

# SECURITIES AND EXCHANGE COMMISSION

## FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1993-12-23** | Period of Report: **1993-09-30**  
SEC Accession No. **0000353944-94-000005**

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### FILER

#### INTERNATIONAL GAME TECHNOLOGY

CIK: **353944** | IRS No.: **880173041** | State of Incorporation: **NV** | Fiscal Year End: **0930**  
Type: **10-K** | Act: **34** | File No.: **001-10684** | Film No.: **94503855**  
SIC: **3990** Miscellaneous manufacturing industries

Business Address  
520 S ROCK BLVD  
RENO NV 89502  
7026880100

FORM 10-K

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (Fee Required)  
For the Fiscal Year Ended September 30, 1993  
OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 (No Fee Required)  
For the transition period from.....to.....

Commission File Number 001-10684

INTERNATIONAL GAME TECHNOLOGY  
(Exact name of registrant as specified in its charter)

Nevada 88-0173041  
(State of Incorporation) (I.R.S. Employer Identification No.)

520 South Rock Boulevard, Reno, Nevada 89502  
(Address of principal executive offices)

Registrant's telephone number, including area code: (702) 688-0100

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
---------------------	--

Common Stock, Par Value \$.000625	New York Stock Exchange
5-1/2% Convertible Subordinated Notes	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:  
None

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by non-affiliates of

the registrant as of November 30, 1993: \$3,500,265,345

The number of shares outstanding of each of the registrant's classes of common stock, as of November 30, 1993: 127,136,771 shares of Common Stock, \$.000625 Par Value

Part III incorporates information by reference from the Registrant's definitive Proxy Statement to be filed with the Commission within 120 days after the close of the Registrant's fiscal year.

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## PART I

## General

International Game Technology (the "Company") was incorporated in December 1980 to acquire the gaming licensee and operating entity, IGT (recently renamed IGT-North America), and facilitate the Company's initial public offering. In addition to its 100% ownership of IGT-North America, the Company directly or indirectly owns 100% of IGT-International, ("IGT-International"), 100% of IGT-Australia, Pty. Ltd. ("IGT-Australia"), 100% of IGT-Europe b.v. ("IGT-Europe"), 99.75% of IGT-Iceland Ltd. ("IGT-Iceland") and 100% of IGT-Japan k.k. ("IGT-Japan"). In December 1993 the Company sold its interest in its riverboat partnerships and on September 30, 1993 sold its interest in CMS-International ("CMS"). See "Discontinued Operations."

IGT-North America is the largest manufacturer of computerized casino gaming products and proprietary systems in the world. The Company believes it manufactures the broadest range of microprocessor-based gaming machines available. The Company also develops and manufactures "SMART" systems which monitor slot machine play and track player activity. In addition to gaming product sales and leases, the Company has developed and sells computerized linked proprietary systems to monitor video gaming terminals and has developed specialized video gaming terminals for lotteries and other applications. IGT-North America also develops and operates proprietary software linked progressive systems. The Company derives revenues related to the operations of these systems as well as collects license and franchise fees for the use of the systems.

IGT-International was established in September 1993 to oversee all operations outside of North America by the Company's foreign subsidiaries. IGT-International also conducts sales either directly or through distributors in countries not served by the Company's foreign subsidiaries.

IGT-Australia, located in Sydney, Australia, manufactures microprocessor-based gaming products and proprietary systems, and performs engineering, manufacturing, sales and marketing and distribution operations for the Australian markets as well as other gaming jurisdictions in the Southern Hemisphere and Pacific Rim.

IGT-Europe was established in The Netherlands in February 1992 to distribute and market gaming products in Eastern and Western Europe and Africa. Prior to providing direct sales, the Company sold its products in these markets through a distributor.

IGT-Iceland was established in September 1993 to provide system software, machines, equipment and technical assistance to support Iceland's video lottery operations.

IGT-Japan was established in July 1990, and in November 1992 opened an office in Tokyo, Japan. On April 16, 1993, IGT-Japan was approved to

supply Pachisuro gaming machines to the Japanese market, and the Company began delivery of these machines during the third quarter of fiscal 1993.

ITEM 1. BUSINESS (continued)

Discontinued Operations

During fiscal 1993, the Company divested its investments in casino operations through the sale of its interest in the President Riverboat Casinos, Inc. ("PRC") and CMS. These dispositions were made as part of the Company's strategy to focus on its core businesses of manufacturing machines and the development of proprietary systems software.

Iowa Riverboat Corporation ("IRC"), a wholly-owned subsidiary of the Company, established in March 1990, was a 40% partner in an Iowa partnership that owned and operated the President riverboat casino and the Blackhawk Hotel in Davenport, Iowa. International Acceptance Corporation ("IAC"), also a wholly-owned subsidiary of the Company, owned 45% of a riverboat excursion operation and the permanently docked Admiral riverboat in St. Louis, Missouri. In December 1992, the Company contributed the assets of IRC and IAC to PRC in exchange for 1,671,429 shares of PRC common stock. These shares were subsequently sold to the public as part of an initial public offering of PRC common stock on December 17, 1992 (see Note 12 to the Consolidated Financial Statements).

CMS, established in August 1988, operated casinos and hotel/casinos for the Company including the Silver Club hotel and casino and The Treasury Club casino in Sparks, Nevada, the El Capitan Club in Hawthorne, Nevada and the King's Casino on the island of Antigua in the Caribbean. Effective September 30, 1993, the Company sold its ownership interest in CMS.

Unless the context indicates otherwise, references to "International Game Technology", "IGT" or the "Company" include International Game Technology and its wholly-owned subsidiaries and their subsidiaries. The principal executive offices of the Company are located at 520 South Rock Boulevard, Reno, Nevada 89502; its telephone number is (702) 688-0100.

The following table shows the revenues, operating results and identifiable assets for the continuing operations of the Company's two principal lines of business.

	Years Ended September 30,		
	1993	1992	1991
	(Amounts in thousands)		
Manufacture of Gaming Products:			
Revenues . . . . .	\$335,641	\$236,372	\$155,682
Operating Profit . . . . .	175,888	115,705	69,378
Identifiable Assets . . . . .	262,454	188,852	95,515

Gaming Operations:

Revenues . . . . .	142,389	\$127,222	\$ 77,320
Operating Profit. . . . .	62,391	59,381	26,842
Identifiable Assets:			
Discontinued Casino			
Operations. . . . .	-	30,737	29,785
Gaming Operations . . . .	151,234	117,595	78,328

ITEM 1. BUSINESS (continued)

	Years Ended		
	September 30,		
	1993	1992	1991
(Amounts in thousands)			

Geographic Area Data:

United States:

Revenues:

Unaffiliated Customers.	\$413,121	\$326,136	\$207,835
Inter-area Transfers. . .	14,576	6,163	1,153
Operating Profit. . . . .	224,152	163,597	87,228
Identifiable Assets . . . .	600,472	460,686	328,239

Australia:

Revenues. . . . .	\$ 39,681	\$ 34,580	\$ 25,166
Operating Profit. . . . .	15,269	13,671	8,723
Identifiable Assets . . . .	27,067	24,465	17,366

Europe:

Revenues. . . . .	\$ 11,485	\$ 2,878	\$ -
Operating Profit. . . . .	1,025	513	-
Identifiable Assets . . . .	11,007	4,822	-

Canada:

Revenues. . . . .	\$ 13,743	\$ -	\$ -
Operating Profit. . . . .	4,241	-	-
Identifiable Assets . . . .	8,047	-	-

See also Note 2 of Notes to Consolidated Financial Statements.

Gaming Products

Products

The Company develops its gaming products for two major markets: the traditional casino gaming market and the government sponsored video gaming terminal market. During 1993, the Company also began producing pachisuro machines, a Japanese style slot machine.

The Company was the first to develop computerized video gaming and today, under the Players Edge Plus trademark, the Company sells a variety

of different games. The games include the video poker and "blackjack" products in the upright, slant-top and drop-in bar models. The Players Edge Plus line is also available in slant-top keno, dual screen keno and large screen video poker and video slots. Players Edge Plus machines offer player appeal and security including multilevel progressives, embedded and side-mount bill acceptors, enhanced sound packages, embedded progressive meters and data communication devices.

The Company also offers a complete line of spinning reel slot machines sold under the trademark S-Plus. The S-Plus series slot machines use an advanced microprocessor system that accommodates several progressive link configurations, enhanced audit trail functions, selection of game software and optional side-mount or embedded bill acceptors. S-Plus machines run existing S-slot programs or the latest partitioned software

ITEM 1. BUSINESS (continued)

which facilitates program updates. A game change can occur quickly by selecting a new program chip from IGT's extensive game library and by changing the glass and reel strips. The S-Plus machines are manufactured in various sizes and colors and are offered in several designs including upright, slant top and drop-in-bar.

IGT-North America also develops, manufactures and markets microprocessor based Slot Marketing and Revenue Tracking "SMART" systems. The SMART computer system identifies frequent players, records playing history, provides direct marketing information, automates slot accounting and provides additional security to casino customers. IGT provides SMART system 24-hour technical support and a software maintenance agreement for on-site service by specially trained system engineers.

Over the past decade, advancements in gaming machine technology have attracted a greater number of players to slot and video machines due primarily to higher jackpots and enhanced player appeal. These improvements have significantly influenced casino gaming revenues. Generally, annual slot and video revenues of domestic casinos exceed revenues from table games.

The Company's innovations in slot and video technology have increased the machines' earning potential by improving the ease and speed of play, and by decreasing down-time through improved reliability and added service features. All new gaming machines offer a wide variety of games, innovative designs, sophisticated security features, self-diagnostic capabilities, and various accounting and data retention functions. The Company's engineering and design staff continually provide technological improvements and ongoing game development. The Company has obtained numerous patents on various aspects of the video and reel-type gaming machines and systems. The visual aspects of the product are upgraded and customized by the Company's graphic design and silkscreen departments.

The Company manufactures and markets video gaming terminals ("VGTs") for government sponsored gaming programs. The VGTs are similar to the

Company's video gaming machines, although the wagering and payment of jackpots differ. After inserting money in a VGT, the player is issued credit and plays the machine like a traditional video machine. Player losses are deducted from the credit and winnings are added, instead of coins being dropped into a tray. Upon completion of play, the VGT prints out a ticket showing the remaining amount of credit, and the ticket is redeemable for cash. Unlike traditional gaming machines, VGTs are typically linked to a central computer for accounting and security purposes, which is monitored by the state lotteries or other government agencies.

The following schedule illustrates revenues derived from the sale of gaming products for the fiscal years ended September 30, 1993 and 1992.

	Fiscal Years Ended September 30,		
	1993	1992	1991
	(Amounts in Thousands)		
Traditional Gaming Products			
Reel-Type Slot Machines	\$194,126	\$105,818	\$ 61,356
Video Products	\$ 75,506	\$ 62,338	\$ 61,953
Video Gaming Terminals	\$ 15,100	\$ 22,172	\$ 5,312

ITEM 1. BUSINESS (continued)

#### Markets

The Company markets its gaming products in North America and in jurisdictions throughout the world. The largest established North American markets are Nevada and Atlantic City. The Company estimates that it manufactured approximately 10,700 of the estimated 24,000 gaming machines currently in place in Atlantic City. Nevada is both the oldest and largest market for the Company's products with an installed base of approximately 160,000 machines. The Company estimates it manufactured approximately 140,000 of the total machines currently in use in Nevada.

Within Nevada, there has been increased demand for the Company's products attributable to the construction of new casinos and the refurbishment of existing casinos. The increased demand began with the opening of the Mirage hotel and casino in 1989 and the Excalibur hotel and casino in 1990. In fiscal 1991 and fiscal 1992, the Company's sales volume in Nevada increased due to additional casino expansions and the replacement of older machines with new games, designs and technological advancements. During calendar 1993, three additional new major properties began operating in Nevada. These are the Luxor, Treasure Island and the MGM Grand. These three hotel casinos added more than 8,000 gaming machines or approximately 5% to the installed base of gaming machines in Nevada, and of these machines approximately 6,500 were manufactured by the Company. The market for the Company's products in Nevada will continue to grow in the event casino expansions and refurbishment continue. In addition, the construction of new casinos has increased competitive pressures for casino operators to replace existing machines with new or upgraded machines.

Product sales outside of Nevada and New Jersey exceeded 70% of sales during fiscal 1993 as gaming spread to new jurisdictions in North America. These new jurisdictions include "limited stakes" gaming in the western United States, riverboats, Indian gaming and government-sponsored video and slot gaming.

Riverboat gaming began in Iowa during 1991 and as of September 30, 1993 was operating in three states: Iowa, Illinois and Mississippi. Riverboat gaming is also legal in Louisiana, Missouri, and Indiana although not yet operational at the end of fiscal year 1993. Additionally, riverboat legislation is under consideration in Massachusetts, Minnesota, Ohio, Pennsylvania, South Carolina, Texas and Virginia. At the end of fiscal year 1993, the riverboat installed base approximated 16,000 gaming machines operating on 24 riverboats in three states. IGT estimates that it manufactured more than 13,000 of these machines.

Casino-style gaming continues to expand on American Indian lands. Indian gaming is regulated under the Indian Gaming Regulatory Act of 1988 which permits specific types of gaming. Pursuant to these regulations, permissible gaming devices are denoted as "Class III Gaming" which requires, as a condition to implementation, that the Indian tribe and the state government in which the Indian lands are located enter into a compact governing the terms of the proposed gaming. IGT machines are placed only with Indian gaming operators who have negotiated a compact with the state and received approval by the U. S. Department of the Interior. The Company, through its distributor Sodak Gaming, Inc., began selling machines to authorized Indian casinos in 1990. The Company has either directly or through its distributor sold machines in the following 10 states:

ITEM 1. BUSINESS (continued)

Arizona, Colorado, Connecticut, Iowa, Louisiana, Minnesota, Montana, North Dakota, South Dakota and Wisconsin. Compacts have also been approved in Mississippi, Michigan and Oregon, although no deliveries were made in these jurisdictions during fiscal 1993. In addition to the approved states, Class III compacts are under consideration in several states including Alabama, California, Maine, Massachusetts, New Mexico, Rhode Island, Texas and Washington. The installed base of Indian gaming machines at September 30, 1993 was approximately 26,000 units, and the Company estimates it manufactured 19,500 of these machines.

Government-sponsored gaming in North America also creates a market for the Company's video and slot products. The Company's video gaming terminals are currently operational in Louisiana, Oregon Rhode Island, South Dakota and the Canadian Provinces of Manitoba, New Brunswick, Newfoundland, Nova Scotia and Prince Edward Island. The Company supplied the central computer systems for government sponsored gaming in Manitoba, Oregon and Louisiana and estimates that it manufactured approximately 12,500 of the approximately 50,000 video gaming terminals installed. The Province of Quebec recently legalized video gaming terminals with an estimated start up in the first half of calendar year 1994.

In addition to video terminal gaming, various Canadian governments recently approved slot and video gaming in casino environments. The Province of Manitoba opened two casino style entertainment centers during September 1993 with approximately 600 slot machines of which the Company supplied 540. The Province of Quebec began casino-style gaming in Montreal during October 1993, and the Company supplied 480 of the 1,200 units initially installed. Quebec has plans at this time for three additional casinos. A casino is also planned for Windsor, Ontario, with a scheduled opening date of early 1994. Casino gaming will commence there in a temporary facility housing 1,600 slot machines, with the permanent facility scheduled for a 1996 start up.

In addition to the traditional and emerging U. S. markets, gaming is also expanding in the Company's international markets. Australia is the most important market for the Company's gaming machine products outside of North America. The State of New South Wales is the second largest market in the world for the Company's gaming machines with an estimated total of 68,000 machines in 2,100 pubs and 1,500 clubs. The Company began selling machines in Australia in 1986 and has supplied approximately 13,000 of the machines in New South Wales. In 1991, the State of Queensland legalized the operation of gaming machines in private pubs and clubs. The State of Queensland awarded the Company a contract to provide the central computer system linking the machines for accounting and security purposes. The central computer system was installed and accepted in October 1991 and gaming commenced in February 1992. The Company estimates that it supplied 5,300 machines or 38% of the 14,000 total machines. Gaming began in the State of Victoria during July 1992 using two separate central systems. The systems are operated by competing agencies that are each allowed to place up to 10,000 machines. South Australia legalized gaming in September of 1992, but it has not yet been implemented. Other Australian jurisdictions are considering the legalization or expansion of gaming operations and New South Wales is considering the expansion of its gaming operation.

The Company has had a direct sales presence in Europe since February 1992. Since that time, increasing customer awareness of product

ITEM 1. BUSINESS (continued)

availability, combined with service and training assistance, has contributed to improved sales. There have been previous sales in Western Europe with recent activity in France, Austria, Switzerland and The Netherlands. Central Europe sales have been made primarily in Turkey, Slovenia and Poland.

IGT-International completed an agreement in fiscal 1993 with the University of Iceland Lottery, ("UIL") whereby the Company will supply video lottery terminals and a central system linking the video lottery terminals. The central system incorporates a progressive jackpot feature. The Iceland system, managed by the UIL, began operating in December 1993 with 350 video lottery terminals manufactured by the Company.

The Company's Pachisuro machine was approved in April 1993 for sale in Japan by the Japanese technical testing laboratory (Security Electronics and Communications Technology Association). The machine market in Japan consists of 3,000,000 Pachinko machines and 800,000 Pachisuro machines which operate in Pachinko parlors throughout the country of Japan. IGT is the first U.S. company authorized to supply Pachisuro machines and will compete with approximately 20 Japan-based companies that currently supply this market.

## Gaming Operations

### Proprietary Systems

The Company developed and introduced the world's first electronically-linked, inter-casino proprietary gaming machine system in 1986. These systems link gaming machines in various casinos to a central computer. The systems build a large "progressive" jackpot which increases with every wager made throughout the system. The systems are designed to increase gaming machine play for participating casinos by giving players the opportunity to win jackpots substantially larger than those available from gaming machines which are not linked to a progressive system. The following are linked progressive systems developed by the Company:

- \* In Nevada, five systems under the names Megabucks, Quartermania, Nevada Nickels, Fabulous Fifties, and High Rollers are operated by the Company. Of the total 3,600 gaming machines linked to these systems, approximately 1,800 are owned by the Company and approximately 1,800 are owned by casinos.
- \* In Atlantic City, New Jersey, seven systems under the names Megabucks, Quartermania, Fabulous Fifties, High Rollers, Progressive "21", Megapoker and Pokermania are operated by a trust managed by representatives from participating casinos. The Company owns all of the approximately 1,200 machines linked to these progressive systems.
- \* In Mississippi, four systems under the names Megabucks, Quartermania, Fabulous Fifties and Mississippi Nickels are operated by the Company. Approximately 230 machines are operated on these systems. Two additional systems are expected to commence operations in Mississippi in early fiscal 1994: Pokermania and High Rollers.

## ITEM 1. BUSINESS (continued)

- \* Other systems include a Megabucks system in Macau which consists of approximately 180 machines owned by the casinos; a Quartermania system in Colorado linking 156 machines owned by the casinos; and a Deadwood, South Dakota Quartermania system which includes approximately 60 casino-owned machines. A Colorado Megabucks and Colorado Nickels system are planned for

installation in the second fiscal quarter of 1994.

