# Light & Wonder, Inc.

# Employee Stock Purchase Plan Guide

***For Participants in the United States***

***May 2022***

## Table of Contents



**Dear Light & Wonder Employee:**

The Light & Wonder, Inc. 2016 Employee Stock Purchase Plan (the "Plan") allows eligible employees to purchase Light & Wonder, Inc. common stock at a discount through periodic payroll deductions. This Guide is designed to help you understand employee stock purchase plans in general and the specific parameters of the Plan.

Fidelity Stock Plan Services ("Fidelity") has been selected by Light & Wonder, Inc. to provide services to help you manage participation in the Plan. You can enroll in the Plan and sell shares acquired through the Plan on the Fidelity website, **netbenefits.com**, or by telephone via the appropriate number listed at www.Fidelity.com/globalcall.

*This document summarizes some important points about the Plan; however, it is not a summary plan description, nor does it purport to give investment or tax advice. For more complete information about the Plan, you should read the Plan's Prospectus located on the Benefits website (www.mylnwbenefits.com) and the Plan (the "Plan documents"). In case of any discrepancy between this information or any oral representation and the Plan documents, the Plan documents will govern. Participation in the Plan is not a guarantee of employment. Light & Wonder, Inc. reserves the right to amend or terminate the Plan at any time.*

# Questions & Answers

**What is an Employee Stock Purchase Plan?**
An employee stock purchase plan (ESPP) is an employer sponsored program that allows you to make planned, periodic purchases of employer stock through convenient payroll deductions. We refer to the Light & Wonder, Inc. ESPP as the "Plan."

**Light & Wonder, Inc.'s Plan allows you to:**

- Invest up to 15% of your eligible pay in Light & Wonder, Inc. common stock through payroll deductions
- Purchase Light & Wonder, Inc. common stock at a discount
- Become a holder of Light & Wonder, Inc. common stock in a convenient manner

**How does the Plan work?**
If you are an eligible employee of Light & Wonder, Inc. (the "Company") or a designated subsidiary of the Company, you may authorize payroll deductions of 1% to 15% of Eligible Compensation each Option Period. Percentages must be in whole amounts (i.e., 3% is correct; 3.5% is not). The amounts deducted are accumulated over the Option Period and used to purchase shares of the Company's common stock on the Purchase Date, which occurs at the end of each six-month Option Period.

The purchase price will be 15% less than Fair Market Value (FMV) on the last day of the Option Period. For each Option Period, there is a 150,000 share limit on the total number of shares that can be purchased under the Plan across all participants. Should the cumulative amount of contributions during an Option Period exceed the amount of funds required to purchase 150,000 shares, the share purchase will then be pro-rated in proportion to each participant's respective contributions to the Plan, over that Option Period. The balance of unused contributions will be refunded to the participant. Shares purchased under the Plan are also subject to a 6-month holding period following the Purchase Date at the end of the Option Period.

The Plan will operate on two consecutive six month Option Periods each year, with the first beginning on January 1 and ending on the Purchase Date of June 30 and the second beginning on July 1 and ending on the Purchase Date of December 31.

The Plan addresses the consequences of terminating employment and includes provisions for increasing or decreasing payroll deductions and withdrawing from participation.

**How much may I contribute?**
You may contribute, by payroll deduction, any amount between 1% and 15% of your regular base pay (excluding overtime, premium pay, bonuses, commissions and similar payments) for each full payroll period in the Option Period. Your payroll deductions for each Option Period are calculated and based on your pay rate at the beginning of that Option Period. Amounts will be withheld only in whole percentages. Deductions will be made from your after-tax paycheck each full pay period during the Option Period and held by the Company without interest until the Option Period is completed.

**How is the payroll deduction calculated?**
All deductions are based on pre-tax compensation but deducted on a post-tax basis.

**EXAMPLE:**

- Annual base pay rate = $52,000; contribution rate = 15% of eligible pay.
- Base salary rate for six-month option period = $26,000/13 pay periods = $2,000 gross per biweekly pay period.
- $300 deducted per pay period ($2,000 x 15%) even if your actual pay is different than $2,000 gross per biweekly pay period.
- Assuming $1,200 is your net take home pay before the ESPP deduction, your final net take home pay will be $1,200 - $300 = $900.

