a shared address to which a single copy of the documents was delivered. A stockholder who wishes to receive a separate copy of these documents, now or in the future, should submit this request by writing to American Stock Transfer and Trust Company, Operations Center, 6201 15^{th} Avenue, Brooklyn, New York 11219 or by calling (800) 937-5449 or (718) 921-8124. Beneficial owners sharing an address who are receiving multiple copies of these documents and who wish to receive a single copy in the future will need to contact their broker, bank or other nominee to request that only one copy of each document be mailed to all stockholders at the shared address.

15. ***Can I view these proxy materials online?***

Yes, although we have mailed these documents to our record stockholders, our Annual Report on Form 10-K for fiscal year 2012, 2012 Summary Annual Report, Notice of Annual Meeting, Proxy Statement and Proxy Card are also available online on our Investor Relations Website at http://ir.wms.com.

16. ***Where can I find the voting results from the Annual Meeting?***

We will publish the voting results from our Annual Meeting in a Current Report on Form 8-K, which we will file with the Securities and Exchange Commission on or about December 12, 2012. To view our Current Report on Form 8-K online, go to our Investor Relations Website at http://ir.wms.com and click on the SEC Filings link.

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17. *When are stockholder proposals due for the 2013 Annual Meeting?*

We must receive any stockholder proposals of matters to be acted upon at our 2013 Annual Meeting that are submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 on or before June 19, 2013, in order to consider including them in our proxy materials for that meeting. Except as otherwise permitted under Rule 14a-8, in order for a matter to be acted upon at an Annual Meeting, notice of stockholder proposals and other nominations must be delivered to us in accordance with the provisions of Article I, Section 14 of our By-laws not less than 90 days nor more than 120 days prior to the first anniversary of the preceding year s Annual Meeting; provided, however, that in the event that the date of the Annual Meeting is more than 30 days before or more than 70 days after such anniversary date, notice by a stockholder must be delivered not earlier than the 120^{th} day prior to the Annual Meeting and not later than the tenth day following the day on which we first publicly announce the date of the meeting. All notices must be delivered to our Corporate Secretary at 800 South Northpoint Blvd., Waukegan, Illinois 60085. Next year, provided we do not change our meeting date as described above, the submission period for notices of stockholder proposals (other than stockholder proposals submitted pursuant to Rule 14a-8) and director nominations will extend from August 8, 2013 to September 7, 2013.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board currently consists of ten directors. Two of our current directors, Messrs. Louis J. and Neil D. Nicastro have notified us that they will retire from our Board at the 2012 Annual Meeting and will not stand for re-election to the Board. Both will continue with our company as Directors Emeritus. Our By-laws provide that the number of directors constituting the entire Board shall not be less than one nor more than 15 as fixed from time to time by resolution adopted by our Board. Our Board has fixed that number at ten. Upon the recommendation of our Nominating and Corporate Governance Committee, our Board has nominated the nine individuals below, eight of whom are current directors for election at that meeting and consequently, if all nine nominees are elected, there will be one vacancy on the Board. The Board is in the process of seeking a candidate to fill this vacancy and expects to fill it prior to our 2013 Annual Meeting.

Once elected, the directors will serve for a term expiring at our 2013 Annual Meeting or until their respective successors are elected and qualify, except that in accordance with our By-laws such service will terminate immediately if any gaming regulatory authority communicates its determination that such individual is not suitable for being licensed or is not licensable by such authority.

Proxies may not be voted for a greater number of persons than the nine nominees named. Unless authority to vote for the election of directors is withheld, the proxy holders named in the enclosed proxy will vote all shares represented thereby in favor of the election of each of the nominees named below. All of the nominees have agreed to stand for election, however, if any of the nominees are unable to serve or refuse to serve as directors, an event which the Board does not anticipate, the proxies will be voted in favor of those nominees who do remain as candidates, except as you otherwise specify, and may be voted for substituted nominees designated by the Board.

Name of Nominee (Age)	Position with Company and Principal Occupation	Director Since
Robert J. Bahash (67)	Director; Retired President of McGraw-Hill Education	2007
Brian R. Gamache (53)	Chairman of the Board; Chief Executive Officer	2001
Patricia M. Nazemetz (62)	Director; Retired Chief Human Resources and Ethics Officer of Xerox Corporation	2007
Matthew H. Paull (61)	Retired Chief Financial Officer of McDonalds Corporation	*
Edward W. Rabin, Jr. (65)	Lead Director; Retired President of Hyatt Hotels Corporation	2005
Ira S. Sheinfeld (74)	Director; Partner, Hogan Lovells (Attorneys-at-Law)	1993
Bobby L. Siller (67)	Director; Retired Member of the Nevada Gaming Control Board	2008
William J. Vareschi, Jr. (70)	Director; Retired Chief Executive Officer and Vice Chairman of Central Parking Corporation	2004

Keith R. Wyche (52)	Director; President and Chief Executive Officer of ACME Markets, a division of Supervalu Inc.	2011

* Director Nominee

Robert J. Bahash joined our Board in 2007. He served as President of McGraw-Hill Education, an operating segment of The McGraw-Hill Companies (NYSE: MHP), a global financial information and education company, from November 2010 until he retired in June 2012. Mr. Bahash worked for The McGraw-Hill Companies since 1974 and held a number of finance-related positions, including previously serving as Executive Vice President and Chief Financial Officer for The McGraw-Hill Companies. Mr. Bahash is a member of the American Institute of Certified Public Accountants, the Financial Executives Institute, and the New Jersey Society of Certified Public Accountants. Mr. Bahash is a certified public accountant, Chair of our Audit and Ethics Committee and a member of our Compensation Committee.

The Board believes that the deliberations of our Board, particularly with respect to financial reporting, executive compensation, corporate governance and risk management, are significantly enhanced by Mr. Bahash s many years of experience as the Chief Financial Officer of a major public company and his training as a certified public accountant.

Brian R. Gamache has served as our Chairman of the Board and Chief Executive Officer since being named Chairman in July 2008. Mr. Gamache originally joined our company in 1990, when he served in various executive capacities for our former hotel and resort subsidiaries, rising to the position of President and Chief Operating Officer. At the time of WMS 1997 spin-off of WHG Resorts & Casinos Inc. (WHG), Mr. Gamache left WMS to devote his full time to WHG. Subsequent to the 1997 sale of WHG, Mr. Gamache served as President of the Luxury and Resort Division of Wyndham International from 1998 until April 2000. Mr. Gamache then rejoined our company as President and Chief Operating Officer and, in June 2001, was named President and Chief Executive Officer, concurrently with his appointment to our Board. Mr. Gamache is a director of KapStone Paper and Packaging Corporation (NYSE: KS), serves as Chair of its Nominating and Governance Committee and as a member of its Audit Committee. Mr. Gamache is also a member of the Board of the American Gaming Association serving as the Chair of its Finance Committee, and is a Trustee of Lake Forest Academy and the Lake Forest Country Day School.

The Board believes that Mr. Gamache s extensive knowledge of our company and its predecessors, his experience and current leadership as our Chief Executive Officer, and his experience as a director of another publicly traded company provide invaluable contributions to the deliberations of our Board in all areas of our business.

Patricia M. Nazemetz joined our Board in 2007. She served as Chief Human Resources and Ethics Officer for Xerox Corporation (NYSE: XRX), a document technology and services company, from 2007 until her retirement in February 2011. Ms. Nazemetz also served as a Vice President for Xerox Corporation from January 1999 until her retirement. Ms. Nazemetz was with Xerox from 1979 through her retirement in 2011 and held a number of human resource related positions. She is a member of the Board of Catholic Health Services of Long Island, a large not-for-profit health and hospital system and serves as a trustee of Fordham University. Ms. Nazemetz is Chair of our Compensation Committee and a member of our Nominating and Corporate Governance Committee.

The Board believes that the deliberations of our Board, particularly with respect to human resources and corporate governance matters, are significantly enhanced by Ms. Nazemetz more than 35 years of experience as a human resources professional with deep expertise in executive compensation, employee stock programs, pensions and health care, and her 20 years of executive level experience, including corporate governance, board and senior management relationships, succession planning and leadership development experience, as well as exposure to all aspects of the business of a Fortune 500 company.

Matthew H. Paull has been nominated to join our board this year. He was Senior Executive Vice President and Chief Financial Officer of McDonald s Corporation, a global foodservice retailer, from July, 2001 until he retired from that position effective, January 2008. Prior to joining McDonald s in 1993, Mr. Paull was a partner at Ernst & Young where he managed a variety of financial practices during his 18-year career. He is currently the Lead Independent Director of the Best Buy Co. (NYSE: BBY) Board and Chairman of its Finance Committee. Mr. Paull also serves as a director of KapStone Paper and Packaging Corporation (NYSE: KS), as an advisory director of Pershing Square Capital Management, L.P. and an advisory director of The One Acre Fund.

The Board believes that Mr. Paull s years of experience as the Chief Financial Officer of a major public company, his training as a certified public accountant and his experiences overseeing accounting, facilities, information services, investor relations, tax and treasury will be a valuable addition to our Board.

Edward W. Rabin, Jr. joined our Board in 2005 and became our Lead Director in July 2008. Mr. Rabin served as the President of Hyatt Hotels Corporation, a global hospitality company, from 2003 until his retirement in January 2006. Between 1989 and 2003, Mr. Rabin served as Executive Vice President for Hyatt, and was named Chief Operating Officer in 2000. Mr. Rabin is a director of PrivateBancorp, Inc. (NASDAQ: PVTB) and Sally Beauty Holdings, Inc. (NYSE: SBH). Mr. Rabin is a member of PrivateBancorp, Inc. s Audit Committee and Chair of its Compensation Committee. Mr. Rabin is a member of Sally Beauty Holdings, Inc. s Compensation and Nominating and Governance Committees. Mr. Rabin is currently a member of our Compensation and Audit and Ethics Committees.

The Board believes that the deliberations of our Board, particularly with respect to business operations, financial reporting, executive compensation, corporate governance and risk management, are significantly enhanced by Mr. Rabin s many years of experience as an executive of a major corporation and his experience as a director of other publicly traded companies.

Ira S. Sheinfeld joined our Board in 1993. He has been a member of the law firm of Hogan Lovells U.S. LLP and predecessor law firms, Hogan & Hartson, LLP and Squadron, Ellenoff, Plesent & Sheinfeld LLP, New York, New York, for more than five years. Mr. Sheinfeld has three years of audit experience at Ernst & Young, was a partner at Deloitte and Touche and has 19 years of experience as one of our directors. Mr. Sheinfeld is a certified public accountant.

The Board believes that the deliberations of our Board, particularly with respect to tax, accounting and legal matters, are significantly enhanced by Mr. Sheinfeld s many years of experience as a business, tax, regulatory and mergers and acquisitions advisor to clients as a partner in Deloitte & Touche and Hogan Lovells and its predecessor firms.

Bobby L. Siller joined our Board in 2008. He was one of three members of the Nevada State Gaming Control Board serving for eight years from January 1999 until December 31, 2006. Prior to his appointment to the Nevada State Gaming Control Board, he served for 25 years with the Federal Bureau of Investigation (FBI). At the FBI, he was Special Agent-in-Charge of the Las Vegas Division for three years, as well as a manager at bureau offices in Dayton, Ohio and Dallas, Texas, and as an administrator with the FBI Academy in Quantico, Virginia. Mr. Siller was previously a commissioner for the Pokagon Band Gaming Commission in Michigan. Mr. Siller is a member of our Gaming Compliance Committee and our Nominating and Corporate Governance Committee.

The Board believes that the deliberations of our Board, particularly with respect to regulatory and corporate governance matters, are significantly enhanced by Mr. Siller s many years of experience as a gaming regulator and with the FBI.

William J. Vareschi, Jr. joined our Board in 2004. He was the Chief Executive Officer and Vice Chairman of the Board of Central Parking Corporation from April 2001 until his retirement in May 2003. Before joining Central Parking Corporation in April 2001, his prior business career of more than 35 years was spent with the General Electric Company (NYSE: GE), which he joined in 1965. He held numerous financial management positions within GE, including Chief Financial Officer for GE Plastics Europe (in the Netherlands), GE Lighting (Cleveland, Ohio) and GE Aircraft Engines (Cincinnati, Ohio). In 1996, Mr. Vareschi became President and

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Chief Executive Officer of GE Engine Services, a position he held until July 2000. Mr. Vareschi also serves as lead director, Chair of the Executive Committee and a member of the Nominating and Corporate Governance Committee of WESCO International Inc. (NYSE: WCC). Mr. Vareschi serves as Chair of our Nominating and Corporate Governance Committee and is a member of our Audit and Ethics Committee.

The Board believes that the deliberations of our Board, particularly with respect to corporate governance, business operations, financial reporting and risk management, are significantly enhanced by Mr. Vareschi s more than 35 years of professional experience, including experience as a Chief Executive Officer and a Chief Financial Officer of multiple divisions of a Fortune 500 company and as a director of a publicly traded company.

Keith R. Wyche joined our Board in January 2011. He is currently President and CEO of ACME Markets, a grocery business and a wholly owned subsidiary of Supervalu Inc. (NYSE: SVU). He previously served as President and Chief Executive Officer of Cub Foods, a wholly owned subsidiary of Supervalu Inc. He joined Supervalu Inc. in January 2010 from Pitney Bowes where he most recently served as President of U.S. Operations for Pitney Bowes Management Services. Mr. Wyche had been with Pitney Bowes since 2003 and held a number of progressively more responsible positions in general management, sales and operations.

The Board believes that the deliberations of our Board, particularly with respect to corporate governance, business operations and risk management, are significantly enhanced by Mr. Wyche s professional experience, including experience as a Chief Executive Officer and President of a division of a Fortune 500 company and President of a division of another Fortune 500 company.

Vote Required to Elect Nominees

Under Delaware law, the affirmative vote of a plurality of the shares present in person or by proxy at the Annual Meeting is required to elect directors, meaning that the nine director nominees receiving the highest number of votes will be elected. Our Board has adopted a policy requiring that in an uncontested election any director nominee who receives a greater number of votes withheld than votes for his or her election must tender his or her resignation to our Board for consideration by our Nominating and Corporate Governance Committee and our Board. For purposes of this calculation, abstentions will not be counted.

OUR BOARD RECOMMENDS THAT YOU VOTE FOR ALL OF THE NOMINEES FOR ELECTION AS DIRECTORS.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS,

DIRECTORS AND EXECUTIVE OFFICERS

Principal Stockholders

The following table sets forth information as of the dates noted in the footnotes about persons that, to our knowledge, as of October 10, 2012, beneficially owned more than 5% of our outstanding shares of common stock, determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percentage of Outstanding Common Stock
Janus Capital Management LLC 151 Detroit Street Denver, CO 02109	4,840,773(1)	8.9%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	4,743,545(2)	8.7%
Kornitzer Capital Management 5420 West 61st Place Shawnee Mission, KS 66205	3,967,797(3)	7.3%
BlackRock, Inc. 40 E. 52nd Street New York, NY 10022	2,854,045(4)	5.2%

(1) Based upon Schedule 13G dated February 14, 2012, filed with the Securities and Exchange Commission by Janus Capital Management LLC (Janus). Janus reported that it has sole voting power over no shares and sole dispositive power over 4,840,773 shares as a result of acting as investment advisor to other persons.