The operation of linked progressive systems varies between jurisdictions as a result of different gaming regulations. In Nevada, Mississippi and South Dakota, the casinos retain the net win, less a percentage paid to the Company to fund the progressive jackpots. These jackpots are paid out in equal installments over a twenty year period. The Company also earns interest on these funds until jackpots are paid. In Atlantic City, the casinos retain the net win, less a percentage paid to a trust managed by representatives of the participating casinos to fund the jackpots and pay other system expenses. The trust records a liability to the Company for an annual casino licensing fee as well as an annual machine rental fee for each machine. In Colorado, the casinos retain the net win less a percentage paid to a separate fund managed by the Company which pays the jackpots. Progressive system lease fees are paid to the Company from this fund.

The Company also offers a "leased" link progressive system which links gaming machines within a single casino or multiple casinos of common ownership. Currently four major hotel casinos operate such systems, with from three to seven hotel casinos linked per system. Approximately 420 gaming machines are linked between all such systems as of October 31, 1993.

In September 1992, Rhode Island began operation of a video lottery system linking approximately 850 video lottery terminals at two pari-mutuel facilities. As of September 30, 1993, an estimated 1,260 terminals were operating on the system. IGT, one of four manufacturers providing terminals, has approximately 310 terminals installed on this system and receives a percentage of the net win from its terminals.

Video gaming in Oregon commenced in March of 1992, and IGT was awarded the contract to supply the central computer system that currently links approximately 6,000 terminals. The Company currently leases approximately 1,750 machines to the Oregon State Lottery.

#### Route and Lease Operations

Until August 1992, the Company operated one of Nevada's largest route operations, consisting of machines located in bars and taverns with the Company responsible for the operation, servicing and collection of the monies from these machines. The location either shared the net win from the gaming machines on a percentage basis or received a fee for rental of space. In August 1992, the Company sold all of its route equipment and operating contracts which included approximately 1,380 gaming machines at approximately 160 locations.

On November 23, 1992, the Company sold all of the equipment and operating contracts of the Megapoker route (a linked progressive system for video poker machines located throughout the state of Nevada) as well as licensing the purchaser to use, in Nevada, all Megapoker software, ITEM 1. BUSINESS (continued)

trademarks and trade names. This transaction included approximately 280 gaming machines owned and operated by the Company at 62 locations.

The Company leases gaming equipment to its customers and at September 30, 1993 leased approximately 4,000 gaming machines primarily in the Colorado, Nevada and riverboat markets.

In January 1993, the Company began operating approximately 180 gaming machines at the Reno Cannon International Airport under a contract with the Airport Authority. The Airport Authority shares in the net win of the machines with a minimum annual guaranteed amount.

## Marketing

The Company markets gaming products and proprietary systems through its internal sales staff, agents and distributors. The Company employs more than 150 direct sales personnel in offices in several United States locations as well as Canada, Australia and Europe. The Company uses distributors for sales to specific markets including Louisiana, South Carolina, a Canadian maritime province, Atlantic City, the Caribbean, France, Japan and North American Indian reservations. The Company's agreements with distributors do not specify minimum purchases but provide that the Company may terminate the distribution agreement if certain performance standards are not met.

The Company's marketing strategy is to offer its customers not only the broadest product line but also ongoing game development. IGT's game library contains numerous game variations. Reprogramming machines for the newest games and changing the glass design can be accomplished quickly.

In addition to offering an expansive product line, the Company provides customized services in response to specific casino requests. These services include high quality silkscreen printing of gaming machine glass, video graphics, customized game development and interior design services. IGT developed more than 20 new games which included a variety of custom artwork for the Luxor and Treasure Island casinos that opened in fiscal 1993 and the MGM casino that opened in fiscal 1994 in Las Vegas. The Company also offers customized design services that utilize computer aided design and three-dimensional studio software programs. The Company's design department generates a casino floor layout and can create a proposed casino slot mix for its customers. The final design incorporates casino colors, themes, signage, customer glass and includes either an overhead floor plan layout, viewable from any angle, or a three-dimensional moving walk-through of the casino.

The Company also considers its customer service department an important aspect of the overall marketing strategy. The Company typically provides a 90 day service and parts warranty for its gaming machines and charges on a time and material basis thereafter. The Company currently has more than 300 trained service personnel and maintains service offices in

Australia, Canada, Colorado, Florida, Japan, Mississippi, Missouri, Montana, Nevada, New Jersey, New Zealand and in The Netherlands. The Company also maintains a customer hot-line available 24-hours a day, seven days a week to respond to customer questions.

#### ITEM 1. BUSINESS (continued)

During fiscal 1993, the Company's ten largest customers accounted for 34% of its gaming product sales. Sodak Gaming, the Company's principal distributor of gaming products to American Indian reservations, was the largest purchaser of the Company's products, accounting for 12.0% of total product sales. The Company believes the loss of this customer would not have a long term material adverse effect on product sales of the Company as other means of distribution to this market is available. The nature of the Company's business encompasses large initial orders of gaming products upon the opening, expansion or renovation of a casino as well as for the start-up of government sponsored video gaming operations. Subsequent orders from established customers result from remodeling or expansion of existing facilities as well as replacement of machines due to technological advancements, new designs and upgrades. Sales of the Company's products can fluctuate from quarter to quarter as new jurisdictions throughout the world legalize gambling and new casinos in established gaming markets are opened. The Company believes that its revenues from gaming product sales would not be materially affected by the loss of any single customer.

#### Competition

##### Product Sales

The Company competes with substantial U.S. and foreign manufacturers. In the casino style gaming machine market, the primary competitors are Bally Gaming International, Inc. ("Bally"), Sigma Game, Inc. ("Sigma"), and Universal Distributing of Nevada, Inc. ("Universal"). Bally is a Nevada company while Sigma and Universal are Japanese companies. In the slot management and revenue tracking market, the Company competes with Casino Data Systems. Competitors in the video gaming terminal market include domestic and Japanese manufacturers, including three large domestic lottery suppliers, G-Tech, Williams and Video Lottery Consultants. G-Tech, Williams and Video Lottery Consultants have an established presence in the lottery market, substantial resources, and specialize in the development and marketing of gaming terminals to governments.

##### Gaming Operations

Competition in the progressive systems business is currently limited but could increase in the future.

##### Manufacturing and Suppliers

The Company's manufacturing operations primarily involve assembly of

electronic and computer components, including chips, video monitors and prefabricated parts purchased from outside sources. The Company does, however, operate metal fabricating, custom wood cabinet manufacturing and silkscreen facilities. The Company is not dependent upon any one supplier for any raw material. The Company purchases certain components from subcontractors and believes that alternative sources of these components are available. The Company believes its relations with its vendors are good. The Company uses technical staff to assure quality control.

The Company generally carries a significant amount of inventory due to the broad range of products it manufactures and to facilitate its capacity to fill customer orders on a timely basis. In 1993, the Company's

#### ITEM 1. BUSINESS (continued)

production of gaming machines increased approximately 17% resulting in inventory growth of approximately 20% in order to meet increased demand related to existing and developing markets.

#### Patents, Copyrights and Trade Secrets

The Company's computer programs and technical know-how are its main trade secrets, and management believes that they can best be protected by using technical devices to protect the computer programs and by enforcing contracts with certain employees and others with respect to the use of proprietary information, trade secrets and covenants not to compete. The Company has obtained patents and copyrights with respect to aspects of its games, and has patent applications on file for protection of certain developments it has created. No assurance can be given that the pending applications will be granted. These patents range in subject matter from coin-handling apparatus, fiber-optic light pens, coin-escalator mechanisms through optical door interlock and other aspects of video and mechanical slot machines and systems. There can be no assurance that the patents will not be infringed or that others will not develop technology that does not violate the patents.

#### Employees

As of September 30, 1993, the Company, including all subsidiaries, employed approximately 2,100 persons, including 297 in administrative positions, 153 in sales and 311 in engineering. Of the total employees, International Game Technology accounted for 39; IGT-North America, 1787; IGT-Australia, 230; IGT-Europe, 19; and IGT-Japan, 3. None of the Company's employees is a member of a collective bargaining unit.

#### Government Regulation

##### Nevada Regulation

The manufacture, sale and distribution of gaming devices in Nevada are subject to extensive state laws, regulations of the Nevada Gaming

Commission and State Gaming Control Board (the "Nevada Commission"), and various county and municipal ordinances. These laws, regulations and ordinances primarily concern the responsibility, financial stability and character of gaming equipment manufacturers, distributors and operators, as well as persons financially interested or involved in gaming operations. The manufacture, distribution and operation of gaming devices require separate licenses. The laws, regulations and supervisory procedures of the Nevada Commission seek to (i) prevent unsavory or unsuitable persons from having a direct or indirect involvement with gaming at any time or in any capacity, (ii) establish and maintain responsible accounting practices and procedures, (iii) maintain effective control over the financial practices of licensees, including establishing minimum procedures for internal fiscal affairs and the safeguarding of assets and revenues, providing reliable record keeping and requiring the filing of periodic reports with the Nevada Commission, (iv) prevent cheating and fraudulent practices, and (v) provide a source of state and local revenues through taxation and licensing fees. Changes in such laws, regulations and procedures could have an adverse effect on the Company's operations.

ITEM 1. BUSINESS (continued)

A Nevada gaming licensee is subject to numerous restrictions. Licenses must be renewed periodically and licensing authorities have broad discretion with regard to such renewals. Licenses are not transferable. Each type of machine sold by the Company in Nevada must first be approved by the Nevada Commission, which may require subsequent machine modification. Substantially all loans, leases, sales of securities and similar financing transactions must be reported to or approved by the Nevada Commission. Changes in legislation or in judicial or regulatory interpretations could occur which could adversely affect the Company.

No publicly traded corporation is eligible to hold a gaming license, but must be registered and found suitable to hold an interest in a corporate subsidiary which holds a gaming license. International Game Technology has been registered by the Nevada Commission as a publicly traded holding company and was permitted to acquire IGT-North America as its wholly-owned subsidiary. As a registered holding company, it is required periodically to submit detailed financial and operating reports to such Commission and furnish any other information which the Commission may require. No person may become a stockholder of, or receive any percentage of profits from, a licensed subsidiary without first obtaining licenses and approvals from the Nevada Commission. Officers, directors and key employees of a licensed subsidiary and of the Company who are actively engaged in the administration or supervision of gaming must be found suitable. No proceeds from any public sale of securities of a registered holding corporation may be used for gaming operations in Nevada or to acquire a gaming property without the prior approval of the Nevada Commission. The Company believes it has all required licenses to carry on its business in Nevada.

Officers, directors and certain key employees of the Company and its licensed gaming subsidiary are required to be licensed by the Nevada Commission, and employees associated with gaming must obtain work permits which are subject to immediate suspension under certain circumstances. In addition, anyone having a material relationship or involvement with the Company may be required to be found suitable or licensed, in which case those persons would be required to pay the costs and fees of the State Gaming Control Board (the "Control Board") in connection with the investigation. An application for licensure may be denied for any cause deemed reasonable by the Nevada Commission. Changes in licensed positions must be reported to the Nevada Commission. In addition to its authority to deny an application for a license, the Nevada Commission has jurisdiction to disapprove a change in position by such officer or key employee. The Nevada Commission has the power to require licensed gaming subsidiaries to suspend or dismiss officers, directors or other key employees and to sever relationships with other persons who refuse to file appropriate applications or whom the authorities find unsuitable to act in such capacities.

The Company and its licensed gaming subsidiary are required to submit detailed financial and operating reports to the Nevada Commission. If it were determined that gaming laws were violated by a licensee, the gaming licenses it holds could be limited, conditioned, suspended or revoked. In addition to the licensee, the Company and the persons involved could be subject to substantial fines for each separate violation of the gaming laws at the discretion of the Nevada Commission. In addition, a supervisor

ITEM 1. BUSINESS (continued)

could be appointed by the Nevada Commission to operate the Company's gaming property and, under certain circumstances, earnings generated during the supervisor's appointment could be forfeited to the State of Nevada. The limitation, conditioning or suspension of any gaming license or the appointment of a supervisor could (and revocation of the gaming license would) materially and adversely affect the Company's operations.

The Nevada Commission may also require any individual who has a material relationship with the Company to be investigated and licensed or found suitable. Any person who acquires 5% or more of the Company's voting securities must report the acquisition to the Nevada Commission; any person who becomes a beneficial owner of 10% or more of the Company's voting securities must apply for a finding of suitability. Under certain circumstances, an Institutional Investor, as such term is defined in the Nevada Regulations, which acquires more than 10% of the Company's voting securities may apply to the Nevada Commission for a waiver of such finding of suitability requirements. The Nevada Commission has the power to investigate any debt or equity security holder of the Company. The Clark County Liquor and Gaming Licensing Board, which has jurisdiction over gaming in the Las Vegas area, may similarly require a finding of suitability for a security holder. The applicant stockholder is required to pay all costs of such investigation. The bylaws of the Company provide for the Company to pay such costs as to its officers, directors or

employees.

Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by the Nevada Commission may be found unsuitable. The same restrictions apply to a beneficial owner if the record owner, after request, fails to identify the beneficial owner. Any stockholder found unsuitable and who holds, directly or indirectly, any beneficial ownership of the Common Stock beyond such period of time as may be prescribed by the Nevada Commission may be guilty of a gross misdemeanor. The Company is subject to disciplinary action if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with the Company, the Company (i) pays that person any dividend or interest upon voting securities of the Company, (ii) allows that person to exercise, directly or indirectly, any voting right conferred through securities held by that person, (iii) gives remuneration in any form to that person, or (iv) makes any payment to the unsuitable person by way of principal redemption, conversion, exchange or similar transaction. If a security holder is found unsuitable, the Company may itself be found unsuitable if it fails to pursue all lawful efforts to require such unsuitable person to relinquish his voting securities for cash at fair market value. Additionally the Clark County authorities have taken the position that they have the authority to approve all persons owning or controlling the stock of any corporation controlling a gaming license.

The Company is required to maintain a current stock ledger in Nevada which may be examined by the Nevada Commission at any time. If any securities are held in trust by an agent or by a nominee, the record holder may be required to disclose the identity of the beneficial owner to the Nevada Commission. A failure to make such disclosure may be grounds for finding the record holder unsuitable. The Company is also required to render maximum assistance in determining the identity of the beneficial owner. The Nevada Commission has the power at any time to require the Company's stock certificates to bear a legend indicating that the

ITEM 1. BUSINESS (continued)

securities are subject to the Nevada Gaming Control Act ("the "Nevada Act") and the regulations of the Nevada Commission. To date, the Nevada Commission has not imposed such a requirement.

The Company may not make a public offering of its securities without the approval of the Nevada Commission if the securities or proceeds therefrom are intended to be used to construct, acquire or finance gaming facilities in Nevada, or retire or extend obligations incurred for such purposes. Changes in control of the Company through merger, consolidation, acquisition of assets, management or consulting agreements or any form of takeover cannot occur without the prior investigation of the Control Board and approval of the Nevada Commission.

The Nevada legislature has declared that some corporate acquisitions opposed by management, repurchases of voting securities and other corporate

defense tactics that affect corporate gaming licensees in Nevada, and corporations whose stock is publicly-traded that are affiliated with those operations, may be injurious to stable and productive corporate gaming. The Nevada Commission has established a regulatory scheme to ameliorate the potentially adverse effects of these business practices upon Nevada's gaming industry and to further Nevada's policy to (i) assure the financial stability of corporate gaming operators and their affiliates; (ii) preserve the beneficial aspects of conducting business in the corporate form; and (iii) promote a neutral environment for the orderly governance of corporate affairs. Approvals are, in certain circumstances, required from the Nevada Commission before the Company can make exceptional repurchases of voting securities above the current market price thereof and before a corporate acquisition opposed by management can be consummated. Nevada's gaming regulations also require prior approval by the Nevada Commission if the Company were to adopt a plan of recapitalization proposed by the Company's Board of Directors in opposition to a tender offer made directly to its stockholders for the purpose of acquiring control of the Company.

Any person who is licensed, required to be licensed, registered, required to be registered, or is under common control with such persons (collectively, "Licensees"), and who proposes to become involved in a gaming venture outside of Nevada is required to deposit with the Control Board, and thereafter maintain, a revolving fund in the amount of \$10,000 to pay the expenses of investigation of the Control Board of the licensee's participation in foreign gaming. The revolving fund is subject to increase or decrease in the discretion of the Nevada Commission. Thereafter, Licensees are required to comply with certain reporting requirements imposed by the Nevada Act. A licensee is also subject to disciplinary action by the Nevada Commission if it knowingly violates any laws of the foreign jurisdiction pertaining to the foreign gaming operation, fails to conduct the foreign gaming operation in accordance with the standards of honesty and integrity required of Nevada gaming operations, engages in activities that are harmful to the State of Nevada or its ability to collect gaming taxes and fees, or employs a person in the foreign operation who has been denied a license or finding of suitability in Nevada on the ground of personal unsuitability.

#### Other Jurisdictions

Each other jurisdiction in which the Company does business requires various licenses, permits, and approvals in connection with the manufacture  
ITEM 1. BUSINESS (continued)

and/or the distribution of gaming devices, and operation of progressive systems typically involving restrictions similar in most respects to those of Nevada.

Thus far the Company has never been denied any such necessary governmental licenses, permits or approvals. No assurances, however, can be given that such required licenses, permits or approvals will be given or renewed in the future.

ITEM 2. PROPERTIES

In August 1993, the Company purchased adjoining 46,000 square foot office buildings in Reno, Nevada for use as its corporate offices. IGT-North America leases approximately 545,700 square feet of office, warehouse and production facility space in Reno, Nevada and approximately 184,400 square feet of office and warehouse space in Las Vegas, Nevada. IGT-International currently uses a portion of the facilities leased by IGT-North America in Reno and Las Vegas, Nevada. Additional office and production facilities are leased by the Company's subsidiaries in various other states and countries where the Company conducts business, including Colorado, Florida, Mississippi, Missouri, Montana, New Jersey, Australia, Canada, Japan and The Netherlands. The Company believes that its facilities, which are fully utilized by the Company except for a portion of the owned office buildings which is sublet to third parties, currently are suitable for its business and adequate for its current needs. The Company has entered into an agreement for the purchase of approximately 78 acres in Reno, Nevada which the Company considers suitable for future construction of expanded manufacturing, warehouse and corporate office facilities (see Note 19 to the Consolidated Financial Statements).

ITEM 3. LEGAL PROCEEDINGS

The Company has been named in and has brought lawsuits in the normal course of business. Management does not expect the outcome of these suits to have a material adverse effect on the Company's financial position or results of future operations.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

The Company's common stock is listed on the New York Stock Exchange under the symbol "IGT". Two-for-one stock splits of the Company's common stock were effected on July 16, 1990, August 23, 1991, March 24, 1992 and March 17, 1993. The following table sets forth the high and low sales prices of the common stock (adjusted to reflect the above mentioned stock splits) on the NYSE composite tape:

	High	Low
Fiscal 1992		
First Quarter . . . . .	\$ 12	\$ 6-1/4
Second Quarter . . . . .	17-3/8	10-7/8

Third Quarter. . . . .	17-1/8	11-1/4
Fourth Quarter . . . . .	22-1/8	12-7/8

Fiscal 1993

First Quarter. . . . .	\$ 26-3/8	\$ 17-7/8
Second Quarter . . . . .	33	23-3/4
Third Quarter. . . . .	39-3/4	28-1/2
Fourth Quarter . . . . .	41-3/8	32-1/8

As of December 15, 1993 there were approximately 6,759 record holders of the Company's common stock which had a closing price of \$29-5/8 on the same date.

On April 14, 1993 the Company declared its first quarterly dividend of \$.03 per share, payable on June 1, 1993. The Company declared its second and third quarterly dividends of \$.03 per share on June 30, 1993 and September 21, 1993 payable on September 1, 1993 and December 1, 1993, respectively. It is anticipated that comparable cash dividends will continue to be paid in the future.