*A Glossary of Terms is provided on page 10.*

**What price will I pay?**
The purchase price will be 85% of the market price (Fair Market Value) on the last day of the Option Period.

**Who is eligible?**
If you are an employee of the Company or a designated subsidiary (customarily employed at least 20 hours per week) located in the United States (U.S.) as of the beginning of the Option Period and your Eligible Compensation in the prior

calendar year did not exceed $250,000 (USD), you are eligible to participate in that Option Period.

**How do I join?**

You may enroll in the Plan through the enrollment website at **netbenefits.com** or by telephone via the appropriate number listed at www.Fidelity.com/globalcall during the Open Enrollment Period. Additional details for enrollment will be sent to you under separate cover. Your participation will begin with the first Option Period following your enrollment. Your enrollment will remain in effect for successive Option Periods until it is revised or revoked by you.

**If I decide not to join right now, will I have another opportunity?**

Yes. If you decide not to join the Plan for the upcoming Option Period, you may enroll in a later Option Period during the Open Enrollment Period for that Option Period. The Plan will remain in effect unless the Board of Directors terminates it or the shares reserved for purchase under the Plan have all been purchased.

**May I begin participation in the middle of an Option Period?**

No. To participate in a given Option Period, you must enroll during the Open Enrollment Period before the start of the Option Period.

**May I withdraw from the Plan at any time?**

Yes. If you find it necessary to withdraw from the Plan, simply go online to the Fidelity website, netbenefits.com, and select "withdraw money." You may also withdraw by telephone via the appropriate number listed at www.Fidelity.com/globalcall. Your payroll deductions will stop and you will receive a refund of your contributions within the current period. If you do withdraw from the Plan, you cannot rejoin during that Option Period. You can, however, enroll in the next Option Period.

**What happens if I leave the Company?**

If at any time you cease to be employed by the Company or a subsidiary, you will be withdrawn from the Plan and your un-invested payroll deductions will be returned to you. If you are rehired, you may rejoin the Plan through the standard enrollment process when you become eligible.

**Can I stop my contributions and still participate in the Plan?**

Yes. With prior notice, you may suspend your contributions to the Plan as of the middle of an Option Period. The contributions deducted from your payroll during the first half of the Option Period will be used to purchase shares at the end of the Option Period but no further contributions will be made during the balance of the Option Period. In addition, you will be deemed to have elected not to participate in subsequent Option Periods, and must re-enroll to participate in a future Option Period.

**May I increase or decrease my payroll deductions during an Option Period?**

During an Option Period, you may not increase your contribution rate, but you may make one election to decrease your contribution rate. You may make that election any time up to the middle of the Option Period to take effect at the midpoint of the period.

| For the period… | You can submit changes up to… | To take effect… |
|---|---|---|
| January – June | March 31 | April 1 |
| July – December | September 30 | October 1 |

**To decrease your contribution**:
**Method:** Select new percentage under "view or change payroll deduction" on website

**Effect the Current Period:** Reduces contribution as of midpoint for Option Period

**Effect for Future Period:** Reduced rate applies unless you make subsequent changes during open enrollment for future Option Period

**How many shares can I buy?**

The number of shares purchased depends on the market price of the Company's common stock (Fair Market Value) on the last trading day of the Option Period and the cumulative amount of your contributions at the end of the Option Period. On the last day of the Option Period (the Purchase Date), accumulated contributions will be used to purchase whole shares at the purchase price.

Individual share purchases will be further limited such that the cumulative number of shares purchased in an Option Period does not exceed 150,000 shares. In the event that this limit is reached, an equal proportion of each participant's contributions will be applied toward the purchase of shares, and any balance of unused contributions will be refunded to participants.

No fractional shares will be purchased, and any remaining cash insufficient to buy a whole share will be automatically retained for your account by the Company for the next Option Period. For example: If the market price on the purchase date is $10.00, 85% of that price is $8.50. If your payroll deductions amount to $300.00, you would be able to purchase 35 shares for a total price of $297.50. The balance of $2.50 would be retained for your account by the Company for the next Option Period.