(2) Based upon Schedule 13G dated February 14, 2012, filed with the Securities and Exchange Commission by T. Rowe Price Associates, Inc. (T. Rowe). T. Rowe reported that it has sole voting power over 866,131 shares and sole dispositive power over 4,743,545 shares as a result of acting as investment advisor to other persons.

(3) Based upon an Amendment to Schedule 13G dated January 20, 2012, filed with the Securities and Exchange Commission by Kornitzer Capital Management, Inc. (KCM). KCM reported that it has sole voting power over 3,967,797 shares and sole dispositive power over 3,848,585 shares as a result of acting as investment advisor to other persons.

(4) Based upon an Amendment to Schedule 13G dated January 20, 2012, filed with the Securities and Exchange Commission by BlackRock, Inc. BlackRock, Inc. reported that it has sole voting and dispositive power over 2,854,045 shares as a result of acting as investment advisor to other persons.

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Security Ownership of Directors, Nominees and Executive Officers

The following table sets forth, as of October 10, 2012, information about the beneficial ownership of our common stock by each of our directors (all of whom are nominees, except Messrs. Louis and Neil Nicastro), our director nominee and our executive officers who are named in the Summary Compensation Table below and by all of our directors, nominees and executive officers as a group, determined in accordance with Rule 13d-3 of the Securities Exchange Act of 1934. Unless otherwise indicated, all shares shown as beneficially owned are held with sole voting and investment power.

Name of Beneficial Owner	Total Beneficially Owned (1)	Number of Vested Options (1)	Number of Shares of Restricted Stock or Units	Number of Deferred Units (2)	Percent of Outstanding Shares
Robert J. Bahash^	65,555	29,808	3,741		*
Orrin J. Edidin	276,181	181,427	35,351(3)		*
Brian R. Gamache^	663,356	398,302	35,399(3)		1.22%
Kenneth Lochiatto	176,089	129,196	26,248(3)		*
Patricia M. Nazemetz^	48,219	29,808	3,741		*
Louis J. Nicastro**	24,626	4,808	10,377	4,978	*
Neil D. Nicastro**	53,514	23,633	10,377	4,978	*
Larry J. Pacey	192,250	160,565	14,672(3)		*
Matthew Paull^	5,000				*
Edward W. Rabin, Jr.^	87,691(4)	19,808	10,377		*
Scott D. Schweinfurth	321,760	251,684	15,176(3)		*
Ira S. Sheinfeld^	68,500	42,308	10,377	4,978	*
Bobby L. Siller ^	42,286	29,808	3,741		*
William J. Vareschi, Jr.^	72,461	31,268	10,377	4,978	*
Keith R. Wyche^	28,741	25,000	3,741		*
Directors, Nominees and Executive Officers as a group (17 persons)	2,284,931	1,478,294	204,793	19,912	4.20%

^ Nominee for Director
* Less than 1% of issued and outstanding shares of common stock.
** Messrs. Louis and Neil Nicastro have indicated that they will retire from our Board in December 2012
(1) Includes shares subject to options that are currently exercisable or will become exercisable within 60 days. These shares are deemed outstanding for purposes of calculating the percentage of outstanding common stock owned by a person individually and by all directors and executive officers as a group but are not deemed outstanding for the purpose of calculating the individual ownership percentage of any other person.
(2) Deferred units are non-voting interests which represent the right to receive, upon departure from the Board, one share of our common stock for each deferred unit granted.
(3) Consists of restricted stock units which are non-voting interests.
(4) Includes 39,668 shares held by the Edward Rabin Trust and 4,500 shares held by Mr. Rabin s wife. Mr. Rabin disclaims beneficial ownership of the securities held by his wife.

CORPORATE GOVERNANCE

The following corporate governance materials are available and can be viewed and downloaded from the Corporate Governance section of the Investor Relations section of our website at **http://*ir.wms.com***: *(i) our Amended and Restated Certificate of Incorporation; (ii) our Amended and Restated By-laws; (iii) our Code of Conduct applicable to our directors, officers and employees; (iv) our Corporate Governance Guidelines; (v) our Whistleblower Policy; and (vi) the Charters of our Audit and Ethics, Compensation, and Nominating and Corporate Governance Committees.*

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Board *Nine meetings in fiscal year 2012*

Our Board is our ultimate decision-making body, responsible for overseeing our affairs, except with respect to those matters reserved to the stockholders by law or under our By-laws.

Each of our directors attended at least 75% of the aggregate number of meetings of the Board and all Committees on which he or she served during the fiscal year. Our non-employee directors hold regular executive sessions without management being present. During fiscal year 2012, our Board met in executive session without management being present at four meetings and our independent directors met in special session separately from management and any non-independent directors. Our Lead Director, who is not an executive officer, presides at executive sessions and special sessions of the Board.

Board Leadership

Since 2008, the position of Chairman and Chief Executive Officer has been combined in one person, Mr. Gamache, in order to unify the leadership of our company. Since that time, our Board has also named a Lead Director to provide our Board with leadership that is independent of management. Mr. Edward W. Rabin, Jr. has served as our Lead Director since July 1, 2008.

As Chief Executive Officer, Mr. Gamache focuses on our strategic direction, global expansion, customer and employee satisfaction, leadership development and corporate culture. In his role as Chairman, Mr. Gamache is responsible for presiding at meetings of the Board (other than executive sessions of non-employee directors or independent directors) and, in consultation with our Lead Director, setting schedules for meetings, developing agendas and determining the information to be provided to the directors.

Our Board has set the following criteria for our Lead Director: (i) independent in accordance with our standards for independence, (ii) no service as our full-time employee at any time, (iii) not a provider of professional services to us within the past five years, (iv) appointed by a majority vote of the independent members of the Board, and (v) served on the Board for at least one year.

Our Board has determined that our Lead Director has the following responsibilities:

- Participate with the Chairman of the Board in establishing and approving Board meeting schedules, the agenda for Board meetings, the time allotted for agenda items, and the information to be sent to the Board;
- Convene and preside at executive sessions of both the non-employee directors and independent directors;
- Serve as liaison between the Chairman of the Board and the non-employee directors;
- Preside at all Board meetings at which the Chairman of the Board is not present;

- Ø Facilitate communications between Board members and our officers, without in any way limiting the access of any Board member to such officers through other means;
- Ø Be available, if requested by any stockholder owning three percent or more of our outstanding stock, for consultation and direct communication with such stockholder; and
- Ø Such other responsibilities as our Board may specify from time to time in order to better serve us and our stockholders.

We believe that a leadership structure with a combined Chairman/CEO position and independent Lead Director is appropriate for our company at this time because it demonstrates to our employees, customers, suppliers, stockholders, other stakeholders and gaming regulators that our company is under strong leadership, with a single person setting the tone for our company and having primary responsibility for managing our operations. We believe that this structure provides us with a well-functioning and effective balance between strong company leadership and appropriate safeguards and oversight by our Lead Director and other non-employee directors. We believe that with this structure all Board members are well engaged in their responsibilities, and all Board members express their views and are open to the opinions expressed by other directors. We do not believe that appointing an independent Board Chairman would improve the performance of our Board. Our Board retains the authority to modify this structure as and when considered appropriate.

Risk Oversight

Management is responsible for identifying and managing risk. Our Board exercises regular oversight of our risk management. We have instituted an enterprise risk management process that is designed to identify risks across our company. Under this process various business risks are identified, assessed and prioritized. The top risks, and any mitigation plans associated with those risks, are reported to and discussed with the Board. We also manage risk through numerous controls and processes embedded in our operations.

At each regular quarterly meeting of the Board, management presents and discusses with the Board business and strategic risks. Additionally, each of our Board committees considers risk within its area of responsibility. Our Audit and Ethics Committee discusses with management our major financial risk exposures, and management reports to our Audit and Ethics Committee the steps management has taken to monitor and manage such exposures, including our internal controls and processes. Our Audit and Ethics Committee also reviews with our General Counsel legal matters that may have a material impact on our financial statements, any material correspondence with regulators or governmental agencies and any published reports which raised issues regarding our financial statements, financial disclosure or accounting policies. Our Compensation Committee considers risks arising from our compensation policies and practices for all employees. Our Gaming Compliance Committee considers risks related to our gaming licenses and compliance plan. We believe our division of risk identification and management is an effective approach for addressing the risks facing our company.

Periodically, our Compensation Committee reviews with management the design and operation of our compensation programs for all of our employees, including our executive officers, for the purpose of advising our Board whether such programs might encourage inappropriate risk taking that would be reasonably likely to have a material adverse effect on our company. The Compensation Committee considers, among other matters, the performance objectives, target levels and vesting requirements used in the incentive elements of our compensation programs. This year, based on this evaluation process, the Compensation Committee determined that our compensation policies and practices motivate our employees to achieve our corporate objectives and to remain with our company while avoiding unreasonable risk taking, and that our compensation policies and practices for our employees are not reasonably likely to have a material adverse effect on our company.

Governance Principles

Our Board has adopted Corporate Governance Guidelines and a Code of Conduct. Under our Code of Conduct, only the Board or a Committee of the Board may grant a waiver of this code to an executive officer or director. Any waiver will be promptly disclosed to our stockholders and as required by law or New York Stock Exchange regulations. We have established a whistleblower hotline for use by our employees and other interested parties to report suspected violations of our Code of Conduct or other complaints directly to executive management and our Audit and Ethics Committee. Quarterly, our internal audit department and General Counsel report any suspected violations of our Code of Conduct and any activity on our whistleblower hotline to our Audit and Ethics Committee and our Board. We offer all of our employees and directors ethics training at least annually on our Code of Conduct.

Our Board regularly reviews corporate governance developments and modifies its Corporate Governance Guidelines, Code of Conduct, charters and key policies and practices as warranted.

Stock Ownership Guidelines

Our Board has adopted stock ownership guidelines for our directors. The guidelines were originally adopted in September 2006 and have been reviewed and updated periodically, with the most recent update in June 2012. Originally, each director was required to own 5,000 shares of our common stock. With the most recent changes,

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under these guidelines, each of our Board members is now expected to acquire over time and then retain shares of our common stock equal in value to 500% of their annual cash retainer, which would be $625,000 of common stock. Deferred units and restricted stock held by our Board members count toward meeting the requirements but unexercised stock options do not.

Director Independence

It has been our policy, and it is a requirement of the listing standards of the New York Stock Exchange, that a majority of the members of our Board qualify as independent directors who have no material relationship with us, other than serving as a director. Our Board has adopted categorical standards to assist in the evaluation of the independence of each of our directors. A director who is not disqualified from being independent under Section 303A.02 of the New York Stock Exchange Listed Company Manual and who meets all of the following categorical standards is presumed to be independent:

- Ø The director is not, and has not within the past three years been, our employee; no immediate family member of the director is, or has within the past three years been, an executive officer our company.

- Ø The director or an immediate family member does not (directly or indirectly as a partner, shareholder or officer of another company) provide, and has not during any twelve month period within the last three years provided consulting, legal or financial advisory services to us for compensation exceeding, (i) for direct services, $120,000 or (ii) for indirect services, the greater of $1 million or 2% of such other company s revenues.

- Ø The director is not a current partner or employee of our independent registered public accounting firm; no immediate family member is currently, or within the last three years has been, a partner of our independent registered public accounting firm or works for our independent registered public accounting firm, or within the last three years has worked, on our audit.

- Ø The director is not, and within the last three years has not been, employed as an executive officer of another company where any of our current executive officers serves or served at the same time on that company s Compensation Committee.

- Ø The director does not serve as an executive officer or director of a civic or charitable organization that receives significant financial contributions from us. For purposes of this categorical standard, our Board will determine whether a financial contribution is considered significant on a case-by-case basis.

Our Board has determined that the following nominees for our Board of Directors are independent in accordance with our policies: Messrs. Bahash, Paull, Rabin, Sheinfeld, Siller, Vareschi and Wyche and Ms. Nazemetz.

In addition, in order to be nominated for election to our Board, our directors must possess a number of skills and other qualifications, as discussed below under the heading Nominating and Corporate Governance Committee Policies.

Evaluation of Board Performance

In 2012, as required by the Corporate Governance Standards of the New York Stock Exchange, our Board, led by the Nominating and Corporate Governance Committee, conducted its annual evaluation of our Board s performance as a whole. Each standing Committee of our Board conducted a separate evaluation of its own performance and the adequacy of its charter. Each Committee then reported the results of its self-evaluation to the Board as a whole. The Nominating and Corporate Governance Committee considers these evaluations during the nominating process.

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Director Education

We strongly encourage our directors to participate in third-party provided continuing education periodically. Additionally, our Audit and Ethics Committee participates in regular quarterly educational sessions provided by our Finance Department covering critical accounting policies, new accounting principles and accounting practices and trends.

COMMITTEES OF THE BOARD

To assist it in carrying out its duties, our Board has delegated specific authority to three standing Committees: Audit and Ethics Committee; Nominating and Corporate Governance Committee; and Compensation Committee. Our Board has determined that all of the members of these Committees are independent directors in accordance with our policies and standards of independence. In addition to these standing committees, our Board has selected a Gaming Compliance Committee to oversee our gaming regulatory compliance program.

Audit and Ethics Committee *Eleven meetings in fiscal year 2012*

The Audit and Ethics Committee is currently composed of three independent directors: Messrs. Bahash (Chair), Rabin and Vareschi. Our Board has determined that each member of our Audit and Ethics Committee is financially literate and that Messrs. Bahash and Vareschi are audit committee financial experts. Our Audit and Ethics Committee:

- Reviews our annual and quarterly financial statements, including our quarterly earnings releases.
- Engages our independent registered public accounting firm and approves their fees.
- Reviews the reports of our independent registered public accounting firm and the independence and performance of such accounting firm.
- Reviews and discusses our critical accounting policies with our independent registered public accounting firm.
- Reviews and discusses the effectiveness of our internal control over financial reporting with our independent registered public accounting firm.
- Monitors investigations of any reports of violations of our Code of Conduct and oversees any investigations relating to accounting controls, financial reporting or potential fraud.
- Supervises and oversees our internal audit department.
- Pre-approves any non-audit related services to be provided by our independent registered public accounting firm and all related fees.

- Ø Reviews with our internal audit department and independent registered public accounting firm the scope of, plans for and results of their respective audits.

The Audit and Ethics Committee also performs the other functions described in its charter, which is available on our website at **http://*ir.wms.com***. The Audit and Ethics Committee met in executive session with our independent registered public accounting firm without management being present four times in fiscal year 2012. Please also see the Audit and Ethics Committee Report beginning on page 70 of this Proxy Statement.