The Company's transfer agent and registrar is Continental Stock Transfer & Trust Company, 2 Broadway, New York, NY 10004, (212) 509-4000.

ITEM 6. SELECTED FINANCIAL DATA

The following information has been derived from the Company's consolidated financial statements:

(Amounts in thousands, except per share data)	Years Ended				
	1993	1992	1991	1990	1989
Selected Income Statement Data:					
Total revenues. . . . .	\$478,030	\$363,594	\$233,002	\$204,807	\$149,825
Income from continuing operations. . . . .	\$105,578	\$63,284	\$ 29,780	\$ 19,674	\$ 14,573
Income (loss) from discontinued operations <sup>1</sup> . . . . .	\$ 13,447	\$ 1,500	\$ 450	\$ 329	\$ ( 1,092)
Net income. . . . .	\$119,025	\$ 64,784	\$ 30,230	\$ 20,003	\$ 13,481
Income per primary share from continuing operations. . . . .	\$ 0.85	\$ 0.53	\$ 0.26	\$ 0.17	\$ 0.11
Net income per primary share <sup>2</sup> . . . . .	\$ 0.96	\$ 0.54	\$ 0.26	\$ 0.17	\$ 0.11
Net income per fully					

diluted share <sup>2</sup> . . .	\$ 0.90	\$ 0.52	\$ 0.26	\$ 0.17	\$ 0.11
Cash dividends declared per common share. . .	\$ 0.09	\$ -	\$ -	\$ -	\$ -

Average primary common and common equivalent shares outstanding <sup>2</sup> . . . .	123,618	120,081	116,818	117,135	122,558
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Average common and common equivalent shares outstanding assuming full dilution <sup>2</sup> . . . .	136,611	135,448	117,491	117,135	122,558
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Selected Balance Sheet Data:

Working capital . . . .	\$376,386	\$257,063	\$184,092	\$ 80,474	\$ 68,245
Total assets. . . . .	\$646,593	\$489,973	\$345,605	\$208,523	\$170,492
Convertible Subordinated Notes Payable . . . .	\$ 59,998	\$ 93,999	\$ 92,536	\$ -	\$ -
Long-term notes payable and capital lease obligations . . . . .	\$ 617	\$ 19,965	\$ 20,767	\$ 27,584	\$ 23,909
Stockholders' Equity.	\$378,549	\$214,062	\$123,747	\$ 92,697	\$ 82,028

1 Discontinued operations consist of casino operations which the Company sold during fiscal 1993. See Note 12 to the Consolidated Financial Statements for further discussion.

2 Restated to give retroactive effect for two-for-one stock splits in 1990, 1991, 1992 and 1993.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Fiscal 1993 Compared to Fiscal 1992

Net income for fiscal 1993 increased 84% to \$119,025,000 or \$.96 (\$.90 fully diluted) per share compared to net income of \$64,784,000 or \$.54 per share (adjusted to reflect a two-for-one stock split effective March 17, 1993) for fiscal 1992. Net income in both years included income from discontinued casino and riverboat operations of \$13,447,000 in fiscal 1993 and \$1,500,000 in fiscal 1992. Income from continuing operations increased 67% to \$105,578,000 or \$.85 per share compared to \$63,284,000 or \$.53 per share in fiscal 1992. This increase in income from continuing operations resulted primarily from a 42% increase in product sales and a 17% increase in revenues from the Company's linked progressive systems business.

Revenues and Cost of Sales

Total revenues for fiscal 1993 increased 31% to \$478.0 million. This increase included a 42% or \$99.3 million increase in product sales and a

12% or \$15.2 million increase in gaming operations revenues. In fiscal 1993 gaming machine shipments grew to 68,900 (compared to 46,100 in fiscal 1992) primarily as a result of increased product demand in the North American riverboat and Indian casino markets and the Southern Nevada casino market. The riverboat sales occurred primarily in the states of Mississippi, Illinois and Iowa. Currently six states have approved riverboat gaming and seven states either have bills in legislation or are considered likely to introduce or re-introduce riverboat legislation.

The Company sells machines to casino operations on Indian lands through an independent distributor. In fiscal 1993, sales to this distributor totaled \$40.2 million compared to \$27.1 million in fiscal 1992. It is anticipated that the Indian casino market will continue to grow as currently approved Indian gaming facilities commence operations and as additional Indian tribes receive approvals to conduct casino style gaming.

The Las Vegas, Nevada market continued to expand with the opening of the Luxor and Treasure Island hotel casinos in late fiscal 1993, and the MGM Grand Hotel in early fiscal 1994.

The Company shipped 3,250 Pachisuro machines to its Japanese distributor, following successful licensing efforts. In addition, product sales continued to increase in Canada, Europe and Australia as the Company increased its efforts in these international markets.

Gaming operations revenue increased \$15.2 million or 12% to \$142.4 million in fiscal 1993 as a result of a higher volume of play on the Nevada progressive systems, the introduction of new systems in Mississippi and Rhode Island and growth in the number of units leased to the Oregon state lottery and North American riverboat markets. These increases were partially offset by the sale of the Company's Nevada route operations and the Megapoker systems route in August and November 1992, respectively.

IGT-International recently signed a contract with the University of Iceland Lottery to supply the video lottery terminals and a central system with a progressive jackpot feature. This system began operating in December 1993 with 350 video lottery terminals.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

The gross margin on product sales increased to 50.2% in fiscal 1993 compared to 48.3% in fiscal 1992, reflecting improved production efficiencies at both the IGT-North America and IGT-Australia manufacturing facilities.

##### Expenses

Gaming operations expense increased \$8.0 million or 14.7% primarily as a result of the growth in jackpot expenses associated with the Company's linked progressive systems. This increase in jackpot expense reflects

increases in play on the Nevada systems and the introduction of new systems. Also contributing to this increase were the expenses associated with the operation of approximately 180 gaming machines at the Reno Cannon International Airport under an agreement which began in January 1993. Offsetting these expense increases was the Company's sale of its Nevada route operations and the Megapoker route to Jackpot Enterprises.

Selling, general and administrative expenses increased \$4.9 million or 9.3% due to growth in the number of employees, incentive and benefit plan cost increases, the February 1992 opening and 1993 expansion of a sales and distribution facility in Amsterdam, The Netherlands, and the establishment of a manufacturing facility in Manitoba, Canada in late fiscal 1992. Depreciation and amortization expense increased \$3.4 million or 20% as a result of increased lease financing, wherein the Company retains ownership of and depreciates the machines in the Colorado and Riverboat markets and expansion of the proprietary systems business.

The growth in research and development expense from \$11.8 million to \$16.5 million resulted from the addition of engineering personnel, increased consulting services expense, and increased incentive compensation and benefit costs. The provision for bad debts declined to \$3.8 million for fiscal 1993 compared to \$4.6 million in the prior year.

#### Other Income and Expense

As a result of the sales growth and the Company's ability to finance customer sales, notes and contracts receivable increased \$36.8 million or 52%, causing interest income to increase in fiscal 1993. Also contributing to the \$7.9 million increase in interest income in fiscal 1993 was increased income on the Company's investment of excess cash and the growth in the systems business in which income is recognized on the Company's cash investments used to pay progressive system jackpot winners. Interest expense increased \$2.0 million to \$12.7 million in fiscal 1993 due to additional interest recorded on the liabilities to the progressive systems jackpot winners. This was partially offset by a reduction in interest expense from the conversion of approximately \$42.7 million of the Company's convertible subordinated notes to common stock. The continued growth of the Company's progressive systems increases both interest income and interest expense. The Company records interest income on funds invested to secure jackpot payments and records commensurate interest expense on the outstanding liabilities to jackpot winners.

During fiscal 1993 the Company recorded a gain of \$10.1 million on the sale of assets primarily consisting of gains on the sale of certain securities held in the Company's investment portfolio, and to a lesser

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

extent a gain on the sale of the Megapoker route (see Note 14 of the Notes to the Consolidated Financial Statements).

## Discontinued Operations

During fiscal 1993, the Company divested its investments in casino operations through the sale of its interest in the President Riverboat Casinos, Inc. ("PRC") and the sale of CMS. This is in connection with the Company's strategy to focus on its core businesses of manufacturing machines and the development of proprietary systems software.

In December 1992 the Company sold its interest in PRC for \$28.7 million, recognizing a gain of \$23.6 million. The net gain on the discontinued riverboat operation after including fiscal 1993 income from operations and after deducting the effective income taxes was \$14.3 million.

In September 1993 the Company sold its ownership interest in CMS for \$3.0 million recognizing a pre-tax loss of \$2.0 million. The net loss on the discontinued CMS operation after including fiscal 1993 income from operations and after adding back the effective income tax benefit was \$811,000.

## Fiscal 1992 Compared to Fiscal 1991

Net income for fiscal 1992 increased 114.3% to \$64,784,000 or \$.54 (\$.52 fully diluted) per share compared to net income of \$30,230,000 or \$.26 per share (adjusted to reflect two-for-one stock splits effective March 24, 1992 and March 17, 1993) for fiscal 1991. This growth in earnings is attributable to the combination of increased unit sales, improved margin on product sales as well as higher revenues from the Company's linked progressive systems including machine lease revenues. Net income for fiscal 1992 was adversely affected by a charge of \$3.2 million to record the write-down of goodwill relating to the acquisition of EDT in January 1992, as well as the application of an additional \$2.9 million of the EDT goodwill to the net losses on the dispositions of the Nevada route and keno systems sales operations.

## Revenues and Cost of Sales

Total revenues for fiscal 1992 increased 56.0% to \$363.6 million from \$233.0 million for fiscal 1991. The growth in revenue was composed of increases in product sales and gaming operations revenue of \$80.7 million and \$49.9 million, respectively.

The increase in product sales revenue of 51.8% to \$236.4 million during fiscal 1992 resulted from strong demand in expanding markets including three Colorado mining towns, U.S. military markets, Native American casinos, riverboats in Illinois, Iowa and Mississippi, and increased sales in Queensland, Australia. Product sales to traditional markets, including Nevada, the Company's single largest market, were about the same as the prior year. Approximately 66% of fiscal 1992 unit sales were to new and emerging markets while 34% of product sales were to

traditional gaming markets. The growth in product sales revenue during the current fiscal year is also attributable to video gaming terminal (VGT)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS (continued)

sales to Louisiana and to the Manitoba Lottery Foundation in Canada. Worldwide product sales for the year ended September 30, 1992, included over 46,000 gaming machines as compared to approximately 31,000 during the prior year.

Revenues from gaming operations grew to \$127.2 million in fiscal 1992 from \$77.3 million during fiscal 1991, an increase of 64.5%. This percentage increase is primarily due to a higher volume of play on the Nevada progressive systems and higher revenues for franchise and licensing fees for linked progressive systems in Atlantic City casinos. Additionally, income generated from leased machines to the Oregon State Lottery and to customers in Colorado provided new sources of gaming and casino operations revenue in fiscal 1992.

The increased play on the Nevada systems is primarily a result of enhancements to existing systems including Megabucks and Quartermania, the record Megabucks jackpot of over \$9 million which was won on May 30, 1992, as well as the introduction of Fabulous Fifties in August of 1991. Additions to the number of Nevada Nickels system locations also contributed to this growth. The increase in the Atlantic City progressive systems revenue resulted primarily from greater revenues recognized from the Megabucks and Quartermania systems, as well as from the addition of Fabulous Fifties in April 1991 and Star Poker in September 1991.

The gross profit on product sales grew to 48.3% for fiscal 1992 as compared to 44.6% for fiscal 1991. The improved margin resulted from production efficiencies associated with higher sales volume as well as lower discounts offered during fiscal 1992.

Expenses

Gaming operations expense increased \$10.0 million to \$54.7 million as a result of the growth in the linked progressive systems business mentioned above, as well as increased costs associated with purchasing investments to fund liabilities to jackpot winners. As the number of jackpots won on the Nevada progressive systems increases and the jackpot payouts grow, the costs associated with purchasing investments to fund the liabilities to jackpot winners increase gaming operations expense correspondingly.

Selling, general and administrative expenses grew 39.2% to \$52.6 million for the fiscal year ended September 30, 1992, as compared to \$37.8 million for the same prior year period. The increase was due to the Company's sales and marketing efforts in new and existing markets, including international sales in Europe and Australia and the expansion of gaming in Colorado. Additionally, costs associated with the acquisition of

the EDT publicly owned common stock, expenses incurred in the public offering of the shares held by the Company in the riverboat operation and increased employee benefits and incentive programs attributable to improved earnings provided for the overall increase in selling, general and administrative expense.

Depreciation and amortization expense increased \$6.9 million to \$16.8 million for fiscal 1992, compared to \$9.9 million for fiscal 1991, resulting from depreciation recorded on machines leased in Colorado and Oregon as well as amortization of goodwill related to the acquisition of

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

the EDT publicly owned common stock in January 1992. Research and development expense grew to \$11.8 million from \$9.4 million attributable to expenses related to product upgrades and enhancements and developments of new proprietary software systems.

The provision for bad debts decreased \$207,000 to \$4.6 million as the Company feels the reserves for uncollectible receivables are adequate.

##### Other Income and Expense

Interest income for fiscal 1992 increased \$6.4 million or 53.7% to \$18.4 million over the prior year period primarily as a result of the investment of proceeds received from the issuance in May 1991 of \$115 million principal amount of Convertible Subordinated Notes. Additionally, the growth is attributable to the income recognized on the Company's cash investments utilized to pay progressive systems jackpot winners. Interest expense increased 80.3% to \$10.8 million as a result of the issuance of the Convertible Subordinated Notes, and the additional interest expense recorded on the liabilities to progressive systems jackpot winners.

The Company recorded a benefit of \$256,000 related to the minority interest in losses of EDT. This compares to a benefit of \$1,248,000 for the minority interest in losses of EDT in fiscal 1991.

The Company recorded a net loss of \$1.0 million on the sale of assets primarily composed of the \$893,000 net loss on the sale of the Nevada Route operations (see Note 14 of the Notes to the Consolidated Financial Statements).

During fiscal 1992, the Company recorded a \$3.2 million charge to other non-operating expense resulting from the write-down of goodwill associated with the acquisition of EDT publicly owned common stock in January 1992. The goodwill was assigned proportionally to the separable asset groups acquired and the remaining goodwill in which the Company could not justifiably assign was written-off.

#### LIQUIDITY AND CAPITAL RESOURCES

## Working Capital

Working capital increased \$119.3 million during the year to \$376.4 million at September 30, 1993 primarily as a result of a \$51.8 million increase in short-term investments, a \$25.4 million increase in accounts receivable, a \$16.2 million increase in cash and cash equivalents, a \$16.1 million increase in current maturities of long-term notes and contracts receivable and a \$12.4 million increase in inventories. The increase in accounts receivable is due to large sales in September 1993 to two new hotel casinos in Las Vegas, Nevada mentioned above and increased sales in the fourth quarter to the Company's Indian casino distributor. The increase in short-term investments and cash and cash equivalents resulted from the generation of cash from operating and investing activities. The increase in the current maturities of long-term notes and contracts receivable is a result of an increase in the amount of sales financed in fiscal 1993, particularly in the last two quarters of the year. Of the \$12.4 million increase in inventories, \$11.8 million represents an increase

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

in raw materials used to support increased production levels and greater product diversification.

## Cash Flow

During fiscal 1993, the Company's cash and cash equivalents increased \$16.2 million to \$85.3 million. Cash provided by operating activities for the years ended September 30, 1993, 1992 and 1991 totaled \$56.1 million, \$38.6 million and \$59.0 million, respectively. Cash provided by operating activities was reduced by significant increases in receivables and inventories during 1992 and 1993. Larger inventories have been required to support increased sales. The Company has also been able to provide financing for the product sales growth. The primary sources of cash from financing activities included \$48.0 million, \$33.5 million and \$26.8 million in proceeds from systems to fund liabilities to jackpot winners for the years ended September 30, 1993, 1992 and 1991, respectively. In 1993, for the first time in the Company's history, cash dividends were paid, totaling \$7.4 million. Additionally, during the fiscal year ended September 30, 1991, the Company received net proceeds of \$89.4 million from the issuance of \$115 million principal amount of Convertible Subordinated Notes.

Purchases of property, plant, and equipment totaling \$46.0 million, \$32.5 million and \$20.4 million in fiscal 1993, 1992 and 1991, respectively, partially offset increases in cash and cash equivalents during these periods. The additions to property, plant, and equipment consist primarily of the capitalization of gaming machines and equipment leased in certain gaming jurisdictions along with purchases of office furniture and computer equipment to support the Company's expansion. Additionally in fiscal 1993, the Company acquired land and office buildings

of \$5.2 million for use by corporate and engineering personnel and a \$10.0 million aircraft for regional and international travel needs. The Company entered into an agreement to purchase approximately 78 acres for the Company's future plant and facilities expansion for a total purchase price of approximately \$6,129,000, (see Note 19 to the Consolidated Financial Statements). The funds for this purchase, as well as the other capital expenditures anticipated during fiscal 1994, will be derived from the Company's existing cash flow.

The Company's cash requirements for purposes of principal payments on outstanding debt declined substantially from \$28.5 million in fiscal 1991 to \$0.9 million in fiscal 1993, as a result of the repayment of outstanding debt through the issuance of the Convertible Subordinated Notes. Assuming no material change in the financial markets, the Company anticipates that all of the \$60.0 million principal amount of outstanding notes at September 30, 1993 will be converted to common stock by the third quarter of fiscal 1994.

During December 1992, the Company received \$44.7 million in proceeds from the initial public offering of the Company's ownership of certain riverboat operations. These proceeds consisted of \$16.2 million as payment for outstanding loans including interest from the riverboat operations and \$28.5 million as proceeds from the sale of 100% of its equity in the riverboat operations. The Company also received \$1,000,000 as cash proceeds from the sale of its ownership in CMS International. See Note 12

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

to the Consolidated Financial Statements for discussion of Discontinued Operations.

##### Stock Repurchase Plan

On October 3, 1989, the Board of Directors authorized the repurchase of up to ten percent of the Company's then outstanding shares. Pursuant to such Board action a total of 8,338,904 shares (as adjusted for the two-for-one stock splits effective July 16, 1990, August 23, 1991, March 24, 1992, and March 17, 1993) had been repurchased as of September 30, 1990. On October 4, 1990, the Board reaffirmed this authorization and authorized a further repurchase of 12.0 million shares to a total of 23.6 million shares. During the three years ended September 30, 1993, the Company repurchased an additional 2,768,876 shares for an aggregate purchase price of \$8,895,000.

##### Recently Issued Accounting Standards to be Adopted

The Financial Accounting Standards Board issued in May 1993 SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." This statement, effective for the Company's fiscal year ending September 30, 1995, will require that unrealized gains and losses on securities

defined as "trading securities" be included in income and that unrealized gains and losses on securities defined as "available-for-sale" will be excluded from income and reported in a separate component of stockholders' equity. If this standard had been adopted at September 30, 1993, the unrealized gains and losses on trading securities would have increased income from continuing operations before income taxes by \$258,000 in fiscal 1993, and the unrealized gains and losses on available-for-sale securities would have increased stockholders' equity by \$14,871,000 at September 30, 1993.

#### Lines of Credit

As of September 30, 1993, IGT-North America had a \$7.5 million unsecured bank line of credit with various interest rate options available to the Company. The line of credit is used for the purpose of facilitating standby letters of credit, and the Company is charged a nominal fee on amounts used against the line as security for letters of credit. Funds available under this line are reduced by any amounts used as security for letters of credit. At September 30, 1993, \$4,092,000 was available under this line of credit.