**EXCEPTION**: In no event will you be able to purchase more than the number of shares determined by dividing (i) 15% of your base pay during the Option Period (based on the rule in effect at the beginning of the Option Period) by (ii) 85% of the fair market value of a share of stock as of the first day of the Option Period. In addition, in no event may you participate to the extent that you would own five percent (5%) or more of all of the outstanding stock of the Company after the Option Period.

The Company may limit the maximum number of shares a participant can purchase in an Option Period. The Internal Revenue Service (IRS) limits the number of shares that can be purchased in any calendar year. No participant may purchase more than $25,000 (in total value) of stock in a calendar year. This is based on the Fair Market Value at the start of the Option Period.

**Do I automatically own a share of the Company's common stock as soon as its cost has been deducted from my compensation?**
No. The stock is only actually purchased twice a year, on the Purchase Dates. A Purchase Date is the last day of each six-month Option Period. You must be employed on the Purchase Date to purchase stock.

**May I make a cash contribution to the Plan in addition to my payroll deductions?**
No. Contributions can only be made through the after-tax deductions from your paycheck.

**Do I receive interest on my payroll deductions?**
No.

**What happens to the shares purchased for me?**
After the close of each Option Period, your shares will be deposited into your account at Fidelity. Shares purchased under the Plan are subject to a 6-month holding period from the Purchase Date, during which time you will not be able to sell or transfer shares purchased under the Plan.

**How can I find out the number of shares purchased for me at the close of the Option Period?**
You may view the total number of shares purchased for you at the close of each Option Period by logging into your account at netbenefits.com.

**When may the shares purchased through the Plan be sold?**
You may sell your shares any time after the 6-month holding period following the Purchase Date (provided you are not in possession of material information regarding the Company that is not available to the public, and not subject to any "Blackout Period" and/or pre-clearance restrictions to which you may be subject under the Company's Securities Trading Policy). You will be subject to certain tax obligations at the time of the sale. Please see Tax Considerations on page 6 for further details.

**What happens if there is a stock split, stock dividend, or other change affecting the Company's common stock?**
Your shares reserved under the Plan will be adjusted proportionately in the event of a stock split or stock dividend. In the event of any other change affecting the Company's common stock, the Board of Directors of the Company will make any necessary adjustments.

**Can my rights to purchase stock with payroll deductions be assigned to anyone else?**
No. The Plan is designed as a benefit for employees of the Company.

**Can the Plan be amended or terminated?**
Yes. The Board of Directors of the Company may amend or terminate the Plan; however, such amendment cannot adversely affect a participant's existing rights under the Plan. Certain amendments will require shareholder approval.

# Questions & Answers

**What happens to my ESPP contributions and/or purchased shares if I die? How can I name a beneficiary?**

In the event of your death, any contributions you have made during the Option Period and any purchased but undelivered shares will be paid to your beneficiary. You may obtain a beneficiary form from your Human Resources Department or through Fidelity.

# U.S. Tax Considerations

Under present law, the U.S. federal income tax consequences of the grant and exercise of options to purchase stock under an ESPP (as defined in Section 423 of the Internal Revenue Code) and the subsequent disposition of shares acquired under such Plan, are set forth below. Please note that this information applies to U.S. federal income tax guidelines only. State and local tax regulations may affect the calculations and therefore the tax consequences. Employees in other countries are also subject to different tax guidelines. **All participants must check with their own tax advisor for a complete evaluation of tax consequences.**

**First trading day of the Option Period**
You are not taxed at the start of the Option Period.

**Time of purchase of stock**
You are not taxed when shares are purchased even though they are purchased at a discount.

**Sale of shares acquired under the Plan**

1. **Qualifying Dispositions:** If shares are sold after two years or more from the first day of the Option Period <u>and</u> one year from the Purchase Date: Any profit up to 15% of the Fair Market Value of the shares at the beginning of the Option Period is taxable as ordinary compensation income. Any further profit is taxable as long-term capital gain and any loss is treated as long-term capital loss.
2. **Disqualifying Dispositions:** Shares sold within two years from the beginning of the Option Period <u>or</u> one year from the Purchase Date are considered "Disqualifying Dispositions." When a Disqualifying Disposition occurs, the difference between the FMV on the Purchase Date and the Purchase Price is treated as ordinary compensation income on your W-2 in the year of the sale.