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Compensation Committee *Nine meetings in fiscal year 2012*

The Compensation Committee is currently composed of three independent directors: Ms. Nazemetz (Chair), and Messrs. Bahash and Rabin. The Compensation met in executive session four times without management being present in fiscal year 2012. Our Compensation Committee:

- Ø Reviews and approves corporate goals and objectives relevant to the compensation of our Chief Executive Officer and our other senior officers.
- Ø Makes recommendations to the independent members of our Board with respect to compensation of our Chief Executive Officer, including bonus amounts, bonus metrics, and salary increases, and to the full Board with respect to compensation of our other senior officers.
- Ø Evaluates our Chief Executive Officer s performance.
- Ø Recommends to our Board the timing, pricing and the amount of equity grants to our non-employee directors and senior officers under the provisions of our equity compensation plans.
- Ø Administers, approves and ratifies equity grants to other employees and consultants under the provisions of our equity compensation plans.

Our Compensation Committee also performs the other functions described in its charter, which is available on our website at **http://*ir.wms.com***. Please also see the Compensation Discussion and Analysis and Compensation Committee Report beginning on page 24 of this Proxy Statement.

Compensation Consultants

The Compensation Committee periodically engages its own consultant, Steven Hall & Partners (SH&P), to analyze market data and to provide general compensation advice to the Committee, particularly on executive management compensation and director compensation. This consultant does not provide any services to us other than the services provided directly to the Committee. From time to time, our human resources department engages consultants (other than SH&P) to help evaluate our compensation programs for non-executive management.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee is or ever was an employee or officer of our company or any of its subsidiaries. None of our executive officers serves as a member of the board or the compensation committee of any other company that has an executive officer serving as a member of our Board or our Compensation Committee.

Nominating and Corporate Governance Committee *Four meetings in fiscal year 2012*

The Nominating and Corporate Governance Committee is currently composed of four independent directors: Messrs. Vareschi (Chair), Siller and Wyche, and Ms. Nazemetz. Our Nominating and Corporate Governance Committee:

- Identifies individuals qualified to become Board members and makes recommendations about the nomination of candidates for election to our Board, as discussed in greater detail below.

- Makes recommendations regarding corporate governance policies and procedures.

- Oversees the annual evaluation of our Board.

Our Nominating and Corporate Governance Committee also performs the other functions described in its charter, which is available on our website at ***http://ir.wms.com***.

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Selection of Nominees for Election at the Annual Meeting

Except for Mr. Paull, all of the nominees listed on the accompanying proxy card are currently serving on our Board. Mr. Paull was identified and recommended by a search firm, Robert Gariano Associates, who our Nominating and Corporate Governance Committee engaged to identify and provide background information concerning potential candidates for our Board.

Nominating and Corporate Governance Committee Policies

Qualifications of Directors. Under our By-laws, each director must be at least 21 years of age and will not be qualified to serve as a director if any gaming authority has communicated its determination that such individual is not suitable for being licensed or not licensable by such authority. Further, under a policy formulated by our Nominating and Corporate Governance Committee, we require that all candidates for director (i) be persons of integrity, sound ethical character and judgment; (ii) have no interests that materially impair their independent judgment or their ability to discharge their fiduciary duties to us and our stockholders; (iii) have demonstrated business, governmental or technical achievement and acumen; and (iv) have adequate time to devote to service on our Board and have committed to serve on no more than two other boards of directors of publicly traded companies. We also require that a majority of our directors be independent, as described above under Director Independence. In addition, at least three of our directors must have the financial literacy necessary to serve on our Audit and Ethics Committee, and at least one of our directors must qualify as an audit committee financial expert.

We do not have a specific diversity policy for our Board, however we consider diversity to be a critical factor in evaluating the composition of our Board, and that for this purpose diversity includes perspectives, experience, differences and viewpoints, as well as race, ethnicity and gender. The overall director qualifications that we seek are described in the preceding paragraph. Whenever our Nominating and Corporate Governance Committee and Board evaluates a potential candidate for our Board, the Committee and Board consider that individual in the context of the composition of our Board as a whole.

Required Resignation under Certain Circumstances. In addition to our majority voting policy described below, our Nominating and Corporate Governance Committee has adopted a policy that each director must offer to tender his or her resignation to our Board in the event a director changes his or her principal employment. Our Board will consider whether it will accept such offer by evaluating whether the director still meets our policy for nominations, taking into account whether the new position creates a conflict of interest that may materially impair the director s independent judgment or ability to discharge the director s fiduciary duties to us and our stockholders, allows adequate time to devote to service on our Board or commits the director to serve on more than two other boards of directors of publicly traded companies.

In June 2012, Mr. Bahash retired from his position as President of McGraw-Hill Education. In accordance with Board policy, Mr. Bahash offered to tender his resignation from our Board. Our Board considered Mr. Bahash s offer and decided not to accept it after our Board determined that Mr. Bahash still meets our policy for nominations, his retirement does not create a conflict of interest that may materially impair his independent judgment or ability to discharge his fiduciary duties to our Board and our stockholders; and Mr. Bahash s retirement allows him adequate time to devote to service on our Board.

Majority Voting. Our majority voting policy, as set forth in our Corporate Governance Guidelines, provides that in an uncontested election of directors, any nominee who receives a greater number of votes withheld than votes for his or her election must tender his or her resignation to our Board for consideration by our Nominating and Corporate Governance Committee and our Board. For purposes of this calculation, abstentions will not be counted. When considering a resignation, the Nominating and Corporate Governance Committee will take into account the following factors:

- Any stated reasons why votes were withheld and any available methods for curing such issues;
- The tenure and qualifications of the director;

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- Ø The director s past and expected future contributions; and

- Ø The overall composition of our Board, our director criteria and our, the New York Stock Exchange s and the Securities and Exchange Commission s requirements for board composition.

Based on this analysis, the Nominating and Corporate Governance Committee will recommend that our Board (i) accept the resignation, (ii) decline the resignation but address the underlying cause of the withheld votes, (iii) decline the resignation but determine that the director will not be nominated again or (iv) decline the resignation. The independent members of our Board, excluding any director who received more withhold votes than for votes, will have 90 days following the stockholders meeting when the election occurred to consider the resignation and the Nominating and Corporate Governance Committee s recommendation, and we will promptly disclose any decision with respect to the tendered resignation on a current report on Form 8-K filed with the Securities and Exchange Commission.

In accordance with this policy, each nominee for director has submitted his or her resignation to the company which resignation will only be effective upon the occurrence of both of the following events:

- Ø A greater number of votes are withheld or voted against the election of such director than are voted for such director; and

- Ø Such director s resignation is accepted by our Board.

Stockholder Recommendations of Candidates for Election as Directors. Our By-laws provide that the Nominating and Corporate Governance Committee will consider recommendations for director nominations submitted by stockholders that individually or as a group have beneficial ownership of at least three percent of our common stock, but only when an incumbent is not being nominated for the position and the recommended nominee satisfies the minimum qualifications prescribed by the Nominating and Corporate Governance Committee for all nominees as described above. For each Annual Meeting, the Nominating and Corporate Governance Committee will accept for consideration only one recommendation from any stockholder or affiliated group of stockholders. Submissions must be made in accordance with the Nominating and Corporate Governance Committee s procedures, as outlined below.

Procedures for Stockholder Submission of Nominating Recommendations. A stockholder wishing to recommend to the Nominating and Corporate Governance Committee a candidate for election as a director must submit the recommendation, in writing, addressed to the Nominating and Corporate Governance Committee in care of our Corporate Secretary at 800 South Northpoint Boulevard, Waukegan, Illinois 60085. The submission must be made by mail, courier or personal delivery. E-mail submissions will not be considered.

The submission must be made in accordance with the provisions of Article I, Section 14 of our By-laws. Our By-laws are filed with the Securities and Exchange Commission and are incorporated by reference from an exhibit to our Current Report on Form 8-K, filed on May 10, 2007, and can be viewed and downloaded from the Corporate Governance section of the Investor Relations section of our website at **http://*ir.wms.com***. Under Section 14, among other requirements, the submission must generally be delivered no later than 90 days nor earlier than 120 days prior to the anniversary of the prior year s Annual Meeting. This year, that period was from August 10, 2012 to September 9, 2012, and we did not receive any submissions from stockholders. Next year, provided we do not change our meeting date or our By-laws, the submission period will extend from August 8, 2013 to September 7, 2013. The submission must include information about the proposed nominee, including his or her age, business and residence addresses, principal occupation, the class and number of shares beneficially owned and such other information as would be required to be included in a proxy statement soliciting proxies for the election of the proposed nominee, and information about the stockholder recommending the nomination of that person. Submissions from our stockholders must also include information about the stockholder making the submission such as (i) the stockholder s name and address, (ii) the class and number of shares held by the stockholder, (iii) a representation that the stockholder is entitled to vote at the meeting in person or by proxy and (iv) a representation concerning the stockholder s plan to solicit proxies in support of the proposal. Our stockholders should refer to the By-laws for a complete description of the requirements.

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Under the Nominating and Corporate Governance Committee s policy, the recommendation must also be accompanied by the consent of the proposed nominee to serve if nominated, to be identified in the proxy statement and to be interviewed by the Nominating and Corporate Governance Committee, if it chooses to do so. The submission must include the proposed nominee s contact information for this purpose. The submission must also describe all relationships between the proposed nominee and (i) any of our competitors, customers, suppliers or other persons with interests regarding us and (ii) the recommending stockholder, as well as any agreements or understandings between the recommending stockholder and the proposed nominee regarding the recommendation. Furthermore, the submission must state the basis for the recommender s views that the proposed nominee (i) possesses the minimum qualifications prescribed by the Nominating and Corporate Governance Committee for nominees, briefly describing the contributions that the nominee would be expected to make to our Board and to our governance and (ii) would represent all stockholders and not serve for the purpose of advancing or favoring any particular stockholder or other constituency. The submission, if by a holder of over five percent of our common stock, must state whether or not the stockholder submitting the recommendation consents to be identified in the proxy statement.

The Process of Identifying and Evaluating Candidates for Directors. Our directors terms on our Board expire annually. We are of the view that the continuing service of a substantial number of qualified incumbents promotes stability and continuity in the boardroom. In selecting candidates for nomination for election to our Board at our Annual Meetings, the Nominating and Corporate Governance Committee begins by determining whether the incumbent directors desire to continue their service on our Board. The Nominating and Corporate Governance Committee then considers whether our incumbent directors who desire to remain on our Board continue to satisfy the qualifications for director candidates described above. The Nominating and Corporate Governance Committee also considers our director succession plan and assesses the directors performance during the preceding term.

If there are Board positions for which the Nominating and Corporate Governance Committee will not be re-nominating an incumbent, the Committee will solicit recommendations for nominees from persons whom the Committee believes are likely to be familiar with qualified candidates, including members of our Board and our senior officers. The Nominating and Corporate Governance Committee may also engage a search firm to assist in identifying qualified candidates. The Nominating and Corporate Governance Committee will evaluate candidates recommended by stockholders in the same manner as candidates recommended by other persons, except that the Committee may consider, as one of the factors in its evaluation of stockholder-recommended candidates, the size and duration of the interest of the recommending stockholder or stockholder group in our equity securities.

The Nominating and Corporate Governance Committee will review and evaluate each candidate whom it believes merits serious consideration, assembling and reviewing the available relevant information concerning the candidate, including the qualifications for Board membership established by the Committee, the contribution that the candidate can be expected to make to the overall functioning of our Board and other factors that it deems relevant. The Nominating and Corporate Governance Committee may solicit the views of management and other members of our Board in evaluating each candidate. Every candidate who, in the Nominating and Corporate Governance Committee s opinion, merits serious consideration will also be interviewed by members of our Board.

Gaming Compliance Committee *Seven meetings in fiscal year 2012*

In addition to the standing Board Committees, we also have a Gaming Compliance Committee that is composed of Messrs. Neil Nicastro, Bobby Siller, and Steve DuCharme (Chair). Mr. DuCharme, who is not a member of our Board, has served on our Gaming Compliance Committee since December 2004 and has served as a gaming compliance consultant to us since January 2002. Mr. DuCharme previously served as a member of the Nevada State Gaming Control Board for ten years (from 1991 to 2001), including two years as Chairman. Mr. DuCharme holds a degree in Criminal Justice from the University of Nevada Las Vegas and served 20 years on the Las Vegas Metropolitan Police Department, including as Commander of the Crime Prevention Bureau,

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prior to his appointment to the Nevada Gaming Control Board in January 1991. Mr. DuCharme also serves as Chairman of the Compliance Committee for Penn National Gaming, Inc. and BMM Independent Test Labs, and is the Chairman of the Pokagon Band Gaming Commission in Michigan. He serves as a member of the Compliance Committee for Isle of Capri Casinos, Inc., the Hard Rock Casino in Las Vegas, Whitehall Managers (LVH Las Vegas Hotel & Casino), Oaktree Capital Management (Cannery Casino Resorts) and American Casino & Entertainment Properties LLC (the Stratosphere) and is a former Gaming Commissioner for the St. Regis Mohawk Tribal Gaming Commission.

Our Gaming Compliance Committee identifies and evaluates potential situations, among other things, arising in the course of our business that may cause regulatory concern to gaming authorities. The Gaming Compliance Committee is governed by the WMS Industries Inc. General Gaming Compliance Review and Reporting Plan that has been approved by certain of our gaming regulators, such as the Nevada State Gaming Control Board, as required from time to time.

ADDITIONAL INFORMATION RELATING TO OUR BOARD

Communications with Directors

Stockholders and other interested parties may communicate with our Board, our Lead Director, our non-employee directors as a group, or with specified individual directors by mail addressed to WMS Industries Inc., 800 South Northpoint Boulevard, Waukegan, Illinois 60085 or by e-mail at *boardofdirectors@wms.com*.

Communications will be opened and screened for security purposes. Advertisements, solicitations, form letters, personal grievances and the like, or communications that appear to be intimidating, threatening, illegal or similarly inappropriate will be forwarded only upon the request of our directors.

Director Attendance at Annual Meetings of Stockholders

Directors are expected to attend our Annual Meetings of Stockholders. At last year s Annual Meeting, all of our directors standing for election on that date attended in person.

Director Compensation

Basic compensation for our non-employee directors, before committee fees, consists of a cash component payable in monthly installments and an equity component which we typically award in September. The equity component is typically awarded on the same date we make our annual equity awards to our senior management. Since fiscal year 2011, our Board (with Mr. Gamache abstaining from discussion and voting), following the recommendation made by our Compensation Committee after consultation with its outside advisor, SH&P, has set annual non-employee director compensation at approximately $275,000 consisting of a cash component of $125,000, which is paid monthly during the year as Board fees, and an equity component of approximately $150,000, consisting of:

- Ø Stock options with an exercise price equal to 100% of the closing trading price of our common stock on the date of grant with a Black-Scholes value of approximately $75,000 on the date of grant, vesting on the second anniversary of the date of grant, and expiring after seven years; and

- Ø Restricted stock valued at approximately $75,000 based on the closing trading price of our common stock on the date of grant, vesting 100% on the second anniversary of the date of grant.