IGT-Australia had a \$440,000 (Australian) bank line of credit available as of September 30, 1993. Interest is paid at the lender's reference rate plus 1%. This line is secured by equitable mortgages, and has a provision for review and renewal annually in May. At September 30, 1993, no funds were drawn under this line.

The Company is required to comply, and is in compliance, with certain covenants contained in its line of credit agreement which, among other things, limit financial commitments the Company may make without the written consent of the lender and require the maintenance of certain financial ratios, minimum working capital and net worth of the Company.

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (continued)

##### Riverboat Disposition

During December 1992, the Company transferred 100% of its ownership interest in three riverboat partnerships to President Riverboat Casinos, ("PRC") a company incorporated to facilitate a public offering of the riverboat gaming operations. In exchange for the transfer of its ownership interests, the Company received 1,671,429 shares of PRC common stock representing an approximate 32% ownership of PRC.

The Company subsequently sold all of its 1,671,429 shares of PRC common stock in an initial public offering (the "IPO") of PRC effective December 17, 1992. The Company realized net proceeds from the IPO of \$28.5 million and recognized a pre-tax gain of \$23.6 million on the sale. PRC additionally repaid \$16.2 million in outstanding notes to the Company, plus

accrued interest.

### CMS Disposition

Effective September 30, 1993, the Company sold its equity ownership interest in CMS to Summit Casinos-Nevada, Inc., ("Summit"), whose owners include senior management of CMS. The sale consisted of \$750,000 in cash for the Company's ownership of CMS's preferred stock and \$250,000 in cash and a note of \$2,043,529 for CMS's common stock. Additionally, the Company acquired a stock purchase warrant entitling the Company to purchase a 4.84% of CMS at a per share price approximately equal to the book value of CMS ("the CMS Warrant"). The CMS Warrant, which expires on the earlier of September 30, 2003 or the closing of an underwritten public offering of CMS, is exchangeable for a Warrant to purchase shares of common stock of any other affiliate of Summit which proposes an underwritten public offering of its common stock. The Company will remain as guarantor on certain indebtedness of CMS, which had an aggregate balance of \$18.6 million at September 30, 1993. Management believes the likelihood of losses relating to these guarantees is remote (see Note 12 of the Notes to the Consolidated Financial Statements).

### IMPACT OF INFLATION

Inflation has not had a significant effect on the Company's operations during the three fiscal years ended September 30, 1993.

### ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Independent Auditors' Report . . . . .	30
Consolidated Statements of Income for the years ended September 30, 1993, 1992 and 1991. . . . .	31
Consolidated Balance Sheets, September 30, 1993 and 1992 . . . . .	33
Consolidated Statements of Cash Flows for the years ended September 30, 1993, 1992 and 1991 . . . . .	35
Consolidated Statements of Changes in Stockholders' Equity for the years ended September 30, 1993, 1992 and 1991. . . . .	37
Notes to Consolidated Financial Statements . . . . .	38

### INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors  
of International Game Technology:

We have audited the accompanying consolidated balance sheets of International Game Technology and Subsidiaries as of September 30, 1993 and 1992, and the related consolidated statements of income, cash flows and changes in stockholders' equity for each of the three years in the period ended September 30, 1993. Our audits also included the consolidated financial statement schedules listed in the Index at Item 14(a)(2). These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of International Game Technology and Subsidiaries as of September 30, 1993 and 1992, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 1993 in conformity with generally accepted accounting principles. Also, in our opinion, such consolidated financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE

Reno, Nevada  
November 9, 1993

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands except per share amounts)

	Years Ended September 30,		
REVENUES:	1993	1992	1991
Product sales . . . . .	\$ 335,641	\$ 236,372	\$ 155,682
Gaming operations . . . . .	142,389	127,222	77,320

Total revenues (including related party transactions of \$6,680, \$5,027 and \$12,108 . . . . .)	478,030	363,594	233,002
COSTS AND EXPENSES:			
Cost of product sales . . . . .	167,017	122,125	86,185
Gaming operations . . . . .	62,715	54,680	44,684
Selling, general and administrative. . . . .	57,526	52,646	37,831
Depreciation and amortization. . . . .	20,196	16,826	9,883
Research and development. . . . .	16,523	11,807	9,361
Provision for bad debts . . . . .	3,815	4,608	4,815
Total costs and expenses. . . . .	327,792	262,692	192,759
INCOME FROM OPERATIONS. . . . .	150,238	100,902	40,243
OTHER INCOME (EXPENSE):			
Interest income . . . . .	26,283	18,409	11,974
Interest expense . . . . .	( 12,749)	( 10,790)	( 5,986)
Gain (loss) on the sale of assets. . . . .	10,090	( 1,049)	( 202)
Other . . . . .	282	( 2,785)	2,340
Other income (expense), net . . . . .	23,906	3,785	8,126
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES . . . . .	174,144	104,687	48,369
PROVISION FOR INCOME TAXES. . . . .	68,566	41,403	18,589
INCOME FROM CONTINUING OPERATIONS. . . . .	105,578	63,284	29,780
DISCONTINUED OPERATIONS:			
Income from operations, net of taxes of \$257, \$893, and \$18 . . . . .	705	1,500	450
Gain on disposition, net of taxes of \$8,888. . . . .	12,742	-	-
Income from discontinued operations. . . . .	13,447	1,500	450
NET INCOME. . . . .	\$ 119,025	\$ 64,784	\$ 30,230

(continued)

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME  
(continued from previous page)

(Dollars in thousands except per share amounts)

	Years Ended September 30,		
	1993	1992	1991
<b>PRIMARY EARNINGS PER SHARE:</b>			
Income from continuing operations . . . . .	\$ 0.85	\$ 0.53	\$ 0.26
Income from discontinued operations . . . . .	0.11	0.01	0.00
Net Income . . . . .	\$ 0.96	\$ 0.54	\$ 0.26
<b>FULLY DILUTED EARNINGS PER SHARE:</b>			
Income from continuing operations . . . . .	\$ 0.80	\$ 0.51	\$ 0.26
Income from discontinued operations . . . . .	0.10	0.01	0.00
Net Income . . . . .	\$ 0.90	\$ 0.52	\$ 0.26
<b>WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES</b>			
OUTSTANDING . . . . .	123,617,815	120,081,086	116,818,236
<b>WEIGHTED AVERAGE COMMON SHARES</b>			
OUTSTANDING ASSUMING FULL DILUTION . . . . .	136,610,507	135,448,282	117,491,004

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
ASSETS

(Dollars in thousands)	September 30,	
	1993	1992
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents . . . . .	\$ 85,346	\$ 69,159
Short-term investments, at cost (market value of \$147,123 and \$91,003) . . . . .	131,994	80,200
Accounts receivable (including \$829 and \$148 due from related parties), net of allowances for doubtful accounts of \$7,935 and \$7,058 . . . . .	81,857	56,439
Current maturities of long-term notes and contracts receivable (including \$175 and \$1,766 due from related parties), net of allowances . . . . .	60,673	44,535
<b>Inventories:</b>		
Raw materials . . . . .	40,225	28,421
Work-in-process . . . . .	4,998	2,306
Finished goods . . . . .	29,855	31,960
Total inventories . . . . .	75,078	62,687

Deferred income taxes . . . . .	10,932	-
Prepaid expenses and other. . . . .	14,255	10,189
Total current assets. . . . .	460,135	323,209
LONG-TERM NOTES AND CONTRACTS RECEIVABLE		
(including \$651 and \$3,021 due from related parties), net of allowances and current maturities. . . . .	46,908	26,238
PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land. . . . .	989	5,654
Buildings . . . . .	4,213	14,345
Gaming operations equipment . . . . .	39,375	42,006
Manufacturing machinery and equipment . . . . .	43,456	28,554
Leasehold improvements. . . . .	5,529	9,388
Total . . . . .	93,562	99,947
Less accumulated depreciation and amortization. . . . .	( 42,689)	( 39,920)
Property, plant and equipment, net . . . . .	50,873	60,027
INVESTMENTS IN UNCONSOLIDATED AFFILIATES. . . . .	-	4,672
LONG-TERM NOTES RECEIVABLE FROM UNCONSOLIDATED AFFILIATES . . . . .	-	13,167
INVESTMENTS TO FUND LIABILITIES TO JACKPOT WINNERS. . . . .	82,266	50,550
OTHER ASSETS. . . . .	6,411	12,110
Total Assets. . . . .	\$646,593	\$ 489,973

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

(Dollars in thousands)	September 30, 1993	1992
CURRENT LIABILITIES:		
Current maturities of long-term notes payable and capital lease obligations . . . . .	\$ 462	\$ 1,865
Accounts payable. . . . .	22,620	18,454
Jackpot liabilities . . . . .	11,882	8,604
Accrued employee benefit plan liabilities . . . . .	19,651	14,555

Accrued interest payable. . . . .	1,352	2,150
Accrued vacation liability. . . . .	3,771	3,031
Accrued and deferred income taxes . . . . .	11,649	4,634
Other accrued liabilities . . . . .	12,362	12,853
Total current liabilities . . . . .	83,749	66,146

LONG-TERM NOTES PAYABLE AND CAPITAL  
LEASE OBLIGATIONS NET OF CURRENT

MATURITIES. . . . .	617	19,965
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CONVERTIBLE SUBORDINATED NOTES

PAYABLE . . . . .	59,998	93,999
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LONG-TERM JACKPOT LIABILITIES . . . . .	106,476	72,889
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DEFERRED INCOME TAXES . . . . .	17,187	21,577
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OTHER LIABILITIES . . . . .	17	1,335
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Total liabilities . . . . .	268,044	275,911
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COMMITMENTS AND CONTINGENCIES

STOCKHOLDERS' EQUITY:

Common stock, \$.000625 par value;  
320,000,000 shares authorized;  
138,938,605 and 130,601,920 shares  
issued. . . . .

	87	82
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Additional paid-in capital. . . . .	146,869	85,584
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Retained earnings . . . . .	259,125	151,922
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Treasury stock; 14,071,460 and 13,909,218, at cost . . . . .	( 27,532)	( 23,526)
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Total stockholders' equity. . . . .	378,549	214,062
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Total liabilities and stockholders' equity. . . . .	\$646,593	\$489,973
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The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

Years Ended  
September 30,

1993                      1992                      1991

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income. . . . .	\$ 119,025	\$ 64,784	\$ 30,230
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Adjustments to reconcile net income to

net cash provided by operating activities:			
Depreciation and amortization . . . . .	20,196	16,826	9,883
Amortization of long-term debt discount and offering costs . . . . .	1,517	1,724	527
Provision for bad debts . . . . .	3,815	4,608	4,815
Gain (loss) on sale of assets . . . . .	( 10,090)	1,049	202
Gain on sale of discontinued operations. . . . .	( 12,742)	-	-
Donated common stock. . . . .	250	1,060	-
(Increase) decrease in assets:			
Receivables . . . . .	( 64,763)	( 66,176)	( 3,716)
Inventories . . . . .	( 12,866)	( 25,777)	1,155
Prepaid expenses and other. . . . .	( 12,440)	( 864)	2,561
Increase (decrease) in other assets. . . . .	4,110	( 45)	1,519
Increase in liabilities:			
Accounts payable and accrued liabilities . . . . .	7,520	18,817	6,167
Accrued and deferred income taxes payable, net of tax benefit of stock option and purchase plans . . . . .	12,583	22,963	6,237
Other . . . . .	( 22)	( 402)	( 563)
Total adjustments . . . . .	( 62,932)	( 26,217)	28,787
Net cash provided by operating activities. . . . .			
	56,093	38,567	59,017

CASH FLOWS FROM INVESTING ACTIVITIES:

Investment in property, plant and equipment . . . . .	( 46,064)	( 32,487)	( 20,429)
Proceeds from sale of property, plant and equipment . . . . .	9,408	6,524	6,884
Purchase of short-term investments. . . . .	(154,515)	(132,127)	( 67,740)
Proceeds from sale of short term investments. . . . .	110,460	120,217	-
Proceeds from investments to fund liabilities to jackpot winners. . . . .	11,139	6,754	5,651
Purchase of investments to fund liabilities to jackpot winners. . . . .	( 46,262)	( 20,763)	( 22,643)
Investment in and advances to unconsolidated affiliates . . . . .	29,749	-	-
Net cash used in investing activities. . . . .			
	( 86,085)	( 51,882)	( 98,277)

(continued)

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS

(continued from previous page)

(Dollars in thousands)	Years Ended		
	1993	September 30, 1992	1991
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Principal payments on debt . . . . .	( 870)	( 1,331)	( 28,482)
Payments on liabilities to jackpot winners . . . . .	( 11,139)	( 6,754)	( 5,651)
Collections from systems to fund liabilities to jackpot winners . . . . .	48,003	33,546	26,806
Proceeds from stock options exercised . . . . .	7,520	2,807	1,213
Proceeds from employee stock purchases . . . . .	869	563	350
Payments for purchase of treasury stock . . . . .	( 4,006)	( 1,669)	( 3,220)
Payments of cash dividends . . . . .	( 7,350)	-	-
Long-term debt issue costs . . . . .	-	-	( 2,636)
Proceeds from long-term debt . . . . .	-	-	103,524
Foreign currency exchange loss . . . . .	( 726)	( 1,737)	( 352)
Net cash provided by financing activities . . . . .	32,300	25,425	91,552
<b>NET CASH PROVIDED BY CONTINUING OPERATIONS . . . . .</b>	<b>2,308</b>	<b>12,110</b>	<b>52,292</b>
<b>CASH PROVIDED BY (USED IN) DISCONTINUED OPERATIONS . . . . .</b>	<b>13,879</b>	<b>( 887)</b>	<b>( 16,367)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR . . . . .</b>	<b>69,159</b>	<b>57,936</b>	<b>22,011</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR . . . . .</b>	<b>\$ 85,346</b>	<b>\$ 69,159</b>	<b>\$ 57,936</b>

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Amounts in thousands)	Common Stock		Additional	Retained	Treasury	Total
	Shares	Amount	Paid-in Capital	Earnings	Stock	
BALANCE AT						
OCTOBER 1, 1990 . . . . .	124,144	\$78	\$53,474	\$57,782	\$(18,637)	\$ 92,697
Stock options exercised . . . . .	1,908	1	1,212	-	-	1,213

Currency translation adjustments.....	-	-	-	( 353)	-	( 353)
Tax benefit of stock options.....	-	-	2,830	-	-	2,830
Purchase of treasury stock.....	-	-	-	-	( 3,220)	( 3,220)
Employee stock purchases.....	208	-	350	-	-	350
Net income.....	-	-	-	30,230	-	30,230
BALANCE AT						
SEPTEMBER 30, 1991..	126,260	79	57,866	87,659	(21,857)	123,747
Stock options exercised.....	3,155	3	2,802	-	-	2,805
Donated stock.....	93	-	1,060	-	-	1,060
Currency translation adjustments.....	-	-	-	( 1,737)	-	( 1,737)
Tax benefit of stock options.....	-	-	12,358	-	-	12,358
Purchase of treasury stock.....	-	-	-	-	( 1,669)	( 1,669)
Employee stock purchases.....	209	-	563	-	-	563
Conversion of subordinated notes..	11	-	85	-	-	85
EDT share exchange..	874	-	10,850	1,216	-	12,066
Net income.....	-	-	-	64,784	-	64,784
BALANCE AT						
SEPTEMBER 30, 1992..	130,602	82	85,584	151,922	(23,526)	214,062
Stock options exercised.....	2,731	2	7,518	-	-	7,520
Donated stock.....	9	-	250	-	-	250
Currency translation adjustments.....	-	-	-	( 727)	-	( 727)
Tax benefit of stock options.....	-	-	18,137	-	-	18,137
Purchase of treasury stock.....	-	-	-	-	( 4,006)	( 4,006)
Employee stock purchases.....	70	-	869	-	-	869
Conversion of subordinated notes..	5,527	3	34,511	-	-	34,514
Dividends declared..	-	-	-	( 11,095)	-	(11,095)
Net income.....	-	-	-	119,025	-	119,025
BALANCE AT						
SEPTEMBER 30, 1993..	138,939	\$87	\$146,869	\$259,125	\$(27,532)	\$378,549

The accompanying notes are an integral part of these consolidated financial statements.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

## 1. Organization and Summary of Significant Accounting Policies

Organization - International Game Technology (the "Company") was incorporated in December 1980 to acquire the gaming licensee and operating entity, IGT (recently renamed IGT-North America), and facilitate the Company's initial public offering. In addition to its 100% ownership of IGT-North America, the Company directly or indirectly owns 100% of IGT-International, ("IGT-International"), 100% of IGT-Australia, Pty. Ltd. ("IGT-Australia"), 100% of IGT-Europe b.v. ("IGT-Europe"), 99.75% of IGT-Iceland Ltd. ("IGT-Iceland") and 100% of IGT-Japan k.k. ("IGT-Japan"). In December 1993 the Company sold its interest in its riverboat partnerships and additionally on September 30, 1993 sold its interest in CMS-International ("CMS").

IGT-North America is the largest manufacturer of computerized casino gaming products and proprietary systems in the world. IGT-North America believes it manufactures the broadest range of microprocessor-based gaming machines available. The Company also develops and manufactures "SMART" systems which monitor slot machine play and track player activity. In addition to gaming product sales and leases, IGT-North America has developed and sells computerized linked proprietary systems to monitor video gaming terminals and has developed specialized video gaming terminals for lotteries and other applications. IGT-North America also develops and operates proprietary software linked progressive systems. The Company derives revenues related to the operations of these systems as well as collects license and franchise fees for the use of the systems.

IGT-International was established in September 1993 to oversee all sales of gaming products outside of North America by the Company's foreign subsidiaries and to conduct sales either directly or through distributors in countries not served by the Company's foreign subsidiaries.

IGT-Australia, located in Sydney, Australia, manufactures microprocessor-based gaming products and proprietary systems, and performs engineering, manufacturing, sales and marketing and distribution operations for the Australian markets as well as other gaming jurisdictions in the Southern Hemisphere and Pacific Rim.

IGT-Europe was established in The Netherlands in February 1992 to distribute and market gaming products in Eastern and Western Europe and Africa. Prior to providing direct sales, the Company sold its products in these markets through a distributor.

IGT-Iceland was established in September 1993 to provide video lottery system software, machines, equipment and technical assistance to support Iceland's video lottery operations.

IGT-Japan was established in July 1990, and in November 1992 opened an office in Tokyo, Japan. On April 16, 1993, IGT-Japan was approved to

supply Pachisuro gaming machines to the Japanese market, and the Company began delivery of these machines during the third quarter of fiscal 1993.

## INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARI

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Organization and Summary of Significant Accounting Policies (continued)

##### Discontinued Operations

Iowa Riverboat Corporation ("IRC"), a wholly-owned subsidiary of the Company, established in March 1990, was a 40% partner in an Iowa partnership that owned and operated the President riverboat casino and the Blackhawk Hotel in Davenport, Iowa. International Acceptance Corporation ("IAC"), also a wholly-owned subsidiary of the Company, owned 45% of a riverboat excursion operation and the permanently docked Admiral riverboat in St. Louis, Missouri. In December 1992, the Company contributed the assets of IRC and IAC to PRC in exchange for 1,671,429 shares of PRC common stock. These shares were subsequently sold to the public as part of an initial public offering of PRC common stock on December 17, 1992 (see Note 12).

CMS, established in August 1988, operated casinos and hotel/casinos for the Company including the Silver Club hotel and casino and The Treasury Club casino in Sparks, Nevada, the El Capitan Club in Hawthorne, Nevada and the King's Casino on the island of Antigua in the Caribbean. Effective September 30, 1993 the Company sold its ownership interest in CMS to Summit Casinos Nevada, Inc. (see Note 12).