**Tax deduction by Company**
When shares are sold as Disqualifying Dispositions, the Company is entitled to a tax deduction for the difference between the price paid by the employees and the market value of the shares at the date of purchase. If purchased shares are sold as Disqualifying Dispositions, the employee must notify Human Resources of the Disqualifying Disposition within 30 days of the sale.

It is important that the Company track such

**Example of U.S. Tax Implications**
*Please note that figures and percentages used in this example are for demonstration purposes only. Tax rates are subject to change. Your tax percentages may differ from those listed. Please consult with your personal tax advisor prior to selling your ESPP shares.*

| | | |
|---|---|---|
| FMV at start of Option Period | $27.00 | 01/01/17 |
| FMV at Purchase Date | $30.00 | 6/30/17 |
| Purchase Price ($30 x 85%) | $25.50 | 6/30/17 |
| Sale Price | $34.00 | |

**Qualifying**

| Sale Date | Ordinary Compensation Income | Long Term Capital Gain |
|---|---|---|
| 01/15/19 | $27.00 x 15% = $4.05 | $34.00 – ($25.50+$4.05) = $4.45 |
| | Taxed at 25%* = $1.01 | Taxed at 15% = $0.66 |

Total Income Tax = $1.67/share

**Marginal income tax rate; will vary by individual and is assumed at 25% for this example.*

**Disqualifying**

| Sale Date | Ordinary Compensation Income | Long Term Capital Gain |
|---|---|---|
| 07/15/18 | $30.00 – $25.50 = $4.50 | $34.00 – ($25.50 + $4.50) = $4.00 |
| | Taxed at 25% = $1.13 | Taxed at 15% = $0.60 |

Total Income Tax = $1.73/share

dispositions for its own tax filings. At any time, the Company may, but will not be obligated to, withhold from the participant's compensation the amount necessary for the Company to meet applicable withholding obligations, including any withholding required to make available to the Company any tax deductions or benefits attributable to sale or early disposition of stock by the employee.

**Disposition other than sale**

If you had a Disqualifying Disposition from a transaction other than a sale to an unrelated person (such as a gift to someone other than your spouse or a sale to a related person other than your spouse), it is possible that the rules from that type of transfer do not permit the deduction of losses. If your disqualifying Disposition comes from a type of transaction where a deduction for losses is not permitted, the following rules apply:

- You have to report the full amount of the bargain element from when you purchased the shares as compensation income. That is true even if the value of the stock has gone down since the date you purchased the shares.
- If the transaction requires you to report gain (such as a sale to a related person other than your spouse), any gain that exceeds the amount of compensation income should be reported as capital gain (which may be long-term or short-term depending on how long you held the stock).

**Death of an employee**

In the event of your death prior to disposing of shares purchased under the Plan, the tax return for the year of death must include the discount on the purchase as ordinary income (but not more than the amount by which the Fair Market Value at death exceeds the Purchase Price).

**Tax Consultation**

Light & Wonder, Inc.'s ESPP is intended to qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986, as amended; however, the tax implications of the Plan can be very complicated. You are urged to contact your tax advisor with questions specific to your situation.

**Note:** Neither Light & Wonder, Inc. nor Fidelity are qualified tax advisors. We strongly urge you to seek the advice of a professional tax advisor prior to transacting any sale.

**Fees and Commissions**

When you sell shares from your ESPP account, commissions and fees will apply.

You will not incur fees when you purchase Light& Wonder shares in the Plan. Any subsequent sale of shares conducted online in your Stock Plan Account will be charged a fee of $7.95 plus other regulatory fees paid to the U.S. Securities and Exchange Commission (SEC). **Commissions and fees are subject to change.**

You are responsible for account-related fees at the prevailing rates at the time of the transaction.

For current fee information, visit netbenefits.com or call Fidelity by telephone via the appropriate number listed at www.Fidelity.com/globalcall. **Fees are subject to change.**

# Enrolling Online – Fidelity Stock Plan Services

**Stock Purchase**

You have the ability to access your ESPP account online. Fidelity has created a powerful, user-friendly website that provides you with access to your ESPP information (netbenefits.com). In addition to enrolling, making changes or withdrawing from ESPP online, you may view a history of your completed purchases, and you may sell your shares by placing a real-time order on the website.

The paragraphs below highlight specific features of the ESPP section of the website.