Depending on the price of our stock, because we do not award stock options or restricted stock in fractional shares, such grants may vary in value slightly from year to year. The vesting of the restricted stock and stock options described above is subject to acceleration in the event of (a) a director s death or permanent or total disability, (b) a Change-in-Control of our company as defined in the WMS Industries Inc. Incentive Plan (2009

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Restatement) (Incentive Plan), which definition is unchanged in our proposed 2012 Restated Incentive Plan, (c) the retirement from our Board by a director with the Board s approval and six months prior notice or such shorter period as approved by the majority of the remaining directors, and (d) a director s involuntary termination of service with our company, other than by reason of (i) willful refusal of a director to perform his or her duties, (ii) violation of our policies, (iii) failure to meet the director qualification requirements set forth in our By-laws, or (iv) failure of our Board to re-nominate him or her, or failure to meet our suitability requirements due to any of the reasons described in clauses (d)(i) through (d)(iii) above.

In addition to the cash fees for board service of $125,000 per year, our committee members and chairs also receive cash fees for their committee service. Annual committee fees, including additional fees for a director serving as chair of a committee, vary from $5,000 to $30,000 per year and are paid monthly for each month during which the director serves on such committee. In recognition of his additional responsibility, our Lead Director receives an additional annual retainer of $50,000, payable in monthly installments.

Newly elected non-employee directors will receive a stock option to purchase 25,000 shares of our common stock; such stock option is granted on or after the effective date of his or her initial election or appointment to our Board and becomes exercisable upon the first anniversary of its grant date.

Non-employee Director Compensation

The following table and accompanying narrative provide information relating to compensation paid to our non-employee directors in fiscal year 2012. Mr. Gamache, our Chairman, is our sole employee director and receives no separate compensation for serving as our Chairman or a director. For information concerning Mr. Gamache s compensation as our Chief Executive Officer see Executive Compensation beginning on page 24 of this Proxy Statement.

DIRECTOR COMPENSATION TABLE

Name	**Fees Earned or Paid in Cash (2) ($)**	**Stock Awards (3) ($)**	**Option Awards (4) ($)**	**All Other Compensation (5) ($)**	**Total ($)**
Robert J. Bahash	160,000	75,007	74,999	286	310,292
Patricia Nazemetz	145,000	75,007	74,999	286	295,292
Louis J. Nicastro	125,000	75,007	74,999	488,191	763,197
Neil D. Nicastro	135,000	75,007	74,999	27,991	312,997
Edward W. Rabin, Jr.	205,000	75,007	74,999	286	355,292
Ira S. Sheinfeld	125,000	75,007	74,999	286	275,292
Bobby L. Siller	140,000	75,007	74,999	286	290,292
William J. Vareschi, Jr.	162,500	75,007	74,999	12,189	324,695
Keith R. Wyche (1)	127,500	75,007	74,999	286	277,792

(1) *Service for Less than the Fiscal Year*: Mr. Wyche served on the Nominating and Corporate Governance Committee of our Board for a portion of fiscal year 2012, beginning in December 2011.

(2) *Fees Earned or Paid in Cash*: This column reflects annual cash fees paid in monthly installments to directors while they serve as a director. Non-employee directors serving in committee positions receive additional annual cash compensation, with the chair of the

committee receiving fees at a higher annual rate. All such annual fees are paid in monthly installments as services are rendered. The annual rates for such services for fiscal year 2012 are set forth below:

Position	Audit and Ethics Committee Fees	Compensation Committee Fees	Nominating and Corporate Governance Committee Fees	Gaming Compliance Committee Fees
Chair	$ 30,000	$ 15,000	$ 12,500	$ 15,000
Member	25,000	5,000	5,000	10,000

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(3) *Stock Awards*: The amounts shown in this column reflect the dollar amount of the grant date fair value of 3,741 shares of restricted stock granted on September 15, 2011 with restriction lapsing on 100% of such shares on September 15, 2013.

(4) *Option Awards*: The amounts shown in this column reflect the dollar amount of 8,813 options awarded on September 15, 2011 with a vesting schedule of 100% on September 15, 2013.

(5) *All Other Compensation:* Amounts shown in this column consist of (i) amounts reimbursed under a medical reimbursement plan made available to our directors and their spouses at our expense that is supplementary to their primary medical insurance and also includes amounts reimbursed as primary insurance for Mr. Louis Nicastro and his spouse (amounting to $36,567) and Mr. Neil Nicastro and his family, (ii) life insurance premiums, (iii) travel and entertainment expenses of directors spouses in connection with Board meetings and company-sponsored events and (iv) for Mr. Louis Nicastro includes $450,000 paid to him under his Advisory Services Agreement described under Transactions with Related Persons.

Director Emeritus Program

We implemented a Director Emeritus program in 2004 as part of our director succession planning. The program provides that new directors elected after August 2004 will be subject to mandatory retirement from our Board at age 75 or after 20 years of service on our Board, provided that our Board may waive a director s mandatory retirement by action of 75% of the other directors. Members of our Board who were members when the program was adopted and who have reached the age of 75 or have served for at least 20 years will gradually be replaced by new directors in order to maintain continuity and avoid losing the benefit of valuable experience.

Each director leaving our Board for any reason who has reached at least 75 years of age, or who has served for at least 20 years on our Board, will be designated a Director Emeritus for four years after leaving our Board if the individual (i) is willing to assist our Board from time to time upon request by our Board, (ii) agrees not to use our trade secrets or confidential information and (iii) agrees not to solicit our employees on behalf of competitors. For each year or partial year of service on our Board or as an executive officer of ours or our predecessors (up to a maximum of 25 years), a Director Emeritus will receive each of the following:

Ø A fee of $1,500 per year of service, paid in each of the first two years after leaving our Board.

Ø A fee of $750 per year of service, paid in each of years three and four after leaving our Board.

Ø Three months of continuing supplemental health coverage per year of service.

Ø Fully vested five year stock options to purchase 1,500 shares per year of service, exercisable at 100% of the market price on the day the director leaves our Board.

Past executive service as a non-director executive of our company will not count when calculating a Director Emeritus award.

For example, both Mr. Louis Nicastro and Mr. Neil Nicastro, who are not standing for re-election at the Annual Meeting and who each served as one of our directors for more than 25 years, will receive: (i) $37,500 per year for the first two years after leaving our Board; (ii) $18,750 per year in each of the next two years; and (iii) an option to purchase 37,500 shares at the market price on the close of business on the day they retire from our Board. Under the program, each is entitled to 75 months of supplemental health coverage; however, pursuant to his previous employment relationship with us, Mr. Louis Nicastro and his spouse are eligible for continued primary health coverage. Mr. Louis Nicastro will also continue to receive consulting fees under our advisory services arrangement with him, as described below under Transactions with Related Persons.

TRANSACTIONS WITH RELATED PERSONS

The rules and regulations of the Securities and Exchange Commission require us to disclose in our Proxy Statement any and all material transactions with our company in which related persons have a direct or indirect material interest. Related persons include our directors, nominees for director, executive officers, and any

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immediate family members of such persons. Immediate family members are defined by the Securities and Exchange Commission to consist of a person s spouse, parents, children, siblings, mothers or fathers-in-law, sons or daughters-in-law, or brothers or sisters-in-law. Transactions include any financial transaction, arrangement or relationship, including any indebtedness transaction.

We review all relationships and transactions in which our company and our directors and executive officers or their immediate family members are participants to determine whether such persons have a direct or indirect material interest. Our policy and procedure regarding related person transactions is contained within our Code of Conduct. Our legal staff is primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether our company or a related person has a direct or indirect material interest in the transaction. Our Code of Conduct provides that no related person transaction may be undertaken by an employee, officer or director without full disclosure of the terms of such transaction in writing to our General Counsel and the approval of our General Counsel of the transaction. Our legal staff is also responsible for presenting any significant related person transactions to our Audit and Ethics Committee for their review in accordance with their Charter.

Based on the information available to us and provided to us by our directors and executive officers, we do not believe, except as described below, that any transactions with a related person were entered into during fiscal year 2012. An Advisory Agreement with Mr. Louis Nicastro, dated May 5, 2008 was previously approved and was amended on September 24, 2010. Under that amended agreement, Mr. Nicastro provides business advisory services to us as requested from time to time by our Board, Lead Director, Chairman or the Chair of any of our committees of the Board. In exchange for such services, we pay Mr. Nicastro $450,000 per year in equal monthly installments. Pursuant to the 2010 amendment, the agreement will automatically renew for one-year terms ending June 30, unless either party gives not less than 90 days notice not to renew prior to the expiration of the agreement. Mr. Neil Nicastro, a member of our Board, is the son of Mr. Louis Nicastro. Messrs. Louis and Neil Nicastro have notified us that they will retire from our Board at our 2012 Annual Meeting.

EXECUTIVE OFFICERS

The following individuals have been elected by our Board to serve in the capacities set forth below for WMS Industries Inc. until the next Annual Meeting of our Board and until their respective successors are elected and qualify.

Name	Age	Position
Brian R. Gamache	53	*Chairman and Chief Executive Officer*
Orrin J. Edidin	51	*President*
Scott D. Schweinfurth	58	*Executive Vice President, Chief Financial Officer and Treasurer*
Larry J. Pacey	48	*Executive Vice President, Global Products and Chief Innovation Officer*
Kenneth Lochiatto	49	*Executive Vice President, Chief Operating Officer*
Kathleen J. McJohn	53	*Senior Vice President, General Counsel and Secretary*
John P. McNicholas, Jr.	59	*Vice President, Controller and Chief Accounting Officer*

Brian R. Gamache The principal occupation and employment experience of Mr. Gamache during the last five years is described under Proposal 1 Election of Directors above.

Orrin J. Edidin Orrin J. Edidin began serving as our President in July 2008. In July 2012, Mr. Edidin was also named President and Chief Executive Officer of our newly formed subsidiary, Williams Interactive LLC, which will bring together under one global umbrella organization all of our existing online, social, casual and mobile gaming operations and resources. Mr. Edidin joined our company in 1997 and served as our

Vice President, Secretary and General Counsel until September 2001, when he became our Executive Vice President, General Counsel, Secretary and Chief Operating Officer. In January 2003, he resigned as General Counsel and in February 2003, he resigned as Secretary, continuing to serve as our Executive Vice President and Chief

Operating Officer until he was named our President. Prior to joining our company, Mr. Edidin was Associate General Counsel for Fruit of the Loom, Inc. and Farley Industries. From 1986 through 1992, he was a Senior Attorney with the Chicago law firm of Katten Muchin Zavis Rosenman. Mr. Edidin is a Trustee of the International Association of Gaming Advisors and is Vice President of the Association of Gaming Equipment Manufacturers.

Scott D. Schweinfurth Scott D. Schweinfurth joined us in April 2000, assuming the offices of Executive Vice President, Chief Financial Officer and Treasurer. He is a registered certified public accountant and was, from 1996 until March 2000, Senior Vice President, Chief Financial Officer and Treasurer of the company now known as Bally Technologies (NYSE: BYI), a diversified gaming company. Mr. Schweinfurth also acted as Managing Director of Bally s Germany-based Bally Wulff subsidiary from November 1999 to March 2000. Bally acquired Bally Gaming International in 1996, where Mr. Schweinfurth had served as Senior Vice President, Chief Financial Officer and Treasurer since 1995. Prior to that time, he was employed by Ernst & Young for 18 years, the last six as a partner. Mr. Schweinfurth serves as the Chairman of the Accountancy Advisory Group of Miami University and is a Trustee of the International Association of Gaming Advisors and a member of its Audit Committee.

Larry J. Pacey Larry J. Pacey has served as our Executive Vice President, Global Products and Chief Innovation Officer since July 2008. Mr. Pacey joined our subsidiary, WMS Gaming Inc., in 2001 as Executive Director of Games. In 2002, he was promoted to Vice President of Game Development and then, in 2005, he was promoted to Senior Vice President of Product Development with additional responsibilities for engineering and game development. He has an extensive background in the interactive entertainment and video gaming industry, joining our company after previously having been Executive Producer with n-Space, Segasoft (a division of Sega) and Atari.

Kenneth Lochiatto Kenneth Lochiatto began serving as our Executive Vice President, Chief Operating Officer in July 2008. In July 2012, Mr. Lochiatto was named President and Chief Operating Officer of our subsidiary, WMS Gaming Inc., which he originally joined in April 2006 as Senior Vice President of Sales Operations. Prior to working for our company, Mr. Lochiatto spent 22 years with the General Electric Company (NYSE: GE), where he held a number of progressively more responsible positions in general management, sales, marketing and corporate audit. At General Electric, Mr. Lochiatto served as Americas Commercial Leader Fluids and Coatings in the GE Silicones sector from 2001 through 2003 and then as Business Leader Advanced Communication Systems within the GE Transportation segment until his departure in 2006.

Kathleen J. McJohn Kathleen J. McJohn joined us in January 2003, assuming the offices of Vice President, General Counsel and Secretary in February 2003. Ms. McJohn was named Senior Vice President, General Counsel and Secretary in June, 2012. Previously, Ms. McJohn served in the law department of Sears, Roebuck and Co. (NASDAQ: SHLD) for more than five years, lastly as Vice President, Law Merchandising, in which she served as their primary counsel for all merchandise businesses and was responsible for all commercial, regulatory and general legal counseling for the merchandise businesses. Ms. McJohn also served as corporate attorney for Amoco Corporation from 1993 to 1996 and began her career as an associate at Latham & Watkins, a global law practice.

John P. McNicholas, Jr. John P. McNicholas, Jr. joined us in September 2003, as Executive Director Finance. He was promoted to Chief Accounting Officer in November 2005 and to Vice President, Controller and Chief Accounting Officer in August 2006. He is a registered certified public accountant and was, from 2001 to 2003, an independent accounting consultant. From 1999 to 2001 he was Vice President Finance, Treasurer and Chief Financial Officer of ForeFront Education, Inc., a private company which acquired and operated for-profit colleges. Mr. McNicholas was Senior Vice President, Controller and Chief Accounting Officer of Information Resources, Inc. a NASDAQ market research and software company from 1995 to 1999. From 1985 to 1995, Mr. McNicholas held the position of Vice President, Controller and Chief Accounting Officer of ITEL Corporation, a New York Stock Exchange diversified holding company. Prior to that time, he was employed by Ernst & Young for nine years, the last four as an audit manager.

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EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis provides a detailed description of our executive compensation philosophy and programs, the compensation decisions made by the Compensation Committee and the issues considered in making such decisions. Our executive compensation programs are designed to attract, reward and retain our executive officers. This Compensation Discussion and Analysis focuses on the compensation of our named executive officers for the fiscal year ending June 30, 2012, who were:

Name	Title
Brian R. Gamache	Chairman of the Board and Chief Executive Officer
Orrin J. Edidin	President
Scott D. Schweinfurth	Executive Vice President, Chief Financial Officer and Treasurer
Larry J. Pacey	Executive Vice President, Global Products and Chief Innovation Officer
Kenneth Lochiatto	Executive Vice President, Chief Operating Officer

Executive Summary

2011 Say-On-Pay Vote

At our 2011 Annual Meeting of Stockholders, we conducted our first say-on-pay vote and 96.7% of the votes cast by our stockholders were in approval of our executive compensation program. In recognition of this high vote of support and our belief that our approach to compensation continues to represent a strong alignment between executive pay and the performance of our stock and business, we have made no changes to the program design for fiscal years 2012 and 2013. As a result of our alignment of pay with performance and recent challenges in our business and stock price performance, the pay realized by our named executive officers in fiscal year 2012 was between 35% and 45% of the values shown in the Summary Compensation Table. See the section beginning on page 38 of this Proxy Statement for a fuller explanation of the alignment between our named executive officers pay and our performance, and the section beginning on page 41 for our Realized Pay Table.