The consolidated financial statements include the accounts of the Company and its majority owned subsidiaries. All material intercompany accounts and transactions have been eliminated. The disposal of interests in riverboat partnerships and CMS (collectively, "casino operations") has been accounted for as discontinued operations. Accordingly, operating results and cash flows of casino operations are segregated and reported as discontinued operations in the accompanying consolidated statements of income and cash flows. Prior year financial statements have been restated to conform to the current year presentation.

Common Stock Split - On March 17, 1993, the Company effected a two-for-one split of its common stock and a corresponding reduction in the par value of its common stock from \$.00125 to \$.000625 per share. Prior years' shares outstanding and per share amounts have been restated to reflect the stock split.

Product Sales - The Company makes product sales for cash, on normal credit terms (90 days or less), over longer term installments, and through participation in the net winnings of the machines until the purchase price is paid. Generally, sales are recorded when title passes to the customer.

Participation sales are recorded when the product is installed unless the customer does not agree in writing to keep the product installed until the purchase price is paid, in which case the installment method is used.

Sales of slot management systems generally involve contracts covering periods up to twelve months. Billings on such contracts are made periodically in accordance with contract terms. Revenues are recognized when the title passes to the customer.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Summary of Significant Accounting Policies  
(continued)

Gaming Operations - Gaming operations revenues consist of revenues relating to the operations of the proprietary systems division, a share of the net gaming winnings from the operation of machines at customer locations, and the lease and rental of gaming and video lottery machines. Revenue from systems products installed in New Jersey casinos is not recognized until receipt is assured.

The Company's proprietary systems are primarily operated in Nevada and Atlantic City, New Jersey. In Atlantic City, each system is operated by an independent trust managed by representatives from the participating casinos. The trust records a liability to the Company for annual casino fees as well as machine rental fees. In Nevada, the systems are operated by the Company. The Nevada casinos retain the net win, less a percentage paid to the Company to fund the progressive jackpots. The Company earns interest on these funds until jackpots are paid. These jackpots are paid out in equal installments without interest over a twenty year period. The Company records the percentage received as revenue and records as expense all costs associated with its obligation to fund the jackpot liabilities.

The following table shows the revenues recorded from gaming operations.

(Dollars in thousands)	Years Ended		
	1993	1992	September 30, 1991
Proprietary Systems . . . . .	\$124,275	\$106,639	\$ 61,345
Lease Operations . . . . .	18,114	20,583	15,975
Total . . . . .	\$142,389	\$127,222	\$ 77,320

At September 30, 1993 and 1992, the Company had accrued approximately \$118.4 million and \$81.5 million, respectively, for its share of outstanding progressive jackpot liabilities. This liability includes the amount required to provide for payments to systems jackpot winners. The Company is required to maintain cash and investments relating to systems liabilities in separate accounts.

Cash and Cash Equivalents - This includes cash required for funding current systems jackpot payments as well as purchasing investments to meet obligations for making payments to jackpot winners. Cash in excess of daily requirements is generally invested in various marketable securities. If these securities have original maturities of three months or less they are considered cash equivalents. Such investments are stated at cost, which approximates market, and are deemed to be cash equivalents for purposes of the consolidated statements of cash flows.

Short-Term Investments - This represents a portfolio of marketable securities consisting primarily of U.S. government securities, corporate bonds with original maturities beyond three months and common and preferred stocks. Similar items with original maturities of three months or less are considered to be cash equivalents. Marketable securities are carried at the lower of their aggregate cost or market value.

## INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Organization and Summary of Significant Accounting Policies (continued)

Inventories - Inventories are stated at the lower of cost (first-in, first-out method) or market.

Depreciation and Amortization - Depreciation and amortization are provided on the straight-line method over the following useful lives:

Gaming operations equipment . . . . .	1 to 5 years
Manufacturing machinery and equipment . . . . .	3 to 5 years
Buildings . . . . .	40 years
Leasehold improvements. . . . .	Term of Lease
Building under capital lease. . . . .	Term of Lease

Maintenance and repairs are expensed as incurred. The costs of improvements are capitalized. Gains or losses on the disposition of assets are included in income.

Investments to Fund Liabilities to Jackpot Winners - These investments represent discounted U.S. Treasury Securities purchased to meet obligations for making payments to Nevada, Mississippi, Colorado and South Dakota linked progressive systems winners. Such investments are stated at cost. Nevada and Mississippi gaming regulations provide how these funds are to be maintained.

Other Assets - Other assets include debt issue costs, deposits, patents, goodwill and gaming rights. Debt issue costs are amortized as a component of interest expense on the Convertible Subordinated Notes (see Note 11). The cost of gaming rights is amortized on a straight-line basis

over the terms of the agreements. Patents and goodwill are amortized over periods of seven years and five years, respectively.

Earnings Per Share - Earnings per share is computed based upon the weighted average number of common and common equivalent shares outstanding. Prior period weighted average shares outstanding and earnings per share have been restated to reflect the effects of the Company's 1993 stock split. The Convertible Subordinated Notes (see Note 11) are not common stock equivalents, and they were excluded from the calculation of fully-diluted earnings per share in 1991 when their effect was anti-dilutive.

Foreign Currency Translation - The financial statements of foreign subsidiaries have been translated into U.S. dollars for consolidated reporting purposes in accordance with SFAS No. 52. All asset and liability accounts have been translated using the current exchange rate at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year. The gains and losses resulting from the translation adjustments have been accumulated as a component of stockholders' equity, being netted against retained earnings due to the immateriality of the amounts. The effect on the consolidated statements of operations of translation gains and losses is insignificant for all years presented.

## INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Organization and Summary of Significant Accounting Policies (continued)

Recently Issued Accounting Standards to be Adopted - The Financial Accounting Standards Board issued in May 1993 SFAS No. 115 "Accounting for Certain Investments in Debt and Equity Securities." This statement, effective for the Company's fiscal year ending September 30, 1995, will require that unrealized gains and losses on securities defined as "trading securities" be included in income and that unrealized gains and losses on securities defined as "available-for-sale" will be excluded from income and reported in a separate component of stockholders' equity. If this standard had been adopted at September 30, 1993, the unrealized gains and losses on trading securities would have increased income from continuing operations before income taxes by \$258,000 in fiscal 1993, and the unrealized gains and losses on available-for-sale securities would have increased stockholders' equity by \$14,871,000 at September 30, 1993.

Reclassification - Certain amounts in the 1992 and 1991 consolidated financial statements have been reclassified to be consistent with the presentation used in fiscal year 1993.

## INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 2. Business Segments

The Company operates principally in two lines of business: the manufacture of gaming products and gaming operations. The table below presents information as to the Company's operations in different industries.

(Dollars in thousands)	Years Ended September 30,		
	1993	1992	1991
<b>REVENUES:</b>			
Manufacture of Gaming Products . . . . .	\$335,641	\$236,372	\$155,682
Gaming Operations . . . . .	142,389	127,222	77,320
Total . . . . .	\$478,030	\$363,594	\$233,002
<b>OPERATING PROFIT:</b>			
Manufacture of Gaming Products . . . . .	\$175,888	\$115,705	\$ 69,378
Gaming Operations . . . . .	62,391	59,381	26,842
Total . . . . .	238,279	175,086	96,220
<b>OTHER EXPENSES, INCLUDING</b>			
INTEREST EXPENSE . . . . .	64,135	70,399	47,851
<b>INCOME FROM CONTINUING OPERATIONS</b>			
BEFORE INCOME TAXES . . . . .	\$174,144	\$104,687	\$ 48,369
<b>CAPITAL EXPENDITURES:</b>			
Manufacture of Gaming			
Products . . . . .	\$ 8,499	\$ 3,560	\$ 1,919
Casino Operations . . . . .	-	1,182	2,132
Gaming Operations . . . . .	20,269	22,808	13,302
Corporate . . . . .	17,345	7,587	6,181
Total . . . . .	\$ 46,113	\$ 35,137	\$ 23,534
<b>DEPRECIATION AND AMORTIZATION:</b>			
Manufacture of Gaming Products . . . . .	\$ 1,740	\$ 1,655	\$ 1,436
Gaming Operations . . . . .	14,699	11,860	5,956
Corporate . . . . .	3,757	3,311	2,491
Total . . . . .	\$ 20,196	\$ 16,826	\$ 9,883
		September 30,	
	1993	1992	1991
<b>IDENTIFIABLE ASSETS:</b>			
Manufacture of Gaming Products . . . . .	\$262,454	\$188,852	\$95,515
Casino Operations . . . . .	-	30,737	29,785
Gaming Operations . . . . .	151,234	117,595	78,328
Corporate . . . . .	232,905	152,789	141,977
Total . . . . .	\$646,593	\$489,973	\$345,605

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Business Segments (continued)

The Company has operations based in the United States, Canada, Australia and Europe. The table below presents information as to the Company's operations by geographic region.

(Dollars in thousands)

	Years Ended September 30,		
	1993	1992	1991
REVENUES:			
United States . . . . .	\$ 427,697	\$ 332,299	\$ 208,988
Canada . . . . .	13,743	-	-
Australia . . . . .	39,681	34,580	25,166
Europe . . . . .	11,485	2,878	-
Eliminations . . . . .	( 14,576)	( 6,163)	( 1,153)
Total . . . . .	\$ 478,030	\$ 363,594	\$ 233,002
OPERATING PROFIT:			
United States . . . . .	\$ 224,152	\$ 163,597	\$ 87,228
Canada . . . . .	4,241	-	-
Australia . . . . .	15,269	13,671	8,723
Europe . . . . .	1,025	513	-
Eliminations . . . . .	( 6,408)	( 2,695)	269
Total . . . . .	238,279	175,086	96,220
OTHER EXPENSES, INCLUDING			
INTEREST EXPENSE . . . . .	64,135	70,399	47,851
INCOME FROM CONTINUING OPERATIONS			
BEFORE INCOME TAXES . . . . .	\$174,144	\$104,687	\$ 48,369
	1993	September 30, 1992	1991
IDENTIFIABLE ASSETS:			
United States . . . . .	\$600,472	\$460,686	\$328,239
Canada . . . . .	8,047	-	-
Australia . . . . .	27,067	24,465	17,366
Europe . . . . .	11,007	4,822	-
Total . . . . .	\$646,593	\$489,973	\$345,605

On a consolidated basis the Company does not recognize intersegment revenues or expenses upon the transfer of gaming products between segments. Operating profit is revenue and interest income less cost of sales and operating expenses, including related operating depreciation and amortization, and provisions for bad debts. Other expenses include selling, general and administrative expense, interest expense, interest income and research and development expense.

During the fiscal years ended September 30, 1993 and 1992, the Company made net sales of \$40.2 million and \$27.1 million, respectively, to Sodak Gaming, the Company's principal distributor of gaming products to Native American Indian reservations in Wisconsin, Minnesota and to other areas in the midwest and western United States. These sales aggregated approximately 11.1% and 11.4% of the Company's total product sales for the

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIAR

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Business Segments (continued)

fiscal years 1993 and 1992, respectively. The Company believes the loss of this customer would not have a long term material adverse effect on product sales of the Company as other means of distribution to this market is available. No single customer accounted for more than 10% of total product sales of the Company during the fiscal year ended September 30, 1991.

The Company had total export sales from the United States of approximately \$13,522,000, \$29,006,000 and \$25,514,000 during the fiscal years ended September 30, 1993, 1992 and 1991, respectively. This amount declined in the year ended September 30, 1993 primarily due to the exclusion of Canadian sales in fiscal 1993 as a result of the Company's production of gaming machines in Canada starting in late fiscal 1992.

3. Notes and Contracts Receivable

The Company grants customers extended payment terms under contracts of sale. These contracts are generally for terms of one to five years, with interest recognized at prevailing rates, and are secured by the related equipment sold.

The Company has provided loans, principally for financial assistance, to several customers. At September 30, 1993 and 1992, the balance of such loans totaled \$994,000 and \$936,000, respectively, net of the related allowance for doubtful accounts of \$25,000 and \$321,000, respectively. These loans are generally for terms of one to five years with interest at prevailing rates.

The following table represents, at September 30, 1993, the estimated future collections of notes and contracts receivable (net of allowances):

Years Ending September 30,	Estimated Receipts (Dollars in thousands)
1994 . . . . .	\$ 60,673
1995 . . . . .	27,202
1996 . . . . .	7,697
1997 . . . . .	3,432
1998 . . . . .	1,607
1999 and after. . . . .	6,970

At September 30, 1993 and 1992, the following allowances for doubtful notes and contracts were netted against current and long-term maturities:

(Dollars in thousands)	September 30,	
	1993	1992
Allowance for doubtful notes and contracts:		
Current . . . . .	\$5,588	\$2,438
Long-term . . . . .	3,363	4,361
	\$8,951	\$6,799

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

4. Lines of Credit

As of September 30, 1993, IGT-North America had a \$7.5 million unsecured bank line of credit with various interest rate options available to the Company. The line of credit is used for the purpose of facilitating standby letters of credit, and the Company is charged a nominal fee on amounts used against the line as security for letters of credit. Funds available under this line are reduced by any amounts used as security for letters of credit. At September 30, 1993 \$4,092,000 was available under this line of credit.

IGT-Australia had a \$440,000 (Australian) bank line of credit available as of September 30, 1993. Interest is paid at the lender's reference rate plus 1%. This line is secured by equitable mortgages, and has a provision for review and renewal annually in May. At September 30, 1993, no funds were drawn under this line.

The Company is required to comply, and is in compliance, with certain covenants contained in the IGT line of credit agreement which, among other things, limit financial commitments the Company may make without written consent of the lender and require the maintenance of certain financial ratios, minimum working capital and net worth of the Company.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

5. Notes Payable, Capital Lease Obligations and Liabilities to Jackpot Winners

Notes payable and capital lease obligations consist of the following as of:

	September 30,	
	1993	1992
(Dollars in thousands)		
CMS notes payable to bank, (see Note 12). Notes assumed by Summit Casinos Nevada, Inc . . . . .	\$ -	\$ 19,701
Capital lease obligations (see Note 8). . . . .	1,079	1,943
Other note payable repaid in 1993 . . . . .	-	186
Total . . . . .	1,079	21,830
Less current maturities . . . . .	( 462)	( 1,865)
Long-term notes payable and capital lease obligations, net of current maturities. . . . .	\$ 617	\$ 19,965

Future fiscal year principal payments of these notes and capital lease obligations at September 30, 1993, are as follows:

(Dollars in thousands)					
1994	1995	1996	1997	1998	1999 and Later
\$ 462	\$ 349	\$ 195	\$ 73	\$ -	\$ -

In Nevada, Mississippi and South Dakota, the Company receives a percentage of the net win from the linked progressive systems to fund the related jackpot payments. The jackpots are paid off in equal annual installments over either a ten or twenty year period. The following schedule sets forth the future principal payments for the jackpot winners under these systems at September 30, 1993:

(Dollars in thousands)	
Years Ending	
September 30,	
1994 . . . . .	\$ 9,352
1995 . . . . .	8,604
1996 . . . . .	7,916
1997 . . . . .	7,282
1998 . . . . .	6,358
1999 and after . . . . .	53,256
Liabilities to jackpot winners. . . . .	\$ 92,768

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 6. Income Taxes

The effective income tax rates on income attributable to continuing operations differ from the statutory U. S. federal income tax rates as follows:

(Dollars in thousands)	Years Ended					
	September 30,					
	1993		1992		1991	
	Amount	Rate	Amount	Rate	Amount	Rate
Taxes at federal						
statutory rate. . .	\$60,602	34.8%	\$35,594	34.0%	\$16,445	34.0%
Acquisition goodwill and						
minority interest-EDT	455	.3	2,300	2.2	424	.9
Foreign subsidiaries						
tax . . . . .	2,402	1.4	1,295	1.2	( 66)	( .1)
State income tax, net	2,273	1.3	563	.5	175	.3
Foreign sales						
corporation . . . . .	( 1,280)	( .7)	( 740)	(.7)	-	-
Other, net. . . . .	4,114	2.3	2,391	2.3	1,611	3.3
Actual provision						
for income taxes. . .	\$68,566	39.4%	\$41,403	39.5%	\$18,589	38.4%

Total fiscal 1993 pre-tax income consists of \$164,625,000 subject to U.S. taxation and \$9,519,000 of foreign taxable income. Total fiscal 1992 pre-tax income consists of \$98,434,000 subject to U.S. taxation and \$6,253,000 of foreign taxable income. Total fiscal 1991 pre-tax income consists of \$49,031,000 domestic taxable income and a loss of \$662,000 for foreign operations.

Components of the provision for income taxes on income from continuing operations were as follows:

(Dollars in thousands)	Years Ended		
	September 30,		
	1993	1992	1991
Current:			
Federal . . . . .	\$ 78,544	\$ 33,997	\$ 17,844
State . . . . .	3,497	659	210
Foreign . . . . .	5,111	1,392	-
Total current . . . . .	87,152	36,048	18,054
Deferred (primarily federal).	( 18,586)	5,355	535
Total provision from continuing			
operations. . . . .	\$ 68,566	\$ 41,403	\$ 18,589

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Income Taxes (continued)

The deferred tax provisions (benefits) are attributable to the following:

(Dollars in thousands)	Years Ended		
	1993	September 30, 1992	1991
Excess of accelerated depreciation over straight-line depreciation . . . . .	\$( 1,017)	\$( 268)	\$( 238)
Provisions for bad debts and receivables deductible when written off . . . . .	( 792)	(1,519)	(1,029)
Provisions for inventory and fixed asset valuation adjustments deductible for taxes when realized . . . . .	( 226)	( 1,092)	( 583)
Book provisions for accrued gaming activities reported differently for tax purposes . . . . .	(18,975)	9,151	3,220
Other, net . . . . .	2,424	( 917)	( 835)
	\$ (18,586)	\$ 5,355	\$ 535

During 1993, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 109 "Accounting for Income Taxes." The impact of adopting this new standard was not material to any of the consolidated financial statements of the Company for 1993. Prior to 1993, the Company accounted for income taxes under SFAS No. 96.

Statement 109 requires recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred income taxes reflect the net tax effects of (a) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (b) operating loss and tax credit carryforwards. The tax items comprising the Company's net deferred tax liability as of September 30, 1993 are as follows:

Year Ended  
(Dollars in thousands) September 30, 1993

Deferred tax liabilities:	
Reserve differential for gaming activities . . . . .	\$16,561
Other . . . . .	1,450
	18,011
Deferred tax assets:	
Receivable reserve . . . . .	5,023
Reserves not currently deductible . . . . .	3,722
Difference between book and tax basis of property . . . . .	2,154
Operating loss carryforwards . . . . .	263
Other . . . . .	594

. . . . .	11,756
Valuation allowance . . . . .	-
Net deferred tax liability. . . . .	\$ 6,255

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

6. Income Taxes (continued)

In August of 1993, enacted changes in Federal legislation increased the income tax rate for the fiscal year ended September 30, 1993. The rate increased from 34% to 35%, with a blended rate being applied in fiscal 1993.

7. Employee Benefit Plans

Employee Profit Sharing Plans

In 1980, IGT-North America adopted a qualified profit sharing retirement plan for its employees. Company contributions to the plan are at the sole discretion of the Company's Board of Directors. Benefits vest over a seven-year period of employment. Under a discretionary program effective January 1, 1986, and reviewable by the Board annually, contributions are based on 5% of annual IGT-North America pre-tax operating profits above a set minimum. Effective for 1993, 1992 and 1991, the minimum pre-tax operating profits were \$44,000,000, \$28,000,000 and \$12,000,000, respectively, before any allocation to the Plan.