To facilitate navigation through the ESPP site, it has been organized into the following sections:

- Enroll in ESPP, change your contribution rate or withdraw from the ESPP
- View your purchase account
- Sell your purchased shares
- Customer service center

**Enroll in the ESPP, Change Your Contribution Rate, or Withdraw from the ESPP**

Fidelity is available to help you with enrolling, changing your contribution percentage, or withdrawing from the plan at netbenefits.com.

**If you are enrolling for the first time:**

1. Go to the Fidelity website at netbenefits.com
2. Log on with your customer username and password
3. Click on the "Enroll" hyperlink next to the plan name
4. Enter your desired contribution election – that is, the percentage you would like to contribute to the ESPP from your paycheck, and click "Next".

The next screen will provide a confirmation of your enrollment election and a link to your plan documents.

Please print a copy of the enrollment confirmation page for your records.

**If you want to change your previous election:**

1. You will be presented with an enrollment summary page that displays your current contribution election, an overview of the plan parameters, a history of your enrollment activity, and a link to change your enrollment. Click on the "View or Change Payroll Deduction" link then "Change Deduction".
2. On the next screen enter your enrollment election and click "Next".

The next screen will provide a confirmation of your enrollment election and a link to your plan documents.

Please print a copy of the enrollment confirmation page for your records.

If you have questions or need assistance making a transaction, you can reach Fidelity by telephone via the appropriate number listed at www.Fidelity.com/globalcall. Fidelity Stock Plan Services Representatives are available Monday through Friday, 8 a.m. to 8 p.m. your local time, excluding holidays of the New York Stock Exchange (NYSE).

**View your purchase account**

Allows you to monitor and manage your ESPP stock purchase account in a user-friendly and sortable format with comprehensive links to definitions and help pages, including:

- Current Balance – View your account value and position and the shares available for sale (this account is designed to exclusively hold Light & Wonder, Inc. stock).
- Transaction History – View your stock purchase statement information.
- Order Summary – View and modify orders that are pending execution.
- Account Information Summary – Review a listing of your personal purchase plan account information.

**Sell your purchased shares**

After the conclusion of the 6-month holding period following the Purchase Date, you may sell your ESPP shares by placing a real-time market sell or limit sell order.

- Complete the Order Entry Ticket.
- Review your results before submission.
- Submit order.
- Receive an online confirmation of order.

# Glossary of Terms

| Term | Definition |
|---|---|
| **Blackout Period** | A period before the release of annual or quarterly financial information during which the insiders of a public company are restricted from trading in Company stock. Please refer to your Company's Insider Trading Policy for further details. |
| **Capital Gain** | Profit from the sale of a capital asset (such as stock) received upon exercise of options. Capital gains may be short-term (held for 12 months or less) or long-term (held for more than 12 months). |
| **Disqualifying Disposition** | A sale, gift or transfer of shares acquired through an Employee Stock Purchase Plan within two years from the Option Date or one year from the Purchase Date. A disqualifying disposition is a taxable event, and the Company is entitled to a tax deduction equal to the difference between the purchase price and the Fair Market Value on the Purchase Date. |
| **Eligible Compensation** | Base Pay as the beginning of the Option Period (excluding overtime, premium pay, bonuses, commissions and similar payments). |
| **Employee Stock Purchase Plan (ESPP)** | A type of broad-based stock plan which permits employees to use payroll deductions, accumulated over a specific purchase period, to acquire stock from the Company, generally at a discount. |
| **Fair Market Value (FMV)** | The daily value of the Company stock, defined as the closing sale price as quoted on NASDAQ. |
| **Open Enrollment Period** | The designated period preceding the Option Period when you may enroll in the ESPP. |
| **Option Period** | The six-month period during which payroll deductions are collected for purchasing stock at the end of the period; occurs two times a year. |
| **Purchase Date** | The last day of the Option Period, which is the date on which employee contributions are used to purchase stock. |
| **Purchase Price** | The amount paid to purchase shares under the ESPP. Using your contributions, shares will be purchased at 85% of the FMV on the Purchase Date. |
| **Section 423** | The Internal Revenue Code section that regulates Employee Stock Purchase Plans. |
| **Taxable Compensation** | The amount reported by the Company on the W-2 as ordinary income. |