Key Business Developments

The weak global economy remained a challenge for our industry in fiscal year 2012. The economic weakness has lowered consumer disposable income and hampered spending on leisure activities, including casino visits. Casino operators response to the weak economy has been to maintain constraints on their capital budgets for replacing or adding new gaming machines. In addition, in fiscal year 2011 and the first half of fiscal year 2012, we experienced slower-than-anticipated commercialization of our new products.

In light of these industry challenges and the slow rate of new product commercialization, we undertook a critical review of our business strategies and product plan in late fiscal year 2011 and early fiscal year 2012. As a result of that assessment, we took decisive actions in the fourth quarter of fiscal year 2011 and the first quarter of fiscal year 2012 to refine our product set and sharpen our focus on core products that would meet the near-term needs of our customers, and we realigned our organizational structure and resources to support the appropriate new priorities. In addition, we deferred certain selected projects for future development, terminated some product concepts that lacked sufficient customer demand and reduced our employee workforce by approximately 10% to adjust our cost structure to the lower level of revenues.

These decisions resulted in net pre-tax impairment and restructuring charges and asset write-downs of approximately $28 million during fiscal year 2011, and a further $14 million in the first quarter of fiscal year 2012. Notwithstanding these industry challenges and our incremental costs, we were profitable in each quarter of fiscal year 2012, and demonstrated meaningful operating progress in each sequential quarter during the fiscal year as a result of our improvement initiatives.

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We achieved the following in fiscal year 2012:

- Ø Our total revenues were $690 million, we generated $64 million of net income, inclusive of all costs and charges, and generated $156 million of cash flow from operating activities.

- Ø We had quarterly sequential improvements in new unit shipments, total revenues, gross profit and operating income in each quarter of fiscal year 2012.

- Ø We improved the flow of new product commercialization during the year, while expanding the number of unique new math models underpinning the games, helping to drive quarterly sequential improvements in ship share in the second half of fiscal 2012.

- Ø We grew our sales of new game conversion kits throughout the year, selling 19,900 conversion kits in fiscal 2012 compared to 8,200 conversion kits in fiscal 2011 for an increase of 143%.

- Ø Beginning in the March 2012 quarter, we reversed the declining trend in the installed base of participation games and re-established our track record for introducing innovative new products to support the potential for further growth. By June 30, 2012, we increased the installed participation base by 279 units to 9,561 gaming machines from 9,282 at December 31, 2012.

- Ø We achieved a company record high product sales gross margin of 55% in the June 2012 quarter, which had been a goal for several years, and we accomplished this despite a lower average selling price for new units.

- Ø In aggregate, due to organizational restructuring and our disciplined approach to managing costs, we lowered our total selling and administrative and research and development expenses for the fiscal year by $30 million versus the previous fiscal year, excluding impairment, restructuring and other charges for asset write-downs.

- Ø We purchased 2.4 million shares, or 4%, of our common stock for approximately $50 million with an average price per share of $20.62. By August 15, 2012, we reported that we had purchased another $5 million or 0.6% of our common stock, and, as of that date, had approximately $143 million remaining under our share repurchase authorization which will expire on August 2, 2013.

- Ø Our balance sheet remained strong. We ended our fiscal year on June 30, 2012 with $76 million of cash, cash equivalents and restricted cash, $60 million of long-term debt and more than $877 million in stockholders equity, which rose over the prior fiscal year and represented more than 73% of the $1.2 billion in total assets on our balance sheet.

- Ø We sharpened our focus on our online, social, casual and mobile gaming products and services, to leverage our gaming content and resources to actively participate in the significant growth potential from the convergence of land-based casino gaming with interactive gaming distribution channels. In addition:

  We completed the acquisitions of Jadestone Group and Phantom EFX to accelerate interactive initiatives at an aggregate purchase price of approximately $34 million, inclusive of additional consideration.

  We entered into a strategic alliance with 888 Holdings to pursue online poker initiatives in the U.S., including both play-for-fun and real money applications when legally permitted, as well as other online casino applications and opportunities.

In early fiscal year 2013, we successfully launched Jackpot Party social casino on *Facebook,* incorporating gaming content from our fan-favorite casino slot games to offer a library of exclusively authentic, classic Las Vegas-style casino slot entertainment.

Compensation Program Highlights. We use the term target compensation to refer to salary and estimated values of bonus and other cash incentive compensation and equity compensation (excluding other benefits such as change in pension value and all other compensation as identified in our Summary Compensation Table). The following describes the highlights in the compensation program for our named executive officers:

- **Pay for Performance.** For fiscal year 2012, approximately 76% of the total target compensation for our named executive officers was at risk because it consisted of performance-based compensation that varied in value based on our stock price or could only be earned upon the achievement of corporate and individual performance objectives designed to enhance stockholder value, or upon the increase in value of our stock and continued service with our company. Under our compensation program, our goal is for at least 70% of our named executive officers target compensation to be performance-based.

- **Realized Pay.** Our pay program is designed to vary realized pay based on demonstrated individual, business and stock price performance. Due to recent challenges in our business and stock price performance, the pay realized by our named executive officers in fiscal year 2012 was between 35% and 45% of the values shown in the Summary Compensation Table. See the section beginning on page 41 of this Proxy Statement for our Realized Pay Table and a more complete description of how performance has impacted realized pay.

- **Stock Ownership Guidelines.** We have meaningful stock ownership guidelines for key executive officers, including each named executive officer.

- **Incentive Compensation Based Upon GAAP Performance Metrics.** Our short-term and long-term incentive compensation is earned based primarily upon transparent performance metrics derived directly from our publicly filed financial statements prepared in accordance with generally accepted accounting principles.

- **Consistent Performance Metrics.** Since we started our current long-term incentive program in August 2006, we have not changed, canceled or replaced established performance metrics during any performance period.

- **Performance is Assessed over Overlapping Periods**. Our incentive compensation is earned over several different and overlapping short-term and long-term performance periods, ensuring that performance during any one period is not maximized at the expense of other performance periods.

- **Reasonable Pay Differential.** We do not have an excessive differential in pay between our Chief Executive Officer and our next highest paid named executive officer:

Fiscal Year	Pay Differential
2012	1.87x
2011	1.84x
2010	1.87x

- **Annual Risk Assessment.** In fiscal year 2012, as in previous years, the Compensation Committee concluded that our executive compensation programs do not encourage behaviors that would create risks reasonably likely to have a material adverse effect on our company.

- **Low Share Utilization Rates.** In accordance with our December 2009 commitment to stockholders, we limited our average share usage to less than 3.32% of the average of our outstanding shares at each fiscal year end. Our three-year average usage rate of 2.39% was 28% under our commitment, and lower than the three year average for our comparator group (2.59%) and the three-year average for Russell 3000 Consumer Services companies in the Global Industry Classification Standard (2.70%).

- Ø **Reasonable Allocation of Equity Compensation.** During the three-year period ended June 30, 2012, 26% of the equity compensation grants awarded were made to our named executive officers and our Board and 74% were made to other employees.

- Ø **Independent Compensation Consulting Firm.** The Compensation Committee benefits from its utilization of an independent compensation consulting firm which provides no other services to our company.

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- Ø **No-Hedging Policy.** In accordance with the policy set by our Board, no executive officer may trade in our common stock without first obtaining approval of our General Counsel. Additionally, our employees and directors are not permitted to engage in any of the following activities with respect to our securities:

  Purchases on margin;

  Short sales;

  Buying or selling put options or call options; or

  Other hedging transactions (e.g., over-the-counter equity options, pre-paid forward sales, equity collars, or exchange funds).

- Ø **Policy Regarding Grant of Stock Options.** Stock option grants may only be made at a meeting of our Board and will generally be granted shortly following a release of financial results. Stock options may also be used as new hire, promotion or retention grants. No grants of stock options will be made when our Compensation Committee or Board is advised by our General Counsel that our executive officers are in possession of non-public information concerning our company.

- Ø **No Repricing of Awards.** Repricing of underwater stock options and other awards is expressly prohibited without stockholder approval. The Company has not repriced any equity incentive awards.

- Ø **No Below Market Stock Option Grants**. Our Incentive Plan prohibits any grant of stock options with exercise prices that are below the fair market value of our common stock on the date of grant.

- Ø **Forfeiture and Clawbacks.** Our Incentive Plan provides that awards will be forfeited and gains may have to be repaid to us by a recipient if any of the following occur during the recipient s employment by us or within one year after termination: (i) the recipient competes with us, induces a customer, supplier, licensee or licensor to curtail business with us or solicits any employee or service provider to terminate employment with or service to us; (ii) the recipient misuses our confidential information; or (iii) the recipient fails to reasonably assist us in a legal proceeding.

- Ø **No Above Market Returns.** We do not offer preferential or above market returns on compensation deferred by our executive officers.

- Ø **No Loans to our Executive Officers**. We do not give personal loans to our executive officers.

- Ø **Limited Tax Gross Up and Single Trigger Change-in-Control Payments.** Since July 2008, we have not entered into an employment agreement or material amendment to an employment agreement with an executive officer that provided for:

  Gross ups for taxes; or

  Single trigger or modified single trigger change-in-control payments.

Prior to this time period, these arrangements were commonplace for executive officers of publicly traded companies. Our agreements with our named executive officers that predate July 2008 reflect the accepted practice at the time of negotiation. At this time, we do not believe it is appropriate to renegotiate the agreements that were previously entered into with our named executive officers, but we will continue to monitor these arrangements.

Fiscal Year 2012 Pay Practice Developments. The following changes to our pay practices were instituted in fiscal year 2012:

- Ø In June 2012, we revised our stock ownership guidelines to add a holding requirement for our executive officers. Our executive officers are now not permitted to sell our stock and are required to hold the net shares of stock that he or she receives or acquires through the vesting of restricted stock, deferred stock units, restricted stock units and performance-based restricted units and stock acquired through the exercise of stock options until he or she has met the applicable minimum ownership requirements in our

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stock ownership guidelines. In addition, once the minimum ownership level has been met, officers may not sell our stock if that sale would cause him or her to fall below the minimum ownership level described in our stock ownership guidelines.

Ø In June 2012, we revised our stock ownership guidelines to require that members of our Board hold shares equal to 500% of their annual cash retainer ($625,000).

Ø We now have the following stock ownership guidelines for members of our Board and our executive officers:

For our Chief Executive Officer, 500% of base salary;

For our President, Chief Financial Officer, Chief Operating Officer and Chief Innovation Officer, 300% of base salary;

For our other executive officers, 100% of base salary; and

For members of our Board, 500% of their annual cash retainer.

Ø In our proposed 2012 Restated Incentive Plan, we will adopt the following practices:

Each share we subsequently grant as a full value award will reduce the shares available for grant under the 2012 Restated Incentive Plan by 1.8 shares; and

Any awards or benefits received under the 2012 Restated Incentive Plan will be subject to any recoupment or clawback policy that may be adopted by our company.

Ø In our proposed 2012 Restated Incentive Plan, we will continue the following practices adopted under the 2009 restatement of our Incentive Plan:

We prohibit share recycling for stock options;

We prohibit repricing and cash buyouts of stock options without stockholder approval;

We do not have an evergreen provision for equity compensation grants; and

We do not allow for the accelerated vesting of equity without loss of employment.

In making our fiscal year 2012 equity grants, in addition to the stock options we customarily grant in connection with our long-term incentive program, we also granted additional stock options exercisable at $20.05, the closing price of our common stock on the date of grant, vesting over four years, to selected members of our key management including our named executive officers. Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto were granted options to acquire 100,000, 50,000, 35,000, 25,000 and 35,000 shares of our common stock, respectively. In recommending the grant of these additional stock options, our Compensation Committee conferred with its compensation consultant, SH&P, and concluded that the grants were appropriate to incentivize our key management to improve overall company performance and position our company for future growth. We believe this grant will provide a strong link between the executive team and our stockholders through the shared goal of improving our stock price.

Our Compensation Philosophy and Objectives

Philosophy

Our executive compensation philosophy seeks to align executive compensation with the achievement of pre-established Company-wide performance objectives, individual performance objectives and increases in the price of our stock. In considering the elements of the compensation program, the Compensation Committee emphasizes pay for performance on a short-term and long-term basis.

Objectives

Our compensation program is designed to achieve the following objectives:

- **Pay for Performance**. We use fixed compensation to provide our named executive officers with a competitive base salary, while encouraging peak performance with other compensation that is variable based on company-wide performance and individual performance. Our alignment of pay with performance, coupled with recent challenges in our business and stock price performance, resulted in realized pay values for our named executive officers for fiscal year 2012 ranging between 35% and 45% of the values shown in the Summary Compensation Table. See the section beginning on page 41 of this Proxy Statement for our Realized Pay Table and a more complete description of how performance has impacted realized pay.

- **Attract and Retain Key Talented Executive Officers**. Our executive compensation program is designed to help us attract and retain talented individuals by providing compensation in amounts and structure competitive with compensation paid to individuals in similar positions at comparable businesses with similar performance.

- **Foster Teamwork Amongst our Management Team**. We conduct an internal compensation comparison to ensure compensation levels within our company are fair and reasonable for the roles and responsibilities of our executive team.

- **Align the Interests of our Executive Officers and our Stockholders**. We use long-term incentives such as stock options, restricted stock and equity-based performance units to encourage our executive officers to build long-term value for our stockholders.

- **Create Incentives that Focus Executive Officers on, and Reward Them for, Achievement of Company-wide Performance Goals**. Our compensation packages for our named executive officers are designed to motivate them to devote their full energies to our success by rewarding them primarily for company-wide achievements against pre-determined goals.

- **Create an Ownership Culture which Instills Long-Term Perspective**. Our named executive officers are encouraged to focus on long-term goals by receiving compensation in the form of equity compensation as a long-term incentive.

How We Make Compensation Decisions

The Role of Our Compensation Committee

The Compensation Committee, consisting solely of independent directors, is charged with developing compensation programs for our executive officers, including our named executive officers. The Compensation Committee is responsible for establishing, implementing and monitoring compliance with our compensation philosophy. The Compensation Committee seeks to ensure that the total compensation paid to our named executive officers is fair, reasonable and competitive. The Compensation Committee presents its recommendations for compensation to be paid to the named executive officers to our Board for approval. Although Mr. Gamache also serves as Chairman of our Board, he abstains from voting on matters that come before our Board when such matters relate to the compensation of non-employee directors or himself.

As part of the annual compensation approval process, the Compensation Committee considers the advice of management generally, the Chief Executive Officer and the Chief Financial Officer, as well as SH&P, its independent compensation consultant.