Additionally, a cash sharing plan was adopted by IGT-North America effective January 1, 1986, in which 5% of annual pre-tax operating profits of IGT-North America (in excess of \$44,000,000, \$28,000,000 and \$12,000,000, for 1993, 1992 and 1991, respectively), are distributed to employees on a semiannual basis. Contributions to the plan are reviewed annually by the Board.

The Company's other subsidiaries have similar retirement and cash sharing plans with one of the plans designed as a superannuation program. Total consolidated profit sharing and cash sharing expense was \$12,564,000, \$9,893,000 and \$4,573,000 for the fiscal years ended September 30, 1993, 1992 and 1991, respectively.

IGT-North America maintains a discretionary management bonus and a marketing management bonus plan in which key employees participate. Effective January 1, 1986, 5% of IGT's annual pre-tax operating profits (in excess of \$44,000,000, \$28,000,000 and \$12,000,000 for 1993, 1992 and 1991, respectively) are distributed under the management bonus plan. Bonuses for marketing management are computed using a formula based on product sales levels and gross profit margins achieved. The Company's other operating subsidiaries maintain similar plans. Total consolidated expense under these plans was \$8,435,000, \$5,598,000 and \$3,430,000 for the fiscal years ended September 30, 1993,

1992 and 1991, respectively.

### Stock Option Plans

In 1981, the Company adopted a Stock Option Plan under which nonqualified and incentive stock options to purchase up to 27,104,000 shares may be granted and, in 1993, the Company adopted a Stock Option Plan under which nonqualified and incentive stock options to purchase up to 3,000,000 shares may be granted to employees and up to 250,000 nonqualified stock options may be granted to non-employee directors of the Company.

## INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 7. Employee Benefit Plans (continued)

Options granted have been granted at fair market value on the date of grant and, except for non-employee director options, typically become exercisable in five annual installments although a shorter period may be provided. At September 30, 1993, options to purchase 4,011,696 shares were available for grant under the plans.

	Number of Shares	Option Price Per Share		
Outstanding at September				
30, 1992. . . . .	5,283,254	\$ .51	-	\$18.88
Granted . . . . .	857,160	\$22.81	-	\$38.63
Cancelled . . . . .	( 17,320)	\$ 1.26	-	\$25.44
Exercised . . . . .	(2,730,622)	\$ .51	-	\$18.875
Outstanding at September				
30, 1993. . . . .	3,392,472	\$ .51	-	\$38.63
Exercisable at September				
30, 1993. . . . .	1,677,632	\$ .51	-	\$18.88

#### Employee Stock Purchase Plan

Effective February 26, 1987, the Company adopted a Qualified Employee Stock Purchase Plan. Under this Plan, each eligible employee may be granted an option to purchase a specific number of shares of the Company's common stock. The term of each option is twelve months, and the exercise date is the last day of the option period. Eligible employees include only those employees who have completed twelve months of continuous service with the Company. The Plan excludes employees who are officers, 5% or more shareholders, employees receiving more than \$64,245 in annual compensation and employees of certain subsidiaries.

An aggregate of 2,400,000 shares may be made available under this plan. Employees may participate in this plan only through payroll deductions up to a maximum of 10% of their base pay. The option price is equal to the lesser of 85% of the fair market value of the common stock on the date of grant or on the date of exercise. At September 30, 1993, 1,100,472 shares were available under this plan.

#### 401(k) Matching Program

Effective January 1, 1993, the Company offered a 401(k) retirement plan contribution matching program. Under the plan agreement, the Company matches 100% of employee contributions up to \$500 and an additional 50% of the next \$500 contributed by the employee. This allows for maximum annual Company contributions of \$750 to each employee's 401(k) account. The employees will be 100% vested in Company contributions at the date the contribution is made. In fiscal 1993 the Company contributed \$512,000 under this plan.

### INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 8. Commitments

The Company leases certain of its facilities and equipment under various agreements for periods through the year 2002. The following table shows the future minimum rental payments required under these operating and capital leases which have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 1993.

(Dollars in thousands)

Years Ending September 30,	Operating Leases	Capital Leases	Total
1994 . . . . .	\$ 4,840	\$ 577	\$ 5,417
1995 . . . . .	4,224	402	4,626
1996 . . . . .	3,597	218	3,815
1997 . . . . .	2,832	74	2,906
1998 . . . . .	2,044	-	2,044
1999 and after . . . . .	5,768	-	5,768
Total minimum payments . . . . .	\$ 23,305	1,271	\$ 24,576
Amount representing interest		( 192)	
Capital lease obligations		1,079	
Less current portion		( 462)	
Long-term capital lease obligations		\$ 617	

The cost and related accumulated depreciation of equipment under capital leases as of September 30, 1993, was \$2,010,000 and \$1,308,901,

respectively, and at September 30, 1992 was \$2,979,000 and \$1,107,000, respectively.

Certain of the leases provide that the Company pay utilities, maintenance, property taxes, and certain other operating expenses applicable to the leased property, including liability and property damage insurance. The lease for the Company's existing manufacturing facility in Reno extends through 2001. The lease provides for periodic rental increases.

The total rental expense for the fiscal years ended September 30, 1993, 1992 and 1991 was approximately \$4,753,000, \$5,746,000 and \$4,562,000, respectively.

#### 9. Contingencies

The Company has been named in and brought lawsuits in the normal course of its business. Management does not expect the outcome of these suits to have a material adverse effect on the Company's financial position or results of future operations.

#### 10. Related Party Transactions

Members of the Company's Board of Directors

A member of the Company's Board of Directors is an officer of, and has  
INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 10. Related Party Transactions (continued)

an equity interest in, a Nevada gaming business from which the Company recognized revenues of \$889,000, \$549,000 and \$623,000 during the fiscal years ended September 30, 1993, 1992 and 1991, respectively. The Company had contracts and accounts receivable balances from this customer of \$836,000 and \$724,000 at September 30, 1993 and 1992, respectively. He is also a director and officer of a parent to four additional gaming businesses in Nevada, from which the Company recognized revenues of \$3,727,000, \$3,668,000 and \$7,478,000 during the fiscal years ended September 30, 1993, 1992 and 1991, respectively. The Company had contracts and accounts receivable balances from these businesses of \$804,000 and \$97,000 at September 30, 1993 and 1992, respectively.

Additionally, a member of the Company's Board of Directors is the Chairman of the Board of a Nevada gaming business from which the Company recognized revenues of \$2,064,000, \$631,000, and \$229,000 during the fiscal years ended September 30, 1993, 1992 and 1991, respectively. The Company had contracts and accounts receivable balances from this business of \$15,000 at both September 30, 1993 and 1992.

## Riverboat Operations

The Company had an equity ownership interest in riverboat operations based in Davenport, Iowa and St. Louis, Missouri (see Note 12). The Company recognized revenues from sales to these operations, net of intercompany eliminations for its equity ownership, of \$179,000 and \$3,778,000 during the fiscal years ended September 30, 1992 and 1991, respectively. The Company had accounts and notes receivable from these businesses of \$4,196,000 at September 30, 1992. The Company made loans totalling \$11.8 million during the fiscal year ended September 30, 1991, to the partnerships which manage the riverboat operations. Each of the loans included interest at 13%, with annual payments of principal and interest. The principal balance outstanding on the notes at September 30, 1992, was \$13,167,000. The Company accrued interest income related to these loans totalling \$393,000, \$1,645,000 and \$757,000 during the fiscal years ended September 30, 1993, 1992 and 1991, respectively. The loans and accrued interest receivable were paid from the proceeds of the public offering discussed in Note 12.

### 11. Debt Offering

In May 1991, the Company completed a \$115,000,000 public offering of 5-1/2% Convertible Subordinated Notes (the "Notes") maturing June 1, 2001.

The Notes are convertible at the option of the holder at any time prior to maturity, unless previously redeemed, into common stock of the Company at a conversion rate of 129.384 shares per each \$1,000 principal amount, subject to adjustments in certain events. During fiscal 1993 and 1992, notes with a face amount of \$42,719,000 and \$85,000 were converted to 5,527,133 and 10,998 shares of the Company's common stock, respectively.

The Notes may be redeemed by the Company on or after June 1, 1994, in

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 11. Debt Offering (continued)

whole at any time, or in part from time to time, at specified percentages, graduating annually, of principal amount due at maturity together with accrued and unpaid interest to the date of redemption. Interest payments at 5-1/2% are payable semiannually. The Notes were issued at a price of 80.055% of the principal amount due at maturity, representing an original issue discount of 19.945% from the principal amount payable at maturity. The 5-1/2% semiannual interest payments and the original issue discount represent a yield of 8.5% per annum.

The Notes are subordinated to prior payment in full of all senior indebtedness of the Company as defined in the indenture governing the Notes, including such indebtedness incurred in the future by the Company

and its subsidiaries. Net proceeds from the issue and sale of the Notes were \$89,426,800. Approximately \$18 million of the proceeds were used to repay indebtedness. The remainder of the proceeds will be used for general corporate purposes, including capital expenditures and working capital.

## 12. Discontinued Operations

In connection with the Company's focus on gaming machine manufacture and proprietary software systems development, the Company has divested its investments in casino operations during fiscal 1993 through the sale of its interest in CMS and President Riverboat Casinos, Inc. ("PRC"). The disposition of these investments has been accounted for as discontinued operations. The revenues from these operations totaled \$34,807,000, \$35,849,000 and \$33,865,000 for fiscal years 1993, 1992 and 1991, respectively. The separate sales transactions of these investments are described below.

### Riverboat Operations

During December 1992, the Company transferred 100% of its ownership interest in three riverboat partnerships to PRC. In exchange for the transfer of its ownership interests, the Company received 1,671,429 shares of PRC common stock representing an approximate 32% ownership of PRC.

The Company, under a selling agreement with the principal stockholders of PRC, offered all of its 1,671,429 shares of PRC common stock as a selling shareholder in the initial public offering ("IPO") of PRC, effective December 17, 1992. The Company received proceeds from the IPO of \$28.7 million and recognized a pre-tax gain of \$23.6 million on the sale. PRC additionally repaid \$16.2 million in outstanding notes to the Company, plus all accrued interest.

### CMS International

Effective September 30, 1993, the Company sold its equity ownership interest in CMS to Summit Casinos-Nevada, Inc., ("Summit"), whose owners include senior management of CMS. The sale consisted of \$750,000 in cash for the Company's ownership of CMS's preferred stock and \$250,000 in cash and a note of \$2,043,529 for CMS's common stock. Additionally, the Company acquired a stock purchase warrant entitling the Company to purchase a 4.84%

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 12. Discontinued Operations (continued)

of CMS at a per share price approximately equal to the book value of CMS ("the CMS Warrant"). The CMS Warrant, which expires on the earlier of September 30, 2003 or the closing of an underwritten public offering of CMS, is exchangeable for a Warrant to purchase shares of common stock of any other affiliate of Summit which proposes an underwritten public

offering of its common stock.

The Company recognized a pre-tax loss of approximately \$2.0 million on the sale and will remain as guarantor on certain indebtedness of CMS, which had at September 30, 1993 an aggregate balance of \$18.6 million. The notes that have been guaranteed are also collateralized by the respective casino properties. Summit has agreed to indemnify and hold the Company harmless against any liability arising under these guarantees. Management believes the likelihood of losses relating to these guarantees is remote.

The composition of income from discontinued operations in fiscal 1993 is as follows:

(Dollars in Thousands)	Riverboat Operations	CMS Int'l	Total
Income from operations . . . . .	\$ 245	\$ 717	\$ 962
Gain (loss) on disposal . . . . .	23,586	( 1,956)	21,630
Income (loss) on discontinued operations before taxes . . . . .	23,831	( 1,239)	22,592
Income tax (provision) benefit . . . . .	( 9,573)	428	( 9,145)
Income (loss) on discontinued operations, net of taxes . . . . .	\$ 14,258	\$ ( 811)	\$ 13,447

### 13. EDT Common Stock

On January 31, 1992, the stockholders of EDT, previously a 43% owned subsidiary of the Company, approved the exchange of 57% of the EDT common stock owned by the public for common stock of the Company.

Under the exchange agreement, the market value of the Company's stock used in the conversion was equal to the average of the per share closing prices of the Company's stock on the NYSE for the ten consecutive days ending on the sixth trading day immediately preceding the January 31, 1992, EDT stockholders meeting at which the exchange was approved. As defined, the average price of the Company's stock applied on the conversion date was \$49.65, as adjusted to reflect two-for-one stock splits effective March 24, 1992 and March 17, 1993. Accordingly, the outstanding EDT public shares were converted to approximately 876,000 shares of the Company's common stock and EDT became a wholly-owned subsidiary of the Company. The operations of EDT have been merged into those of IGT-North America.

### 14. Disposition of Other Operations

The route and Megapoker operations and Keno systems business were sold during fiscal 1992 and 1993. The Company's route and Megapoker operations

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 14. Disposition of Other Operations (continued)

were sold to Jackpot Enterprises, a Nevada corporation in August and November of 1992, respectively. The route operations included all the route equipment and operating contracts for the Nevada participation locations involving approximately 1,380 gaming machines in 160 locations. This sale resulted in a net loss of \$893,000. The Megapoker sale included all gaming services and associated equipment used on the Megapoker route along with licenses for all Megapoker software, trademarks, and tradenames. A net gain of \$242,000 was realized on this sale.

In the first quarter of 1993, the Company completed the sale of its computerized keno system business to Imagineering Systems, Inc. of Reno, Nevada. All development, manufacturing, sales and service functions for the keno systems were included in the sale. The sale did not have a material effect on the Company's consolidated financial statements.

#### 15. Supplemental Statement of Cash Flows Information

Certain noncash investing and financing activities are not reflected in the consolidated statements of cash flows. The Company incurred capital lease obligations to obtain property, plant and equipment in the years ended September 30, 1993, 1992 and 1991 of \$46,000, \$1,429,000, and \$651,000, respectively. Additionally, the Company exchanged common stock of the Company for EDT common stock (see Note 13). The Company had no additions to long-term notes payable during the fiscal years ended September 30, 1993 and 1992. In fiscal 1991 the Company recorded additions to long-term notes payable of \$58,000.

Payments of interest for the years ended September 30, 1993, 1992 and 1991 were \$12,030,000, \$12,132,000 and \$6,803,000, respectively. Payments for income taxes for the years ended September 30, 1993, 1992 and 1991 were \$65,699,000, \$31,825,000 and \$12,045,000, respectively.

During fiscal 1993 and 1992 notes with a face amount of \$42,719,000 and \$85,000 were converted to 5,527,133 and 10,998 shares of the Company's common stock, respectively.

The Company had dividends declared, but not yet paid at September 30, 1993 totaling \$3,746,000.

The tax benefit of stock options totaled \$20,147,000, \$12,358,000 and \$1,810,000 for the years ended September 30, 1993, 1992, and 1991, respectively.

### INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 16. Selected Quarterly Financial Data (Unaudited)

(Dollars in thousands, except per share amounts and stock prices)

	1991			
	First Qtr	Second Qtr	Third Qtr	Fourth Qtr
Total revenues . . . .	\$ 52,442	\$ 56,819	\$ 61,033	\$ 62,708
Income from operations	7,130	10,576	10,884	11,653
Income from continuing operations . . . . .	5,461	7,374	7,817	9,128
Income (loss) from discontinued operations . . . . .	61	( 1,415)	34	61,458
Net income . . . . .	5,522	5,959	8,163	10,586

Primary earnings per share:

Income from continuing operations . . . . .	\$ .05	\$ .06	\$ .07	\$ .08
Income (loss) from discontinued operations . . . . .	.00	( .01)	.00	.01
Net income . . . . .	\$ .05	\$ .05	\$ .07	\$ .09

Stock price

High . . . . .	\$ 2-1/8	\$ 3-3/4	\$ 6-1/8	\$ 7-1/4
Low . . . . .	1-1/8	1-7/8	3-3/8	5-1/2

	1992			
	First Qtr	Second Qtr	Third Qtr	Fourth Qtr
Total revenues . . . .	\$ 65,163	\$ 66,835	\$114,043	\$ 117,553
Income from operations	13,826	17,528	33,089	36,459
Income from continuing operations . . . . .	9,909	11,551	19,476	22,348
Income (loss) from discontinued operations . . . . .	613	( 564)	497	954
Net income . . . . .	10,522	10,987	19,973	23,302

Primary earnings per share:

Income from continuing operations . . . . .	\$ .08	\$ .10	\$ .16	\$ .18
Income (loss) from discontinued operations . . . . .	.01	( .01)	.00	.01
Net income . . . . .	\$ .09	\$ .09	\$ .16	\$ .19

Stock price

High . . . . .	\$ 12	\$ 17-3/8	\$ 17-1/8	\$ 22-1/8
Low . . . . .	6-1/4	10-7/8	11-1/4	12-7/8

(continued)

## INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 16. Selected Quarterly Financial Data (Unaudited)

(Dollars in thousands, except per share amounts and stock prices)

(continued from previous page)

	1993			
	First Qtr	Second Qtr	Third Qtr	Fourth Qtr
Total revenues . . . . .	\$ 87,264	\$ 98,721	\$131,987	\$ 160,058
Income from operations	25,191	27,468	42,315	55,264
Income from continuing operations . . . . .	21,180	18,878	29,647	35,873
Income (loss) from discontinued operations . . . . .	14,369	( 139)	363	( 1,146)
Net income . . . . .	35,549	18,739	30,010	34,727
Primary earnings per share:				
Income from continuing operations . . . . .	\$ .17	\$ .15	\$ .24	\$ .29
Income (loss) from discontinued operations . . . . .	.12	.00	.00	( .01)
Net income . . . . .	\$ .29	\$ .15	\$ .24	\$ .28
Stock price				
High . . . . .	\$ 26-3/8	\$ 33	\$ 39-3/4	\$ 41-3/8
Low . . . . .	17-7/8	23-3/4	28-1/2	32-1/8

## INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 17. Fair Value of Financial Instruments

The following table presents the carrying amount and estimated fair value of the Company's financial instruments in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments."

	September 30, 1993	
	Carrying Amount	Estimated Fair Value
Assets:		
Cash and cash equivalents . . . . .	\$ 85,346	\$ 85,346
Short term investments . . . . .	131,994	147,123
Investments to fund liabilities to		
Jackpot winners . . . . .	92,048	108,027
Notes and contracts receivable . . . . .	107,581	127,458

Liabilities:

Convertible subordinated notes payable. . . . .	59,998	379,219
Liabilities to Jackpot winners . . . . .	92,768	108,747
Notes payable and capital lease obligations. . . . .	1,079	1,079

The carrying value of cash and cash equivalents, short term investments to fund liabilities to jackpot winners, accounts receivable, accounts payable, and notes payable and capital lease obligations approximate fair value because of the short term maturity of those instruments. The estimated fair value of short term investments, long term investments to fund liabilities to jackpot winners, and the convertible subordinated notes payable are based on quoted market prices.

The fair value of the Company's notes and contracts receivable is estimated by discounting the future cash flows using interest rates determined by management to reflect the credit risk and remaining maturities of the related notes and contracts.

In the normal course of business, the Company is a party to financial instruments with off-balance-sheet risk such as performance bonds and other guarantees, which are not reflected in the accompanying balance sheets. Management does not expect any material losses to result from these off-balance-sheet instruments.