The Role of Our Management

The Compensation Committee reviews the performance and compensation of our named executive officers and establishes each of their compensation. Our Chief Executive Officer provides to the Compensation Committee, management s recommendations on the compensation, including annual cash incentive compensation, for named executive officers other than the Chief Executive Officer. Our Chief Executive Officer

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and our Chief Financial Officer assist the Compensation Committee and SH&P in determining our comparator group (as described below). Other members of management provide support to the Compensation Committee as needed. However, the Compensation Committee acts in its sole discretion. Based upon a review of performance and historical compensation, recommendations and information from members of management, and discussions with its compensation consultant, the Compensation Committee determines the compensation for the named executive officers to be recommended for Board approval.

The Role of the Compensation Committee s Independent Compensation Consultant

When considering significant changes to the compensation program or performing periodic benchmarking analysis, our Compensation Committee has retained SH&P to review our compensation practices and to assist the Compensation Committee in assessing whether our compensation program is meeting its objectives (as described above). SH&P analyzes whether the amounts and structure of our executive officers compensation were appropriate relative to the amounts and structure of compensation provided by comparable companies and relative to various management positions within our company. SH&P assists with the development and assessment of our comparator group (as further described below).

SH&P provides the Compensation Committee with insight as to compensation programs and incentives used by our peers and other public companies, trends in executive compensation, pending and current legislation and the evolving policies and procedures adopted by proxy advisory services firms. The Compensation Committee again retained SH&P to assist in designing and establishing our executive compensation programs for fiscal year 2013.

Non-Binding Advisory Say-on-Pay Proposal

At our 2011 annual meeting of stockholders, 96.7% of the non-binding advisory votes cast by our stockholders were in favor of approval of the compensation of our named executive officers for fiscal year 2011 as disclosed in our Proxy Statement. Under applicable Securities and Exchange Commission rules, we are required to advise our stockholders whether we considered that vote and if so, how it affected our compensation policies. Since our fiscal year begins in July, we generally adopt our compensation program in September. Therefore, in September 2011, before we received the favorable vote of our stockholders, we adopted our fiscal year 2012 compensation program which was substantially similar to our fiscal year 2011 compensation program. In connection with our fiscal year 2012 compensation program, we have considered the overwhelmingly favorable vote from December 2012 and recently sought input from holders of more than 40% of our outstanding common stock with regard to our executive compensation practices. Based on this feedback, we have no plans to make changes to our compensation program which will remain consistent with past practices, except for salary increases and grants of equity compensation for Messrs. Edidin and Lochiatto in connection with being named President and CEO of Williams Interactive, LLC and President of WMS Gaming Inc., respectively. In addition, while we generally make awards under our long-term incentive program in September, given the limited number of shares remaining available under our Incentive Plan, we granted only the equity-based performance units in September 2012 and intend to award the stock options and restricted stock units in December 2012 if our 2012 Restated Incentive Plan is approved by our stockholders.

Risk Considerations

The Compensation Committee has reviewed our company s compensation policies and practices and analyzed the potential business risks inherent in such policies and practices. The Compensation Committee believes that our executive compensation policies and practices do not encourage our management, including our named executive officers, to take unnecessary business risks that are reasonably likely to have a material adverse effect on our company.

Competitive Marketplace Assessment; Comparator Group

As part of our review of our executive compensation program, we periodically review executive compensation data from similar companies in order to ensure that our practices are fair and reasonable.

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In our 2011 Proxy Statement, we identified a comparator group consisting of five gaming machine manufacturing and casino supply companies (Aristocrat Leisure Limited, Bally Technologies Inc., Global Cash Access Holdings, Inc., International Game Technology and Scientific Games Corporation), three software/video game companies (Red Hat, Inc., Take-Two Interactive Software, Inc. and THQ, Inc.) and five casino companies (Ameristar Casinos Inc., Boyd Gaming Corp., Isle of Capri Casinos, Inc., Las Vegas Sands Corp. and Pinnacle Entertainment, Inc.).

When considering changes to compensation for fiscal year 2013 for Messrs. Orrin Edidin and Kenneth Lochiatto due to their promotions, at the request of the Compensation Committee, SH&P reviewed last year s comparator group and suggested several changes, which were adopted by our Compensation Committee. Specifically, we have excluded Boyd Gaming Corp. and Las Vegas Sands Corp. due to their larger revenue size and have added MTR Gaming Group, Inc. and Tropicana Entertainment, which have more comparable revenues, as well as a newly public social gaming company, Zynga, Inc. The current comparator group was selected based on industry focus and includes companies with which we compete for talent. We believe the addition of Zynga, Inc. is appropriate given our entry into social, casual and mobile gaming through the release of two social casinos being distributed on Facebook. In addition, to ensure the size appropriateness of the companies, we considered an analysis of market capitalization, revenue and similarity of broad-based product and service offerings. Our comparator group now consists of:

Ø Five gaming machine manufacturing and casino supply companies:

- Aristocrat Leisure Limited
- Bally Technologies Inc.
- Global Cash Access Holdings, Inc.
- International Game Technology
- Scientific Games Corporation

Ø Four software/video game companies:

- Red Hat, Inc.
- Take-Two Interactive Software, Inc.
- THQ, Inc.
- Zynga, Inc.

Ø Five casino companies:

Ameristar Casinos Inc.

Isle of Capri Casinos, Inc.

MTR Gaming Group, Inc.

Pinnacle Entertainment, Inc.

Tropicana Entertainment, Inc.

We believe gaming machine manufacturer and supply companies and casinos are appropriate comparators because in addition to other common factors, their officers are subject to the unique and rigorous requirements for licensure by gaming regulators that also apply to our officers. Such requirements include extensive background investigations and disclosure of financial and other personal information by our officers and their immediate families. We also believe the companies selected for our comparator group are an appropriate size since they have revenues ranging from 62% to 284% of our revenues. If International Game Technology is excluded, the range of revenues in the comparator group is 62% to 176% of our revenues. However, we believe it is appropriate to include International Game Technology as a comparator since it is a direct competitor with our business. Of these companies, we routinely and most directly compete with the gaming machine manufacture and casino supply companies, including International Game Technology, to attract and retain talent. After analyzing the comparator group data and the report by SH&P, the Compensation Committee concluded that our compensation program for our named executive officers is well balanced and strongly performance oriented.

Elements of Executive Compensation

General

Our Compensation Committee, with SH&P s assistance, has recommended, and our Board has approved the forms of compensation for our named executive officers and the amounts allocated to each form. The forms of compensation were chosen from among those generally used by other public companies that also fit, in the views of our Compensation Committee and our Board, the needs of our company. The amounts that could be earned in total and as allocated among the forms of compensation were considered by our Compensation Committee and our Board to be appropriate to motivate our named executive officers to perform at a high level and to align their interests with the interests of our stockholders.

Four Forms of Compensation

The compensation packages for our named executive officers primarily consist of the following four forms of compensation:

- Ø **Base Salary**. We pay a base salary to provide our named executive officers, like our other employees, with financial stability, and the base salary acts as a base upon which performance-based compensation may be calculated;
- Ø **Annual Incentive Awards**. We provide an opportunity to earn an annual cash bonus incentive award in order to provide our named executive officers, like our other employees, with short-term performance incentives;
- Ø **Long-Term Incentive Awards**. We use long-term equity awards to provide our named executive officers, along with a selection of our key employees, with long-term performance and retention incentives; and
- Ø **Other Benefits**. We provide our named executive officers with other benefits that we believe are appropriate, including deferred compensation plans, change-in-control and severance benefits, retirement savings plans and perquisites and other personal benefits, which are available to a selection of our other employees.

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The chart below reflects the allocation of target compensation for fiscal year 2012 between salary, annual cash incentive awards (target bonus), annual long-term incentive awards (long-term equity) at grant date value and additional long-term incentive awards granted in September 2011 (additional options) at grant date value.

Focus on Pay for Performance

Each of our named executive officers has a high degree of influence on our performance and therefore, in comparison to other employees, has a lower percentage of compensation that is fixed and a greater percentage that is variable in amount and at risk based on the price of our stock and/or dependent on our financial performance or his individual performance.

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Fixed Compensation

Base Salary

Our Compensation Committee assesses base salary increases from year-to-year on a discretionary basis with a view toward rewarding individual performance and making adjustments for marketplace conditions.

Generally, salary increases for all employees, including the named executive officers, are tied to the annual performance review cycle which we undertake each year at the end of our fiscal year. Individual performance is evaluated in a review process which compares individual performance against our core values, leadership criteria and unique, pre-approved fiscal year goals for each named executive officer. Based on each individual s performance rating in the prior fiscal year, he or she is given a salary increase reflecting his or her individual contributions. Mr. Gamache s performance is reviewed by the Compensation Committee and the Board.

Mr. Gamache provided the Compensation Committee with a subjective numerical rating reflecting each named executive officer s overall success in meeting his core value, leadership and personal goals during fiscal year 2011. The numerical rating was intended to inform our Compensation Committee of the relative success of each named executive officer compared to each other named executive officer in meeting his personal goals. Additionally, Mr. Gamache provided the Compensation Committee with a specific recommendation for base salary increases for Messrs. Edidin, Schweinfurth, Pacey and Lochiatto taking into account such performance ratings and factoring in market adjustments based on the comparative salary information provided by SH&P. For fiscal year 2012 salary increases, as part of this performance review process, the Compensation Committee accepted the base salary increase recommendations of Mr. Gamache. At the same time, the Committee determined the amount of the base salary increase in fiscal year 2012 for Mr. Gamache based upon its subjective judgment as to the success of Mr. Gamache in meeting or exceeding expectations for his personal goals. Due to the weaker company performance in fiscal year 2011, the salary increases which were effective in January 2012 for all named executive officers were limited to 2%. All determinations of the Compensation Committee were submitted to and approved by our Board.

Variable Compensation

Annual Cash Bonus

General

Annual cash bonuses are intended to provide short-term incentives to our named executive officers to attain and potentially exceed certain pre-established performance goals. Our Compensation Committee considers recommendations from SH&P, our Chief Executive Officer and Chief Financial Officer, regarding the structure and amounts of the corporate performance-based components of the variable portion of our named executive officers compensation program, including the creation of numeric tables to be used for determining the portion of the annual cash bonus based on corporate performance that would be earned by our named executive officers for each level of performance at and above the minimum threshold goals through the maximum goals. Based upon that input and our business plans for the applicable fiscal years, which were prepared by our management in the ordinary course and approved by our Board, the Compensation Committee recommends, and the Board reviews and approves our fiscal year cash bonus tables. New performance tables for our named executive officers bonus program are established by the Compensation Committee and approved by our Board for each fiscal year. As our financial performance did not meet both of the minimum threshold goals for fiscal 2012, none of our named executive officers received a cash bonus.

Fiscal Year 2012 Formulas for Calculating Annual Cash Bonuses

In establishing the annual cash bonus incentive plan for fiscal year 2012 for our Chief Executive Officer, 100% of his annual bonus calculation was to be based on Board-approved corporate performance goals. For our other named executive officers, the annual cash bonus calculations were divided into two components (i) a portion to be based upon Board-approved corporate performance goals (the corporate component) and (ii) a portion to be based upon their performance against pre-established, individual goals (the individual component). When calculating such cash bonuses, if corporate performance and individual performance were both at the same level (whether threshold, target or maximum, or somewhere in between these amounts), the

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corporate component would be 75% of the total cash bonus awarded and the individual component would be 25%. The annual cash bonuses are paid from a bonus pool established for distribution to all employees, including our named executive officers. The bonus pool accrues over the fiscal year. After the close of the fiscal year, the accrued bonus pool is allocated first to pay contractual, guaranteed-by-law and non-discretionary bonuses. The balance is then allocated first to the members of our executive committee, with the remainder allocated to the rest of our employees at the discretion of our Chief Executive Officer, with the approval of our Compensation Committee, provided that payments to our named executive officers are determined by our Board, upon recommendations of our Compensation Committee, and our named executive officers and other members of our senior management may not be paid the corporate component of their bonuses in an amount that exceeds the amount determined in accordance with the applicable Board-approved corporate performance tables. In order for our named executive officers to achieve their maximum bonus potential, the named executive officers eligible to receive a portion of their bonus based on individual performance would have to perform in an outstanding manner as to each of their individual performance objectives and our company would have to significantly exceed its financial performance goals. In order for our Chief Executive Officer to achieve his maximum bonus potential, our company would have to significantly exceed its financial performance goals.

Fiscal Year 2012 Corporate Performance Metrics

For fiscal year 2012, we developed numeric bonus tables from which to determine the amount of the portion of the annual bonuses that is based on corporate performance payable to our named executive officers: one table applicable to our Chief Executive Officer, one table applicable to our President, and the third table applicable to our other three named executive officers (together, the Performance Tables). While the revenue and earnings per share (EPS) goals for our named executive officers annual cash bonuses are the same, the tables and therefore the threshold, target and maximum cash bonus as a percentage of salary vary among the named executive officers based on each officers roles and responsibilities.

Each Performance Table has revenue on the horizontal axis beginning with the threshold goal amount and each of the ten succeeding levels based on an increased revenue amount up to the maximum revenue amount. On the vertical axis, each Performance Table has ten levels of EPS beginning with the threshold goal amount and each of the nine succeeding levels based on an increased amount of EPS up to the maximum amount. The payout percentage amounts included in the Performance Tables were subjectively determined by our Compensation Committee, after consultation with SH&P and our management.

We have constructed the cash bonus performance tables to provide higher rewards for exceeding targeted goals as this best aligns our named executive officers interests with the interests of our stockholders. For example, the Performance Table applicable to our Chief Executive Officer s cash bonus for fiscal year 2012 provided that achieving but not exceeding the threshold revenue and earnings per share goals would have resulted in our Chief Executive Officer receiving a bonus of 73% of his base salary; achieving the target revenue and earnings per share goals would have resulted in our Chief Executive Officer receiving a cash bonus of 100% of salary; while achieving the maximum goals would have resulted in a cash bonus of 280% of his salary thereby better rewarding performance for achievement over target goals. Having the percentage of salary paid as a cash bonus increasing only 27% for performance at the target goals compared to the threshold goals, but then having the percentage of salary paid as a cash bonus increasing by 180% for achieving a comparable dollar increase in financial performance compared to the target goals, demonstrates our philosophy of rewarding our named executive officers with a higher level cash bonus for superior financial performance, as further illustrated in the following chart:

	Fiscal Year 2012 Revenue Goal		Fiscal Year 2012 Earnings Per Share Goal		Fiscal Year 2012 Potential Payout to CEO (% of base salary)	
Threshold	$ 657 million		$ 1.33		73%	
Target	$ 773 million		$ 1.66		100%	
Maximum	$ 912 million	} 18% increase	$ 1.96	} 25% increase	280%	} 27 basis point increase

}	18% increase	}	18% increase	}	180 basis point increase

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At the conclusion of our fiscal year, the amount of the corporate performance component of the cash bonus amount payable based on the financial performance tables is calculated, and our Compensation Committee has the discretion to decrease, but not increase, the amount of such corporate performance component actually paid. Our financial results as reported in our audited Consolidated Financial Statements included in our Annual Report on Form 10-K are used to determine the applicable percentage payout in accordance with the previously approved performance tables.