18. Concentrations of Credit Risk

The financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and accounts, contracts, and notes receivable. The Company maintains cash and cash equivalents with various financial institutions in amounts, which at times, may be in excess of the FDIC insurance limits.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

18. Concentrations of Credit Risk (continued)

Product sales and the resulting receivables are concentrated in specific legalized gaming regions. The Company also distributes a significant portion of its products through third party distributors resulting in significant distributor receivables. At September 30, 1993 accounts, contracts, and notes receivable by region as a percentage of total receivables are as follows:

Regions	
Nevada . . . . .	29.3%
Riverboats (greater Mississippi River area). . .	18.6%

Indian Casinos (distributor) . . . . .	11.1%
Colorado . . . . .	8.8%
Louisiana (distributor). . . . .	6.5%

19. Subsequent Event - Agreement to Purchase 78 acres

The Company has entered into an agreement to purchase approximately 78 acres for \$78,571 per acre or a total price of approximately \$6,129,000. The closing of this purchase is subject to the seller receiving certain approvals from the City of Reno including approval to include the acquired parcel within the existing South Meadows Properties Planned Unit Development. Closing is expected to occur in the quarter ending March 31, 1994. The property has been purchased as a site suitable for future construction of expanded manufacturing, warehouse and corporate office facilities.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by Items 10, 11, 12 and 13 is incorporated by reference from the 1994 Proxy Statement to be filed with the Securities and Exchange Commission within 120 days of the end of the fiscal year covered by this report.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Consolidated Financial Statements:

Reference is made to the Index to Financial Statements and Related Information under item 8 in Part II hereof where these

documents are listed.

(a) (2)	Consolidated Financial Statement Schedules:	Page
I	Marketable Securities-Other Security Investments	62
II	Amounts receivable from related parties and underwriters, promoters, and employees other than related parties	63
IV	Indebtedness of Related Parties	64
VIII	Valuation and Qualifying Accounts	65
IX	Short-term Borrowings	67
X	Supplementary Income Statement Information	67

Parent Company Financial Statements - Financial Statements of the Registrant only are omitted under Rule 3-05 as modified by ASR 302.

- (a) (3) Exhibits
- 3.1 Articles of Incorporation of International Game Technology, as amended.
  - 3.2 Second Restated Code of Bylaws of International Game Technology, dated November 11, 1987.
  - 4.1 Indenture for the 5-1/2% Convertible Subordinated Notes due June 1, 2001 (incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-3 No. 33-39856 filed by the Registrant)
  - 4.2 Form of Convertible Subordinated Notes due June 1, 2001 (incorporated by reference to Exhibit 4.1 to Form 10-K for the year ended September 30, 1991.)

#### PART IV

#### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (continued)

- 10.1 Stock Option Plan for Key Employees of International Game Technology, as amended (incorporated by reference to Exhibit 10.26 to Registration Statement No. 33-12610 filed by Registrant).

- 10.2 International Game Technology 1993 Stock Option Plan (incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-8, File No. 33-69400 filed by the Registrant).
- 10.3 Employee Stock Purchase Plan (incorporated by reference to Exhibit 28.1 to Registration Statement on Form S-8, File No. 33-20308 filed by the Registrant).
- 10.4 Route Operating and Purchase Agreement and Megapoker Distribution Agreement dated August 14, 1992, by and between International Game Technology and Jackpot Enterprises, Inc. (incorporated by reference to Exhibit 10.3 to Form 10-K for the year ended September 30, 1992).
- 10.5 Exclusive Distributorship Agreement dated May 5, 1993, between IGT and Sodak Gaming, Inc.
- 10.6 Underwriting Agreement dated December 10, 1992, between President Riverboat Casinos, Inc. and International Game Technology (incorporated by reference to Exhibit 10.15 of Form 10-K for the year ended September 30, 1992).
- 10.7 Stock Purchase and Redemption Agreement dated December 4, 1992, by and between International Game Technology and Golden Eagle Casinos International (renamed Summit Casinos International, Inc.) (incorporated by reference to Exhibit 10.6 of Form 10-K for the year ended September 30, 1992).
- 10.8 First Amendment to Stock Purchase and Redemption Agreement between International Game Technology and Golden Eagle Casinos International (renamed Summit Casinos International, Inc.) dated March 15, 1993.
- 10.9 Second Amendment to Stock Purchase and Redemption Agreement between International Game Technology and Summit Casinos International, Inc. (formerly named Golden Eagle Casinos International) dated March 24, 1993.
- 11 Computation of Earnings Per Share
- 22 Subsidiaries
- 24 Independent Auditors' Consent
- 25 Power of Attorney (See page 63 hereof)
- (b) Reports on Form 8-K

No report on Form 8-K was filed during the three-month period ended September 30, 1993.

## POWER OF ATTORNEY

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 21st day of December, 1993.

## INTERNATIONAL GAME TECHNOLOGY

By:s/John J. Russell  
 John J. Russell  
 Director, President, Chief  
 Executive Officer and Chief  
 Operating Officer

Each person whose signature appears below hereby authorizes G. Thomas Baker and Scott H. Shackelton, or either of them, as attorneys-in-fact to sign on his behalf, individually, and in each capacity stated below, and to file all amendments and/or supplements to this Annual Report on Form 10-K.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
s/Charles N. Mathewson Charles N. Mathewson	Chairman, Board of Directors	December 22, 1993
s/John J. Russell John J. Russell	Director, President, Chief Executive Officer and Chief Operating Officer	December 22, 1993
s/G. Thomas Baker G. Thomas Baker	Vice President Finance and Chief Financial Officer (Principal Financial Officer)	December 22, 1993
s/Scott H. Shackelton Scott H. Shackelton	Chief Accounting Officer (Principal Accounting Officer)	December 22, 1993
Warren L. Nelson	Director	December 22, 1993
s/Wilbur K. Keating Wilbur K. Keating	Director	December 22, 1993
s/Frederick B. Rentschler	Director	December 22, 1993

Frederick B. Rentschler

s/Albert J. Crosson  
Albert J. Crosson

Director

December 22, 1993

Claudine B. Williams

Director

December 22, 1993

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

SCHEDULE I - CONSOLIDATED MARKETABLE SECURITIES-OTHER SECURITY INVESTMENTS

September 30, 1993

(Dollars in Thousands)

TYPE OF INVESTMENT	ORIGINAL COST	MARKET VALUE	CARRYING VALUE
Fixed Maturities:			
Corporate bonds:			
Investment firms . . . . .	\$ 5,155	\$ 5,383	\$ 5,146
Chemical . . . . .	2,300	2,220	2,217
Entertainment . . . . .	4,690	4,687	4,631
Banking . . . . .	8,744	8,890	8,666
Financial services . . . . .	5,434	5,407	5,359
General industry . . . . .	3,976	4,188	3,984
Municipals . . . . .	5,153	5,105	5,099
Retailers . . . . .	3,179	3,164	3,110
Transportation . . . . .	5,297	5,325	5,245
Total Corporate Bonds . . . . .	43,928	44,369	43,457
Equity Securities:			
Chemicals . . . . .	2,404	2,500	2,404
Financial services . . . . .	2,192	2,255	2,192
Banking . . . . .	10,266	11,587	10,266
Food service . . . . .	1,000	1,090	1,000
General industry . . . . .	5,735	5,680	5,735
Leisure industry . . . . .	7,786	16,488	7,786
Transportation . . . . .	4,825	5,221	4,825
Utilities . . . . .	1,000	1,070	1,000
Total Equity Securities . . . . .	35,208	45,891	35,208
U.S. Government and agency obligations . . . . .	36,226	39,001	36,136
Foreign government obligations.	3,761	3,796	3,761

Managed funds . . . . .	6,509	6,767	6,509
Mutual funds. . . . .	5,925	6,304	5,925
Mortgage-backed instruments . .	995	995	998
Total investment in marketable securities . . . . .	\$132,552	\$147,123	\$131,994

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

SCHEDULE II - CONSOLIDATED AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND EMPLOYEES OTHER THAN RELATED PARTIES

(Dollars in Thousands)

Name of Debtor	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period	
				Current	Non Current
Robert McMonigle(1)					
Year Ended 9/30/93	\$ -	\$191	\$ -	\$ 191	\$ -

(1) On September 23, 1993 the Company made a loan to enable Mr. McMonigle, an employee, to exercise certain stock options. This note bears no interest and was repaid on October 5, 1993.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

SCHEDULE IV - CONSOLIDATED INDEBTEDNESS OF RELATED PARTIES

(Dollars in thousands)

INDEBTEDNESS OF:

Name of Person	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period	Current Portion at End of Period
Warren Nelson, Board of Directors(1)					
Year ended 9/30/91	\$ 2,906	\$ 5,407	\$ 6,797	\$ 1,516(2)	\$ 1,495

Year ended 9/30/92	\$ 1,516	\$ 4,105	\$ 4,897	\$ 724 (2)	\$ 690
Year ended 9/30/93	\$ 724	\$ 4,070	\$ 3,946	\$ 848 (2)	\$ 814
The Connelly Group(1)					
Year ended 9/30/91	\$ -	\$17,913 (3)	\$ 351	\$17,562 (4)	\$ 1,608
Year ended 9/30/92	\$17,562	\$ 1,963 (3)	\$ 2,061	\$17,464 (4)	\$ 1,209
Year ended 9/30/93	\$17,464	\$ 393	\$17,857	\$ -	\$ -

(1) See Note 10 of Notes to the Consolidated Financial Statements.

(2) Included in long-term notes and contracts receivable.

(3) Resulted from sales to riverboat operations managed by and loans to The Connelly Group partnerships.

(4) Included in long-term notes and contracts receivable and long-term notes receivable from unconsolidated affiliates.

#### INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

#### SCHEDULE VIII - CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(Dollars in thousands)

	Balance at Beginning of Period	Provisions	Recoveries	Accounts Written Off	Balance at End of Period
Allowance for Doubtful Accounts:					
Year ended 9/30/91	\$2,931	\$2,248	\$ 36	\$1,611	\$3,604
Year ended 9/30/92	\$3,604	\$3,764	\$ 25	\$ 335	\$7,058
Year ended 9/30/93	\$7,058	\$3,240	\$ 420	\$2,783	\$7,935
Allowance for Doubtful Notes and Contracts					

Receivable:

Year ended 9/30/91	\$4,201	\$2,636	\$ 135	\$ 924	\$6,048
Year ended 9/30/92	\$6,048	\$ 916	\$ 288	\$ 453	\$6,799
Year ended 9/30/93	\$6,799	\$2,006	\$ 208	\$ 62	\$8,951

	Balance at Beginning of Period	Income Deferred	Income Recognized	Balance at End of Period
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Income Deferred under  
the Installment Method:

Year ended 9/30/91	\$ 142	\$ 689	\$ 330	\$ 501
Year ended 9/30/92	\$ 501	\$ -	\$ 200	\$ 301
Year ended 9/30/93	\$ 301	\$ -	\$ 280	\$ 21

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

SCHEDULE VIII - CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS (continued)

(Dollars in thousands)

	Inventories			
	Balance at Beginning of Period	Provisions	Disposed of and Written Off	Balance at End of Period
Obsolete Inventory Reserve:				
Year ended 9/30/91	\$2,917	\$8,821	\$6,995	\$4,743
Year ended 9/30/92	\$4,743	\$6,030	\$2,978	\$7,795
Year ended 9/30/93	\$7,795	\$ 981	\$1,660	\$7,116

Fixed Assets

	Balance at Beginning of Period	Provisions	Disposed of and Written Off	Balance at End of Period
Obsolete Fixed Assets Reserve:				
Year ended 9/30/91	\$ 548	\$ 157	\$ 355	\$ 350
Year ended 9/30/92	\$ 350	\$ 489	\$ 542	\$ 297
Year ended 9/30/93	\$ 297	\$ 634	\$ 664	\$ 267

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

SCHEDULE IX - CONSOLIDATED SHORT-TERM BORROWING

(Dollars in thousands)

	Balance at End of Period	Weighted Average Interest Rate	Maximum Amount Outstanding During Period	Average Amount Outstanding During Period*	Weighted Average Interest Rate During Period**
Advances under lines of credit:					
Year ended 9/30/91	\$ -	- %	\$13,350	\$ 6,253	9.1%
Year ended 9/30/92	\$ -	- %	\$ -	\$ -	- %

Year ended  
9/30/93                    \$ -                    - %                    \$ -                    \$ -                    - %

\* Average of month-end balances.

\*\* Computed on outstanding month-end balances during the period.

INTERNATIONAL GAME TECHNOLOGY AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION

EXPENSE ITEMS IN EXCESS OF ONE PERCENT OF TOTAL REVENUES:

(Dollars in thousands)

	AMOUNT CHARGED TO		
	COSTS AND EXPENSES		
	FISCAL YEARS ENDED SEPTEMBER 30		
	1993	1992	1991
1. Advertising and promotions	\$3,069	\$2,951	\$2,431

ARTICLES OF INCORPORATION

OF

INTERNATIONAL GAME TECHNOLOGY

The undersigned individuals acting as incorporators of a corporation (the "Corporation") under the provisions of Chapter 78 of the Nevada Revised Statutes adopt the following Articles of Incorporation.

ARTICLE I

Name

The name of the Corporation is INTERNATIONAL GAME TECHNOLOGY.

ARTICLE II

Principal Office and Initial Resident Agent

A. Principal Office. The address of the principal office of the Corporation is Suite 110, 777 West Second Street, Reno, Nevada. The Corporation may conduct all or part of its business in any other part of the State of Nevada.

B. Resident Agent. The resident agent of the Corporation is Roger H. Elton, located at Suite 110, 777 West Second Street, Reno, Nevada.

ARTICLE III

Nature of Business

The Corporation may engage in any lawful activity.

ARTICLE IV

Capital

A. Number and Par Value of Shares. The Corporation shall be authorized to issue Twenty Million (20,000,000) shares of capital stock with a par value of One Cent (\$.01) per share. All of the shares of stock shall be the same class, without preference or distinction.

B. Assessment of Shares. The capital stock of the Corporation, after the amount of the par value has been paid in money, property, or services, as the Directors shall determine, shall not be subject to assessment to pay the debts of the Corporation, nor for any other purpose, and no stock issued as fully paid shall ever be assessable or assessed, and the Articles of Incorporation shall not be amended in this respect.

ARTICLE V

Governing Board

A. Name. The members of the governing board of the Corporation shall be designated as Directors.

B. Initial Board of Directors. The initial number of Board of Directors shall consist of three (3) members. The names and addresses of the members of the initial Board of Directors are as follows. These individuals shall serve as Directors until the

first annual meeting of the shareholders, or until their successors shall have been elected and qualified.

Name	Address
Laurie W. Schwager	P.O. Box 2878 Reno, Nevada 89505
Janice A. Gnos	P.O. Box 2878 Reno, Nevada 89505
Jill Burns	P.O. Box 2878 Reno, Nevada 89505

C. Increase or Decrease of Directors. The number of Directors of the Corporation may be increased or decreased from time to time by amendment to the bylaws of the Corporation; provided, however, that the Board shall consist of less than three (3) members only if all of the shares of capital stock of the Corporation are owned beneficially and of record by less than three (3) shareholders, in which case the number of Directors may be less than three (3), but not less than the number of beneficial and record owners of shares.

#### ARTICLE VI

##### Names and Addresses of Incorporators

The names and post offices addresses of each of the incorporators signing these Articles of Incorporation are as follows:

Name	Address
Laurie W. Schwager	P.O. Box 2878 Reno, Nevada 89505
Janice A. Gnos	P.O. Box 2878 Reno, Nevada 89505
Jill Burns	P.O. Box 2878 Reno, Nevada 89505

#### ARTICLE VII

##### Period of Existence

The period of existence of the Corporation is perpetual.

DATED: December 22, 1980.

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Laurie W. Schwager

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Janice A. Gnos

CERTIFICATE OF AMENDMENT  
OF ARTICLES OF INCORPORATION  
INTERNATIONAL GAME TECHNOLOGY

International Game Technology, a corporation organized under and existing by virtue of the laws of the State of Nevada does hereby certify:

FIRST: The Following resolution was unanimously adopted on November 11, 1987 by all of the members of the Board of Directors of the corporation lawfully and duly held that day pursuant to the Bylaws of the Corporation:

RESOLVED, that the Board of Directors does hereby propose that ARTICLE V of the Articles of Incorporation of the Corporation be amended to add thereto the following provision:

D. Indemnification of Directors and Officers. To the fullest extent permitted by the Law of the State of Nevada as the same exists or may hereafter be amended, a director or an officer of the Corporation shall not be personally liable to the Corporation or its Stockholders for monetary damages for breach of fiduciary duty as a director or an officer. Any repeal or modification of this Section shall not result in any liability for a director or officer with respect to any action or omission occurring prior to such repeal or modification.

SECOND: The shareholders of the Corporation at a meeting duly and regularly held pursuant to the Bylaws of the Corporation on February 16, 1988, ratified, adopted and approved the following resolution:

RESOLVED, that the Articles of Incorporation of the Corporation be amended to eliminate the personal liability of directors and officers as permitted by Nevada law.

THIRD: Of the 5,115,303 shares of the Corporation entitled to vote at the meeting, there were 3,884,213 present in person or represented by proxy. Of the 3,884,213 of the shares represented at the meeting, 3,611,794 (or 70.6%) voted in favor of adopting the foregoing resolution.

Dated: April 24, 1991

INTERNATIONAL GAME TECHNOLOGY

By: John J. Russell, President

CERTIFICATE OF AMENDMENT  
OF  
ARTICLES OF INCORPORATION

The undersigned, being the President and Secretary, respectively, of International Game Technology, a Nevada corporation, certify as follows:

1. That the Board of Directors of the Corporation, at a meeting duly held on July 22, 1981, adopted and consented to the adoption of certain resolutions calling for the amendment of the Articles of Incorporation of the Corporation as hereinafter set forth, declaring the advisability of such amendment, and calling a meeting of the shareholders for the purpose of considering such amendment, unless the shareholders shall have earlier adopted and consented to the adoption of such amendment as provided in NRS 78.320.

2. That said resolution of the Board of Directors called for the amendment of Article IV of the Articles of Incorporation to add thereto Section C which, in its entirety, reads as follows:

C. Denial of Pre-Emptive Rights: No shareholders of any of the capital stock of the corporation shall, by virtue of his status as such, have any right to acquire any additional shares. This section is intended to, and shall, act as a denial of any pre-emptive right afforded by Section 78.265 of the Nevada Revised Statutes, or any successor statute.

3. That all of the shareholders of the Corporation, by Resolution at a meeting duly held July 23, 1981, did approve, adopt and consent to the adoption of said amendment.

4. That this certificate is made pursuant to NRS 78.390 and with the intent to amend the Articles of Incorporation of the Corporation in the manner set forth above.

DATED this 23rd day of July, 1981.

J. George Drews, President

CERTIFICATE OF REDUCTION OF CAPITAL

THE UNDERSIGNED HEREBY CERTIFY individually and on behalf of International Game Technology, a Nevada Corporation (the "Company"), that they are the President and Secretary of the company and the following is a true and correct copy of resolution to reduce the stated capital of the Company duly adopted by the Board of Directors of the Company on December 16, 1986.

WHEREAS, the Company currently has 8,109,887 shares of common stock, par value \$.01 issued and outstanding and the stated capital of the Company is \$81,098.87; and

WHEREAS, the Board of Directors of the Company deems it advisable and in the best interest of the Company to purchase a part of the outstanding shares of common stock of the Company and to reduce the stated capital of the Company.