The revenue and earnings per share goals for fiscal year 2012 reflected in our named executive officers performance bonus tables were established based on our fiscal year 2012 business plan prepared by our management in the ordinary course and reviewed and approved by our Board in September 2011. The bonus tables had a minimum performance threshold of 85% of our budgeted (target) revenues and 80% of our budgeted (target) earnings per share, which if either minimum threshold goal was not achieved would result in no bonus payment. For fiscal year 2012, we achieved less than the threshold earnings per share goal and therefore, we did not pay out any corporate component bonus. In addition, our Chief Executive Officer recommended to our Compensation Committee, which accepted the recommendation, that no cash bonus related to achievement of individual performance goals be paid to any of our named executive officers or executive committee members, in order to allow 100% of the bonus pool to be allocated to recognize the contributions of our employees below the executive level. The fiscal year 2012 corporate performance goals and potential bonus payouts provided for in our bonus tables for our named executive officers (NEOs) and actual corporate performance and bonus payouts are set forth in the following chart:

Potential

	Revenue Goal	**Earnings Per Share Goal**	**Payout to CEO (% salary)**	**Payout To President (% of 75% of salary)**	**Payout to Other NEOs (% of 75% salary)**
Threshold	$ 657 million	$ 1.33	73%	62%	55%
Target	$ 773 million	$ 1.66	100%	85%	75%
Maximum	$ 912 million	$ 1.96	280%	225%	225%

Actual

	Revenue	**Earnings Per Share**	**Payout to CEO (% salary)**	**Payout To President (% of 75% of salary)**	**Payout to Other NEOs (% of 75% salary)**
	$ 690 million	$ 1.15	0%	0%	0%

Fiscal Year 2012 Individual Performance Metrics

With the exception of our Chief Executive Officer, our named executive officers set individual performance goals with their manager at the beginning of each fiscal year. Individual performance is then evaluated against such goals following the end of our fiscal year in connection with awarding any discretionary cash bonus and salary increases. While our named executive officers performance was evaluated in terms of core competencies, leadership and the following individual goals for fiscal year 2012, the decision to not pay a discretionary cash bonus in August 2012 was based on company performance more than individual performance:

Mr. Edidin: successfully launch new products; successfully implement organizational changes; improve ratability in shipping; achieve budgeted performance metrics; expand channels of distribution; execute on social gaming initiatives; and continue relationship enhancement initiatives with customers.

Mr. Schweinfurth: achievement of fiscal year 2012 budget; execute on business process transformation project (software upgrade); successfully implement organizational changes; achieve margin targets for the fiscal year; successfully complete construction projects on time; replace expiring credit facility; and develop plan to grow operating margins and improve return on invested capital.

Mr. Pacey: continue to develop innovative content and create product plan over multiple years; achieve budgeted performance metrics; support continuing relationship enhancement initiatives with customers; support new market and business initiatives including social gaming; and develop an innovation strategy to position our company for future growth.

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Mr. Lochiatto: achieve revenue, margin and working capital goals; achieve ratability in shipping goals; execute on business process transformation project (software upgrade); continue to drive product quality improvements; and continue to evolve supply chain strategy including global sourcing initiatives.

No discretionary cash bonuses were awarded to our named executive officers for fiscal 2012 in spite of their individual performance due to the recommendation of our Chief Executive Officer that 100% of the bonus pool be allocated to recognize the contributions of our employees below the executive level. Individual performance against these goals will be considered in connection with salary increases in January 2013.

Long-Term Incentive Compensation

We have implemented a long-term incentive program consisting of equity compensation covering rolling three-year periods to coincide with our three-year business plans. Long-term incentives for our named executive officers are granted under our Incentive Plan. We use various types of long-term incentives to align the interests of our executive officers with our stockholders interests, reward future performance and encourage retention. We have granted the following types of awards as long-term incentives:

- *Stock options*, which typically vest over three or four years, increase in value only if the market price of our common stock increases in value after the grant date and may terminate within 90 days if the employee leaves our employ.

- *Restricted stock and restricted stock unit grants*, which typically vest over three or four years, provide greater value if the market price of our common stock increases in value and may be forfeited if the employee leaves our employ before vesting.

- *Equity-based performance units*, which are only payable following the performance measurement date set at the time of grant to be typically three years in the future, provide a payout which varies based on our actual financial performance against certain pre-established financial goals, increase in value as the market price of our stock increases in value and may be forfeited if the employee leaves our employ before the performance measurement date. Equity-based performance units are payable in stock in an amount equal to a percentage of the number of units granted. Our Compensation Committee receives recommendations from SH&P, our Chief Executive Officer and our Chief Financial Officer, to establish the financial goals and related payout percentages. Based upon that input and our business plans for the applicable fiscal years, which are prepared by our management in the ordinary course and approved by our Board, the Compensation Committee recommends, and the Board reviews and approves a unique equity-based performance unit table for grants made each fiscal year. For fiscal years 2010, 2011 and 2012, the payout percentages ranged from: (i) nothing to the extent certain minimum threshold goals are not met, (ii) a percentage from 60% to 99% for the achievement and surpassing of the threshold goals up to but not including achievement of the target goals, (iii) 100% of the granted amount if the target goals are met, to (iv) a percentage more than 100% and up to 200% of the granted amount to the extent the target goals are exceeded.

The value granted to each of our named executive officers was equal to a percentage of his salary, which percentage was dependent on the individual s position and level of responsibility and such value was divided equally between each of the three equity components. The amounts of compensation provided under our long-term incentive program are determined by our Board, pursuant to recommendations of our Compensation Committee and SH&P.

Fiscal Year 2012 Long-Term Incentive Grants

For fiscal year 2012, our Board acting upon the recommendation of the Compensation Committee, divided the value of the equity compensation being awarded equally among three forms:

- Ø *Stock options:* Fiscal year 2012 stock options (2012 Options) were awarded to all named executive officers with a vesting period of three years;

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- Ø *Equity-based performance units*: Fiscal year 2012 performance stock units (2012 PSUs) were awarded to all named executive officers with a performance measurement date of June 30, 2014 and performance goals based on earnings per share and revenues for the aggregate of the three years ended June 30, 2014; and

- Ø *Restricted stock units*: Fiscal year 2012 restricted stock units (2012 RSUs) were awarded to all named executive officers with a vesting period of four years.

The below table indicates the quantity of 2012 Options, 2012 PSUs and 2012 RSUs awarded to each named executive officer under our long-term incentive program:

Executive	2012 Options Granted	2012 PSUs Granted	2012 RSUs Granted
Brian R. Gamache	77,500	31,696	31,696
Orrin J. Edidin	45,723	18,700	18,700
Scott D. Schweinfurth	33,255	13,601	13,601
Larry J. Pacey	32,183	13,162	13,162
Kenneth Lochiatto	25,935	10,607	10,607

For additional details on these long-term incentive grants and other grants made in fiscal year 2012, please see the Outstanding Equity Awards at Fiscal Year-End table beginning on page 51 of this Proxy Statement.

Alignment of Pay and Performance

As described above, our compensation program is designed to align the interests of our named executive officers with our stockholders and to reward achievements against pre-determined goals. Other than base salary, which in fiscal year 2012 constituted approximately 24% (20% for our CEO and 26% for our other named executive officers) of the target compensation for our named executive officers, the actual realization of target compensation by our named executive officers is largely dependent upon achievement of target revenue and earnings per share and improvements in the price of our stock.

In both fiscal year 2011 and fiscal year 2012, our financial results fell significantly below our internal targets. As a result, and as our compensation program was designed to do, the compensation actually realized or realizable by our named executive officers for those years was substantially less than their target compensation, and as an example, none of the named executive officers received an annual cash bonus for either fiscal year 2011 or fiscal year 2012.

For fiscal years 2011 and 2012, the aggregate total cash compensation (consisting of base salary and cash bonus) actually paid to our chief executive officer was 50% less than the target cash compensation for such compensation components for both years and 44% less for our other named executive officers.

We also did not meet the minimum threshold performance goals for the equity-based performance units for the three year period ended June 30, 2012 (for which performance goals were set in September 2009) and as a result no shares were issued. Moreover, based on our current estimates of the probable outcome of the performance conditions, we believe that we will not meet the minimum threshold performance goals for the equity-based performance units for the three year periods ending June 30, 2013 (for which performance goals were set in September 2010) and June 30, 2014 (for which performance goals were set in September 2011) and as a result no shares are expected to be issued.

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As a result of not achieving these performance goals and our declining stock price, at June 30, 2012, the value of the equity compensation awarded to our named executive officers in fiscal years 2011 and 2012 was less than the date of grant value determined in the manner set forth in the Summary Compensation Table. The chart below shows the alignment of our compensation program with our performance for fiscal year 2011 and fiscal year 2012, reflecting the decline in value of the equity compensation granted to our named executive officers in September of 2010 and 2011 from the date of grant to June 30, 2012, consisting of:

- Ø *Restricted stock units* valued using the closing price of our stock on the date of grant compared to the closing price of our stock on June 30, 2012 (without deducting any stock that may have been withheld to cover taxes);

- Ø *Equity-based performance stock units* valued using the closing price of our stock on the date of grant assuming a targeted payout of 100% compared with no value on June 30, 2012 based on current estimates that no payout will be made due to expectation that the threshold performance goals will not be met; and

- Ø *Stock options* valued using the Black-Scholes stock option valuation method as of the date of grant compared to no value as of June 30, 2012 as the closing price of our common stock on June 30, 2012 was below the stock option exercise prices of these grants.

This reduction in expected value is consistent with our financial performance being less than expected.

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The following chart also illustrates the alignment of our named executive officers pay with our financial performance. This chart shows (1) the percentage by which the value of our named executive officers compensation (calculated by combining base salary paid, cash bonus paid and the June 30, 2012 value of the equity compensation granted for both fiscal year 2011 and 2012 calculated as described above) fell from the target compensation consisting of base salary, target cash bonus and grant date value of the equity compensation for such fiscal years, compared to the decline from fiscal year 2010 to fiscal year 2012 in (2) revenues and (3) earnings per share and (4) the decline in stock price from June 30, 2010 to June 30, 2012.

Additionally, our ownership guidelines align the interests of our named executive officers with our stockholders and insure that our named executive officers have and remain invested in our stock. The impact of a decrease in our stock price to our named executive officers can be great in the case of stock options, which can become valueless even though our stock retains value. Furthermore, our named executive officers can experience a loss of value of equity-based performance stock as a result of our financial performance, which can become valueless if certain minimum financial performance thresholds are not met.

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From June 30, 2010 to June 30, 2012, the aggregate value of equity, including unvested restricted stock units and vested, in-the-money stock options, held by our named executive officers on June 30, 2010 declined by 76%, or an aggregate decrease in value of over $19.4 million when calculated as described above on June 30, 2012. The following chart illustrates the decline in equity value experienced by each of our named executive officers from June 30, 2010 to June 30, 2012:

Fiscal Year 2013 Pay Practice Developments

In connection with consolidating all of our online, social, casual and mobile gaming initiatives under a unified management team in July 2012, the roles of Messrs. Edidin and Lochiatto changed. Mr. Edidin was named President and Chief Executive Officer of the newly formed Williams Interactive LLC, which is expected to further focus and leverage our resources to actively participate in the significant growth potential from the convergence of land-based casino gaming with interactive gaming. Mr. Edidin s annual salary was increased to $780,590 in connection with his new role. Already serving as Chief Operating Officer of WMS Gaming Inc., Mr. Lochiatto was named President and Chief Operating Officer of that subsidiary. Mr. Lochiatto s annual salary was increased to $525,000 to reflect his expanded responsibilities. Additionally, Messrs. Edidin and Lochiatto s potential bonus structure was changed with Mr. Edidin s maximum potential cash bonus being increased from 225% to 280% of his salary. Both salary and bonus potential increases were recommended by our Compensation Committee and approved by our Board. In September 2012, Messrs. Edidin and Lochiatto were also each awarded $250,000 in equity-based performance units and $250,000 in restricted stock units in connection with their promotions.

Realized Pay Table: How Demonstrated Performance Impacts Realized Pay

Because our compensation program is designed to align pay and performance, the amounts actually realized by our named executive officers:

- Ø Vary based on operational, stock price and personal performance, and
- Ø Are different from the grant date values of these awards shown on the Summary Compensation Table.

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Realized pay for salary, bonus and stock awards for fiscal year 2012 was equal to 35% of the values shown in the Summary Compensation Table for our CEO and between 41 to 45% for our other named executive officers.

The table below shows compensation realized by each named executive officer in fiscal year 2012, based on performance or vesting periods ending in this year. For purposes of this presentation, realized pay includes, in addition to salary, which is a fixed component of each named executive officer s total compensation, the following incentive pay elements that were earned or vested in fiscal year 2012:

- Ø *Bonus.* Based on fiscal year 2012 performance more completely described in the section entitled Annual Cash Bonus beginning on page 34 of this Proxy Statement, we did not pay any cash bonuses to our named executive officers for performance in fiscal year 2012.

- Ø *Stock options (Options).* Stock options increase in value only if the market price of our common stock increases in value after the date of grant. In fiscal year 2012, the final tranche of the September 2008 award, the second tranche of the September 2009 award, and first tranche of the September 2010 award all vested. On the date of vest, each of these awards was significantly out-of-the money, meaning that the exercise price was well below the stock price on the date of grant and would result in no value if exercised on the vesting date.

- Ø *Equity-based performance stock units (PSUs).* Although equity-based performance stock units granted in September 2009 vested on June 30, 2012, because the minimum threshold performance goals were not met, no shares were earned or issued.

- Ø *Restricted stock units (RSUs).* Restricted stock units provide greater market value if the market value of our common stock increases in value. In fiscal year 2012, the final tranche of the September 2007 award, the third tranche of the September 2008 award, the second tranche of the September 2009 award, and the first tranche of the September 2010 award all vested. Due to a decline in stock price, as of the vesting dates the values of these shares are less than their values on the date of grant.

Realized Pay in Fiscal 2012

	Salary	**Bonus (a)**	**Options (b)**	**PSUs (b)**	**RSUs (b)**	**Total**	**% of Reported (c)**
Brian R. Gamache	$ 962,797	$ 0	$ 0	$ 0	$ 334,314	$ 1,297,111	35%
Orrin J. Edidin	$ 649,163	$ 0	$ 0	$ 0	$ 259,752	$ 908,915	41%
Scott D. Schweinfurth	$ 569,842	$ 0	$ 0	$ 0	$ 141,948	$ 711,790	42%
Larry J. Pacey	$ 551,460	$ 0	$ 0	$ 0	$ 151,193	$ 702,653	45%
Kenneth Lochiatto	$ 444,400	$ 0	$ 0	$ 0	$ 132,685	$ 577,085	42%

(a) Reflects amounts earned based on fiscal 2012 performance.
(b) Amounts shown represent the aggregate value of all stock options and stock awards that vested during the fiscal year. The value of vested stock options is calculated by multiplying the number of shares vested by the difference between the exercise price and the closing price of our common stock on the vesting date without regard to actual option exercise activity. The value of vested stock awards is calculated by multiplying the number of shares vested by the closing price of our common stock on the vesting date.
(c) Reflecting the percentage of the total compensation reported in the Summary Compensation Table excluding Change in Pension Value and All Other Compensation.

Additional Compensation Elements

Change-in-Control, Termination, Retirement or Other Post-Employment Benefits

We offer our named executive officers post-employment benefits in order to provide these individuals with security and reasonable compensation upon a termination of employment, and to ensure the continued commitment of employees in the event of a potential or actual change-in-control.

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We have entered into the following types of post-termination arrangements with our named executive officers:

Deferred Compensation Plans

As part of our compensation package, we allow our named executive officers to participate in a qualified 401(k) deferred compensation plan that is available to all of our employees generally and a supplemental non-qualified deferred compensation plan that is available to our highly compensated employees, both of which may provide for post-employment benefits. See All Other Compensation under Executive Compensation below.

Prior to Mr. Pacey s promotion in July 2008, upon the recommendation of the Compensation Committee, our Board approved a special compensation arrangement designed to retain Mr. Pacey as an employee for at least ten years. Mr. Pacey and our company have entered into a ten-year Deferred Compensation Agreement, dated January 27, 2007, which is subject to the terms of our Non-Qualified Deferred Compensation Plan. Under this Agreement, we make additional employer contributions for the benefit of Mr. Pacey, in the amount of $100,000 per year, which contributions are deposited into a separate employer contribution account. Mr. Pacey will not vest in these contributions unless he remains continuously in our employ until at least February 1, 2017; provided however, if Mr. Pacey s employment is terminated prior to the vesting date as a result of death, disability or termination by our company, other than for cause, he will become 100% vested in the amounts then in the separate employer contribution account and our obligation to make contributions shall cease on the date of any such termination. See Non-Qualified Deferred Compensation Table under Executive Compensation below.

Potential Payments Upon Termination of our Named Executive Officers

Mr. Gamache s employment agreement provides for termination benefits payable to Mr. Gamache upon termination of his employment under certain circumstances. See Employment Agreements and Pension Benefits below.

Under our employment agreements with Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto under certain circumstances such as disability, death, termination without cause and/or termination with good reason, we also provide separation payments and accelerated vesting of equity compensation awards. In exchange, such executive officers have agreed not to compete with us for defined periods of time. See Employment Agreements below.

Potential Change-in-Control Payments

Additionally, our Board, upon the recommendation of our Compensation Committee, has approved employment agreements which provide that a change-in-control may trigger certain benefits to certain of our named executive officers. It is our belief that providing benefits to our named executive officers in the face of a change-in-control will help us retain these executive officers and ensure their objectivity in connection with any potential transaction. Certain of our equity compensation plans and related grant agreements provide for accelerated vesting of equity compensation awards in the event of a change-in-control. Furthermore, pursuant to our employment agreements with Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto, we may accelerate their equity compensation awards and make certain payments to them as a result of a change-in-control. Additionally, for Messrs. Gamache, Edidin and Schweinfurth, we may make certain income tax gross up payments as a result of a change-in-control and termination of their employment, which were common compensation practices at the time we entered into these agreements, and we have not modified such agreements since fiscal year 2008. These payments and benefits are described in more detail under

Potential Payments Upon Termination or Change-in-Control beginning on page 55 of this Proxy Statement.

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Additional Information

Stock Ownership Guidelines

In order to keep our executive officers interests aligned with our stockholders, our Board adopted and last updated in June 2012, stock ownership guidelines for our executive officers and senior management of our company. These guidelines provide:

- Ø Our Chairman and Chief Executive Officer is expected to own stock equal in value to five times his base annual salary;
- Ø Our President and each of our Executive Vice Presidents are each expected to own stock equal in value to three times his respective base salary;
- Ø Each other executive officer is expected to own shares of or common stock equal in value to his or her respective base salary; and
- Ø Such officers are expected to refrain from selling any shares of our common stock if he is she is, or the sale would cause him or her to fall, below the minimum ownership level described above.

Under the guidelines, deferred stock units, restricted stock, restricted stock units and performance-based restricted stock units count toward meeting the requirements, but unexercised stock options and equity-based performance units do not.

Tax and Accounting Considerations

When determining the types and amount of compensation awarded to our named executive officers, our Compensation Committee and our Board consider not only the needs of the employees and our goals, but also the accounting and tax ramifications of such compensation on our company.

Accounting Ramifications

The impact of accounting for equity-based compensation is considered by the Compensation Committee when evaluating our compensation plans. Beginning on July 1, 2005, we began accounting for equity-based payments, including awards granted under our Incentive Plan, in accordance with FASB ASC Topic 718 *Share Based Compensation.*

Tax Ramifications

Section 162(m) of the Internal Revenue Code generally provides that publicly-held corporations will only be able to deduct, for income tax purposes, compensation paid to the Chief Executive Officer or other named executive officers (excluding our Chief Financial Officer) in excess of $1,000,000 per year if it is paid under qualifying performance-based compensation plans approved by stockholders. Compensation as defined by Section 162(m) includes, among other things, base salary, incentive compensation not provided under our Incentive Plan, time-vested restricted stock or restricted stock units and gains on stock option transactions when the exercise price on the grant date is below the fair market value of the underlying stock on that date. To the extent that compensation of any of our named executive officers, such as salary, time-vested restricted stock and individual performance-based bonuses, does not meet the Section 162(m) qualifications for deductibility and exceeds $1,000,000 in the aggregate in a particular year, we will not be able to deduct such excess for income tax purposes.

Under our Incentive Plan, which has been approved by our stockholders, equity-based performance units and performance-based incentive compensation including cash bonuses based on achievement of corporate performance that have been granted or paid to our named executive officers under the plan should qualify under Section 162(m) and be fully deductible by us. All stock options granted to date have an exercise price at least equal to 100% of the fair market value of the underlying stock on the date of grant, and all equity-based incentive

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awards, except time-vested restricted stock and restricted stock units, have been conditioned on achievement of performance goals intended to qualify as performance-based compensation. We believe the portion of our annual cash bonuses that are payable based on corporate performance for our named executive officers should qualify as performance-based compensation as granted under our Incentive Plan.

The Compensation Committee considers, on a case-by-case basis, how Section 162(m) will affect our compensation plans and contractual and discretionary cash compensation. The Compensation Committee also considers it important to retain flexibility to design compensation programs that recognize a full range of criteria important to our success, even where compensation payable under the programs may not be fully deductible.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis that appear herein. Based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated into our Annual Report on Form 10-K for fiscal year 2012.

This report is respectfully submitted by the Compensation Committee of the Board:

Patricia M. Nazemetz (Chair)

Robert J. Bahash

Edward W. Rabin, Jr.

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SUMMARY COMPENSATION TABLE

The Summary Compensation Table below and accompanying narrative disclosures provide compensation information for our named executive officers for fiscal years 2012, 2011 and 2010 including actual salary, non-equity incentive plan compensation paid and the grant date value of equity compensation awards made. Note as explained on pages 38 thru 40, the actual value realized or realizable related to equity compensation grants for fiscal year 2011 and fiscal year 2012 is expected to be substantially below the grant date values presented below:

Name and Position	Year	Salary ($)	Bonus ($) (1)	Stock Awards ($) (2)	Stock Option Awards ($) (3)	Non-Equity Incentive Plan Compensation Awards ($) (4)	Change in Pension Value ($) (5)	All Other Compensation ($) (6)	Total ($)
Brian R. Gamache	2012	962,797		1,271,010	1,487,306		401,448	72,749	4,195,310
Chairman and Chief	2011	945,790		1,271,024	635,512		401,448	144,115	3,397,889
Executive Officer	2010	918,139		1,233,464	616,732	1,406,179	401,448	181,368	4,757,330
Orrin J. Edidin	2012	649,163		749,870	800,846			45,604	2,245,483
President	2011	636,883		749,850	374,925			88,650	1,850,308
	2010	615,346	130,743	724,510	362,255	601,500		110,264	2,544,618
Scott D. Schweinfurth	2012	569,842		545,400	570,836			47,191	1,733,269
Executive Vice President, Chief	2011	558,358		545,360	272,680			79,532	1,455,930
Financial Officer and Treasurer	2010	537,489	192,037	524,186	262,093	463,646		92,105	2,071,556
Larry J. Pacey	2012	551,460		527,796	476,879			142,733	1,698,868
Executive Vice President, Global	2011	539,000		527,806	263,903			168,546	1,499,255
Products and Chief Innovation Officer	2010	514,615	114,625	502,666	251,333	444,416		168,377	1,996,032
Kenneth Lochiatto	2012	444,400		425,340	510,797			48,856	1,429,393
Executive Vice President and Chief	2011	429,231		425,366	212,683			84,139	1,151,419
Operating Officer	2010	393,269	75,000	386,388	193,194	341,859		83,442	1,473,152

(1) *Bonus:* For fiscal year 2010, a portion of our named executive officers cash bonus, other than Mr. Gamache s, was awarded on a discretionary basis based on achievement of individual performance goals. The amount of such discretionary bonus is included in the Summary Compensation Table above under Bonus and is not included in the Plan-Based Awards Table. The balance of each named executive officers cash bonus was awarded under our Incentive Plan and is included above under Non-Equity Incentive Plan Compensation Awards. Our named executive officers did not receive any bonus for fiscal years 2012 and 2011.

(2) *Stock Awards:* This column reflects the aggregate grant date fair value of the restricted stock units and equity-based performance units granted under our long-term incentive program in fiscal years 2012, 2011 and 2010, computed in accordance with FASB ASC Topic 718 Share Based Compensation, disregarding for this purpose the estimated forfeitures relating to service-based vesting conditions. Values for restricted stock units are computed at the closing trading price of our common stock on the grant date. Although the probable outcome of performance conditions will vary over time, the Securities and Exchange Commission rules require that we report in this column the value based on the probable outcome as of the time of the grant which are the target values which provide for a payout in an amount equal to a 100% of the number of units granted upon achievement of the specified financial goals. The restricted stock and equity-based performance units reflected above for fiscal year 2012 are described in greater detail under Grants of Plan-Based Awards below.

(3) *Stock Option Awards:* This column reflects the aggregate grant date fair value of stock option awards granted in fiscal years 2012, 2011 and 2010, calculated using the closing trading price of our common stock on the grant date and the Black-Scholes option pricing method, as further described in Note 2, Principal Accounting Policies to our Consolidated Financial Statements in our Annual Report on Form 10-K for fiscal year 2012. These stock option awards for fiscal year 2012 are described in greater detail under Grants of Plan-Based Awards below.

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(4) *Non-Equity Incentive Plan Compensation Awards:* This column reflects cash bonuses awarded under our Incentive Plan to Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto in accordance with previously approved bonus performance tables and calculated based on our actual financial performance. Our named executive officers did not receive any cash bonuses under our Incentive Plan for fiscal years 2012 and 2011. For fiscal year 2010, for all but Mr. Gamache, each named executive officer also had a portion of his cash bonus determined based on the achievement of individual performance goals. For greater detail for fiscal year 2010 awards see Additional Information Concerning Summary Compensation and Grants of Plan-Based Awards Tables Bonuses below.

(5) *Change in Pension Value:* This column represents the change from June 30, 2011 to June 30, 2012, June 30, 2010 to June 30, 2011, and June 30, 2009 to June 30, 2010 in the present value of the benefits to which Mr. Gamache will become entitled upon termination of his employment in accordance with his employment agreement. See Pension Benefits below.

(6) *All Other Compensation:* See Additional Information Concerning Summary Compensation and Grants of Plan-Based Awards Tables All Other Compensation below.

GRANTS OF PLAN-BASED AWARDS

The following table sets forth each Grant made to the named executive officers in fiscal year 2012 under our Incentive Plan.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)			All Other Stock Awards: Number of Shares or Units of Stock	All Other Stock Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Stock Option Awards	Grant Date Fair Value of Stock and Stock Option Awards
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#) (3)**	**(#)**	**($/Sh) (4)**	**($) (5)**
Brian R. Gamache	9/15/2011	695,883	953,265	2,669,142							
					19,018	31,696	63,392				635,505
								31,696			635,505
									177,500	20.05	1,487,306
Orrin J. Edidin	9/15/2011	304,849	417,939	1,106,308							
					11,220	18,700	37,400				374,935
								18,700			374,935
									95,723	20.05	800,846
Scott D. Schweinfurth	9/15/2011	237,387	323,710	971,129							
					8,161	13,601	27,202				272,700
								13,601			272,700
									68,255	20.05	570,836
Larry J. Pacey	9/15/2011	229,730	313,268	939,803							
					7,897	13,162	26,324				263,898
								13,162			263,898
									57,183	20.05	476,879
Kenneth Lochiatto	9/15/2011	185,130	252,450	757,350							
					6,364	10,607	21,214				212,670
								10,607			212,670
									60,935	20.05	510,797

(1) Consists solely of the portion of cash bonuses that were established under our Incentive Plan to Messrs. Gamache, Edidin, Schweinfurth, Pacey and Lochiatto the payout of which were dependent on the financial performance for fiscal year 2012 in accordance with bonus tables approved by our Board upon the recommendation of our Compensation Committee. As reflected under Non-Equity Incentive Plan Awards in the Summary Compensation Table above, no payout was made under this award as our financial

performance for fiscal year 2012 did not meet the minimum thresholds. For more detail, see Additional Information Concerning Summary Compensation and Grants of Plan-Based Awards Tables Bonuses below.

(2) Consists of equity-based performance units, which grants are discussed in more detail under Compensation Discussion and Analysis above.

(3) Consists of restricted stock units, which grants are discussed in more detail under Compensation Discussion and Analysis above.

(4) The exercise price is the closing trading price of our common stock on the date of grant.

(5) The grant date fair value for the equity-based performance unit awards and restricted stock unit awards is calculated using the closing trading price of our common stock on the date of the grant and for the equity-based performance units uses the target number of shares issuable. The grant date fair value for the stock option awards is calculated using the closing trading price of our common stock on the grant date and the Black-Scholes option pricing method. See Notes 2 and 3 to the Summary Compensation Table, above.

ADDITIONAL INFORMATION CONCERNING

SUMMARY COMPENSATION AND GRANTS OF PLAN-BASED AWARDS TABLES

The following additional information concerning our named executive officers compensation, including plan-based awards, is furnished to supplement the information provided in the Summary Compensation and Grants of Plan-Based Awards Tables.

Employment Agreements

We employ Brian R. Gamache under the terms of an agreement dated December 27, 2004, as amended from time to time. The agreement is subject to automatic rolling extensions so that the term of Mr. Gamache s employment will at no time be less than two years. Mr. Gamache s annual base salary has been $972,330 since the first pay period in January 2012. For fiscal year 2012, Mr. Gamache had the opportunity to earn a cash bonus of up to 280% of his base salary pursuant to an annual financial performance-based program, although no cash bonus was paid as our actual financial performance did not meet the minimum threshold requirements. Mr. Gamache may participate in all benefit plans and perquisites generally available to our executive officers, including our long-term incentive program.

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