NOW THEREFORE, BE IT RESOLVED that the Company be, and it hereby is, authorized to purchase 2,168,020 shares of issued and outstanding common stock of the Company from William S. Redd at a price of \$10.50 per share, and 1,014,830 shares from the Ivy Lee Redd Testamentary Trust at a price of \$10.00 per share (collectively the "Repurchased Shares") for a total purchase price of \$32,912,510 (the "Purchase Price"). Upon purchase of the Repurchased Shares the stated capital of the Company shall be reduced from said \$81,098.87 to \$49,270.37; and

RESOLVED, that the Secretary of the Company is hereby directed to cancel the certificates representing the Repurchased Shares. Upon purchase by the Company the Repurchased Shares shall have the status of authorized but unissued stock; and

RESOLVED, that the Company be, and it hereby is, authorized to execute promissory notes (the "Notes") in the amount of the Purchase Price, in favor of William S. Redd and the Ivy Lee Redd Testamentary Trust; and

RESOLVED, that the President of the Company be and hereby is authorized to effect purchase of the Repurchased Shares and execute the Notes and the President or Vice-President and Secretary or Assistant Secretary of the Company be and they hereby are directed and authorized to make, execute, acknowledge, deliver and file a certificate of reduction of capital setting forth this resolution with the Secretary of State of Nevada and the Clerk of Washoe County, Nevada.

The reduction of capital as provided herein was made without the requirement of any vote or consent of stockholders pursuant to Nev. Rev. State. S 78.420.

IN WITNESS WHEREOF, the undersigned have executed this Certificate as of this 17th day of March, 1987.

Charles N. Mathewson, President

Raymond D. Pike, Secretary

CERTIFICATE OF DIVISION OF SHARES  
OF  
INTERNATIONAL GAME TECHNOLOGY

International Game Technology, a corporation organized and existing under the laws of the State of Nevada, in compliance with Section 78.207 of the Nevada Revised Statutes, by its President and Secretary, does hereby certify:

1. That International Game Technology desires to divide each of the shares of the capital stock of the corporation into two shares, to be effective upon the filing of this Certificate with the office of the Secretary of State of Nevada.

2. That at a meeting of the Board of Directors of this corporation duly convened at 520 South Rock Boulevard, Reno, Nevada, on the 20th day of June, 1990, a resolution was duly adopted by a majority vote of the duly elected directors of the corporation authorizing the referenced stock split.

IN WITNESS WHEREOF, the corporation has caused this certificate to be signed by its President and Secretary, and its corporate seal to be affixed this 6th day of July, 1990.

INTERNATIONAL GAME TECHNOLOGY

By \_\_\_\_\_  
John J. Russell, President

By \_\_\_\_\_  
Raymond D. Pike, President

AFFIDAVIT

The undersigned duly elected directors of International Game Technology, being first duly sworn under penalty of perjury, and in compliance with Section 78.207 of the Nevada Revised Statutes, depose and say, that in the best interest of the corporation and its shareholders, the Board of Directors of the corporation has authorized the division of each of the shares of capital stock of the corporation into two shares, to be effective immediately upon the filing of the Certificate of Division of Shares of International Game Technology with the office of the Secretary of State of Nevada.

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Charles N. Mathewson

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Claudine Williams

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Wilbur K. Keating

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John J. Russell

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Albert J. Crosson

CERTIFICATE OF DIVISION OF SHARES  
OF  
INTERNATIONAL GAME TECHNOLOGY

International Game Technology, a corporation organized and existing under the laws of the State of Nevada, in compliance with Section 78.207 of the Nevada Revised Statutes, by its President and Secretary, does hereby certify:

1. That International Game Technology desires to divide each of the shares of the capital stock of the corporation into two shares, to be effective upon the filing of this Certificate with the office of the Secretary of State of Nevada.

2. That the referenced stock split will result in eighty million (80,000,000) shares of authorized capital stock of the

corporation with a par value of \$.0025 per share.

3. That at a meeting of the Board of Directors of this corporation duly convened on the 19th day of July, 1991, a resolution was duly adopted by a unanimous vote of all of the duly elected directors of the corporation authorizing the referenced stock split.

IN WITNESS WHEREOF, the corporation has caused this certificate to be signed by its President and Secretary, and its corporate seal to be affixed this 9th day of August, 1991.

INTERNATIONAL GAME TECHNOLOGY

By \_\_\_\_\_  
John J. Russell, President

By \_\_\_\_\_  
Raymond D. Pike, President

AFFIDAVIT

The undersigned duly elected directors of International Game Technology, being first duly sworn under penalty of perjury, and in compliance with Section 78.207 of the Nevada Revised Statutes, depose and say, that in the best interest of the corporation and its shareholders, the Board of Directors of the corporation has authorized the division of each of the shares of capital stock of the corporation into two shares, resulting in eighty million (80,000,000) shares of authorized capital stock of the corporation with a par value of \$.0025 per share. The referenced stock split shall be effective immediately upon the filing of the Certificate of Division of Shares of International Game Technology with the office of the Secretary of State of Nevada.

Dated this \_\_\_\_\_ day of July, 1991.

\_\_\_\_\_  
Charles N. Mathewson

\_\_\_\_\_  
Claudine Williams

\_\_\_\_\_  
Wilbur K. Keating

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John J. Russell

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Albert J. Crosson

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Warren L. Nelson

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William S. Redd

CERTIFICATE OF DIVISION OF SHARES  
OF  
INTERNATIONAL GAME TECHNOLOGY

International Game Technology, a corporation organized and existing under the laws of the State of Nevada, in compliance with Section 78.207 of the Nevada Revised Statutes, by its President and Secretary, does hereby certify:

1. That International Game Technology desires to divide each of the shares of the capital stock of the corporation into two shares, to be effective upon the filing of this Certificate with the office of the Secretary of State of Nevada.

2. That the referenced stock split will result in one hundred sixty million (160,000,000) shares of authorized capital stock of the corporation with a par value of \$.00125 per share.

3. That at a meeting of the Board of Directors of this corporation duly convened on the 25th day of February, 1992, a resolution was duly adopted by a unanimous vote of all of the duly elected directors of the corporation authorizing the referenced stock split.

IN WITNESS WHEREOF, the corporation has caused this certificate to be signed by its President and Secretary, and its corporate seal to be affixed this 10th day of March, 1992.

By \_\_\_\_\_  
G. Thomas Baker,  
Vice President of Finance,  
Chief Financial Officer,  
Treasurer

By \_\_\_\_\_  
Raymond D. Pike, Secretary

AFFIDAVIT

The undersigned duly elected directors of International Game Technology, being first duly sworn under penalty of perjury, and in compliance with Section 78.207 of the Nevada Revised Statutes, depose and say, that in the best interest of the corporation and its shareholders, the Board of Directors of the corporation has authorized the division of each of the shares of capital stock of the corporation into two shares, resulting in one hundred sixty million (160,000,000) shares of authorized capital stock of the corporation with a par value of \$.00125 per share. The referenced stock split shall be effective immediately upon the filing of the Certificate of Division of Shares of International Game Technology with the office of the Secretary of State of Nevada.

Dated this \_\_\_\_\_ day of March, 1992.

\_\_\_\_\_  
Charles N. Mathewson

\_\_\_\_\_  
Claudine Williams

\_\_\_\_\_  
Wilbur K. Keating

\_\_\_\_\_  
John J. Russell

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Warren L. Nelson

CERTIFICATE OF DIVISION OF SHARES  
OF  
INTERNATIONAL GAME TECHNOLOGY

International Game Technology, a corporation organized and existing under the laws of the State of Nevada, in compliance with Section 78.207 of the Nevada Revised Statutes, by its President and Secretary, does hereby certify:

1. That International Game Technology desires to divide each of the shares of the capital stock of the corporation into two shares, to be effective upon the filing of this Certificate with the office of the Secretary of State of Nevada.

2. That the referenced stock split will result in three hundred twenty million (320,000,000) shares of authorized capital stock of the corporation with a par value of \$.000625 per share.

3. That at a meeting of the Board of Directors of this corporation duly convened on the 23th day of February, 1993, a resolution was duly adopted by a unanimous vote of all of the duly elected directors of the corporation authorizing the referenced stock split.

IN WITNESS WHEREOF, the corporation has caused this certificate to be signed by its President and Secretary, and its corporate seal to be affixed this 10th day of March, 1993.

INTERNATIONAL GAME TECHNOLOGY

By \_\_\_\_\_

G. Thomas Baker,  
Vice President of Finance,  
Chief Financial Officer,  
Treasurer

By \_\_\_\_\_  
Raymond D. Pike, Secretary

AFFIDAVIT

The undersigned duly elected directors of International Game Technology, being first duly sworn under penalty of perjury, and in compliance with Section 78.207 of the Nevada Revised Statutes, depose and say, that in the best interest of the corporation and its shareholders, the Board of Directors of the corporation has authorized the division of each of the shares of capital stock of the corporation into two shares, resulting in three hundred twenty million (320,000,000) shares of authorized capital stock of the corporation with a par value of \$.000625 per share. The referenced stock split shall be effective immediately upon the filing of the Certificate of Division of Shares of International Game Technology with the office of the Secretary of State of Nevada.

Dated this \_\_\_\_\_ day of March, 1993.

\_\_\_\_\_  
Charles N. Mathewson

\_\_\_\_\_  
Claudine Williams

\_\_\_\_\_  
Wilbur K. Keating

\_\_\_\_\_  
John J. Russell

\_\_\_\_\_  
Albert J. Crosson

\_\_\_\_\_  
Warren L. Nelson

\_\_\_\_\_  
Fred D. Rentschler



SECOND RESTATED  
CODE OF BYLAWS  
OF  
INTERNATIONAL GAME TECHNOLOGY

ARTICLE I

IDENTIFICATION

Section 1.01. Name. The name of the Corporation is INTERNATIONAL GAME TECHNOLOGY.

Section 1.02. Principal Office and Resident Agent. The address of the principal office of the corporation is 520 South Rock Boulevard, Reno, Nevada 89502; and the name of the resident agent at this address is Raymond D. Pike.

Section 1.03. Fiscal Year. The fiscal year of the corporation shall begin on the 1st day of October in each year and end on the 30th day of September next following.

ARTICLE II

CAPITAL STOCK

Section 2.01. Issuance of Shares. The Capital Stock may be issued for labor, services, personal property, real estate or leases thereof or for money from time to time by the Board of Directors. Treasury shares may be disposed of by the corporation for such consideration as aforesaid from time to time by the Board of Directors.

Section 2.02. Payment of Shares. The consideration for the issuance of shares may be paid, in whole or in part, in money, in other property, as aforesaid, or in labor or services actually performed for the corporation. When payment of the consideration for which shares are to be issued shall have been received by the corporation, such shares shall be deemed to be fully paid and nonassessable. Future services shall not constitute payment or part payment for shares of the corporation. In the absence of fraud in the transaction, the judgment of the Board of Directors as to the value of the consideration received for shares shall be conclusive. No certificate shall be issued for any share until the share is fully paid.

Section 2.03. Certificates Representing Shares. Each holder of the Capital Stock of the corporation shall be entitled to a certificate signed by the President or a Vice President and the Secretary or an Assistant Secretary of the Corporation, certifying the number of shares owned by him in the Corporation.

Section 2.04. Transfer of Stock. The corporation shall register a transfer of a stock certificate presented to it for transfer if:

Clause (a) Endorsement. The certificate is properly endorsed by the registered holder or by his duly authorized attorney;

Clause (b) Witnessing. The endorsement or endorsements are witnessed by one witness unless this requirement is waived by the Secretary of the corporation;

Clause (c) Adverse Claims. The corporation has no notice of any adverse claims or has discharged any duty to inquiry into any such claims;

Clause (d) Collection of Taxes. There has been compliance with any applicable law relating to the collection of taxes;

Clause (e) Regulatory Approvals. All necessary approvals of appropriate regulatory agencies have been obtained. All licensing and investigatory fees associated with obtaining the necessary approvals of all appropriate regulatory agencies shall be borne by the transferee and not the corporation; except that in the event the transferee is an officer, Director or employee of the corporation or any subsidiary of the corporation, the corporation shall pay such licensee and investigatory fees for the officer, Director of employee.

### ARTICLE III

#### THE SHAREHOLDERS

Section 3.01. Place of Meetings. Meetings of the Shareholders of the corporation shall be held at the principal office of the corporation, 520 South Rock Boulevard, Reno, Nevada, 89502, or at any other place within or without the State of Nevada as may be designated in the notice thereof.

Section 3.02. Annual Meetings. The annual meeting of the Shareholders shall be held each year at the principal office of the

Corporation at the hour of 10:00 a.m. on February 16 of each calendar year if this day is a weekday and is not a legal holiday, and if this day is not a weekday or is a holiday, then on the first following day that is a

weekday and is not a legal holiday. Failure to hold the annual meeting at the designated time shall not cause a forfeiture or dissolution of the Corporation.

Section 3.03. Special Meeting. Special meetings of the Shareholders may be called by the President, the Board of Directors, or by the Secretary at the written request (stating the purpose or purposes for which the meeting is called) of the holders of not less than one-tenth of all the shares entitled to vote at the meeting.

Section 3.04. Notice of Meetings; Waiver. Written notice stating the place, day, and hour of the meeting and, in case of a special meeting the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally or by mail, by or at the direction of the President, the Secretary, or the officer or persons calling the meeting, to each registered holder entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail addressed to the registered holder at his address as it appears on the stock transfer books of the corporation, with postage on it prepaid. Waiver by a Shareholder in writing of notice of a Shareholders' meeting shall constitute a waiver of notice of the meeting, whether executed and/or delivered before or after such meeting.

Section 3.05. Quorum. One third (33-1/3%) of the Shareholders entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of the Shareholders. The Shareholders present at a duly organized meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough Shareholders to leave less than a quorum. The act of the majority of the Shareholders entitled to vote at a meeting at which a quorum is present shall be the act of the Shareholders, unless a greater number is required by applicable law.

Section 3.06. Proxies. A Shareholder may vote either in person or by proxy executed in writing by the Shareholder or by his duly authorized attorney-in-fact. No proxy shall be valid after six months from the date of its execution, unless otherwise provided in the proxy.

#### ARTICLE IV

#### THE BOARD OF DIRECTORS

Section 4.01. Number and Qualifications. The business and affairs of the corporation shall be managed by a board of four (4) directors, two (2) of whom shall be independent directors. The number of directors may be increased or decreased from time to time and at any time by the Board of Directors by a resolution making specific reference to this Section 4.01 of the Bylaws.

Section 4.02. Election. Members of the initial Board of Directors shall hold office until the first annual meeting of Shareholders and until their successors shall have been elected and qualified. At the first annual meeting of Shareholders and at each annual meeting thereafter, the Shareholders shall elect Directors to hold office until the next succeeding annual meeting. Each Director shall hold office for a term for which he is qualified. Notwithstanding anything herein to the contrary, any Director may be removed from office at any time by the vote or written consent of Shareholders representing not less than two-thirds of the issued and outstanding stock entitled to vote.

Section 4.03. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of the majority of the remaining Directors though less than a quorum of the Board of Directors. A Director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office, subject to removal as aforesaid.

Section 4.04. Place of Meeting. Meetings of the Board of Directors, annual, regular or special, may be held either within or without the State of Nevada.

Section 4.05. Annual Meetings. Immediately after the annual meeting of the Shareholders, the Board of Directors shall meet each year for the purpose of organization, election of officers, and consideration of any other business that may properly be brought before the meeting. No notice of any kind to either old or new members of the Board of Directors for this annual meeting shall be necessary.

Section 4.06. Other Meetings. Other meetings of the Board of Directors may be held upon notice by letter, telegram, cable, or radiogram, delivered for transmission not later than during the third day immediately preceding the day for the meeting, or by word of mouth, telephone, or radiophone received not later than during the second day preceding the day for the meeting, upon the call of the President or Secretary of the corporation at any place within or without the State of Nevada. Notice of any meeting of the Board of Directors may be waived in writing signed by the person or persons entitled to the notice, whether before or after the time of the meeting. Neither the business to be transacted at, nor the purpose of, any meeting of the Board of Directors need be specified

in the notice or waiver of notice of the meeting.

Section 4.07. Quorum. A majority of the number of Directors holding office shall constitute a quorum for the transaction of business. The act of the majority of the Directors holding office shall constitute a quorum for the transaction of business. The act of the majority of the Directors present at a meeting at which a quorum has been achieved shall be the act of the Board of Directors unless the act of a greater number is required by applicable law.

Section 4.08. Action Without A Meeting. Any action that may be taken at a meeting of the Directors, or a committee, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors or all of the members of the committee, as the case may be.

Section 4.09. Loans. The Board of Directors shall have the following power with respect to the lending of funds:

Clause (a) Loan of Funds, Generally. To lend money in furtherance of any of the purposes of the corporation; to invest the funds of the corporation from time to time; and to take and hold any property as security for the payment of funds so loaned or invested; but to make no loans secured by the shares of the corporation.

Clause (b) Loan to Employees. To lend money to its employees, other than its officers and Directors, and to otherwise assist its employees, officers, and Directors; but to make no loans secured by the shares of the corporation.

Section 4.10. Indemnification of Directors and Officers.

(a) Policy. It is the policy and intention of the corporation to provide to its officers and directors broad and comprehensive indemnification from liability to the full extent permitted by law.

(b) Right to Indemnification. Each person who was or is a party or is threatened to be made a party to or is involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she, or a person of whom he or she is the legal representative, is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to employee benefit plans, whether the basis of such proceeding is an alleged action or inaction in an official capacity or in

any other capacity while serving as a director, officer, employee or agent, shall be indemnified and held harmless by the corporation to the fullest extent permitted by the laws of Nevada, as the same exist or may hereafter be amended, against all costs, charges, expenses, liabilities and losses (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by such person in connection therewith, and such indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent and shall inure to the benefit of his or her heirs, executors and administrators; provided, however, that except as provided in paragraph (c) hereof, the corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors of the corporation. The right to indemnification conferred in this Article shall be a contract right and shall include the right to be paid by the corporation the expenses incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if Nevada law requires, the payment of such expenses incurred by a director or officer in his or her capacity as a director or officer (and not in any other capacity in which service was or is rendered by such person while a director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the corporation of an undertaking, by or on behalf of such director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director or officer is not entitled to be indemnified under this Article or otherwise. The corporation may, by action of its Board of Directors, provide indemnification to employees and agents of the corporation with the same scope and effect as the foregoing indemnification of directors and officers.

(c) Right of Claimant to Bring Suit. If a claim under this Article is not paid in full by the corporation, the claimant may at any time thereafter bring suit against the corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding advance of its final disposition where the required undertaking, if any is required, has been tendered to the corporation) that the claimant has failed to meet a standard of conduct which makes it permissible under Nevada law for the corporation to indemnify the claimant for the amount claimed. Neither the failure of the corporation (including its Board of

Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is permissible in the circumstances because he or she has met such standard of conduct, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its shareholders) that the claimant has not met such standard of conduct, shall be a defense to the action or create a presumption that the claimant has failed to meet such standard of conduct.

(d) Non-Exclusivity of Rights. The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Articles of Incorporation, Bylaws, agreement, vote of shareholders or disinterested directors or otherwise.

(e) Insurance. The corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the corporation or other corporation, partnership, joint venture, trust or other enterprise against any such expense, liability or loss, whether or not the corporation would have the power to indemnify such person against such expense, liability or loss under Nevada law.

(f) Expenses as a Witness. To the extent that any director, officer, employee or agent of the corporation is by reason of such position, or a position with another entity at the request of the corporation, a witness in any action, suit or proceeding, he or she shall be indemnified against all costs and expenses actually and reasonably incurred by him or her or on his or her behalf in connection therewith.

(g) Indemnity Agreement. The corporation may enter into agreements with any director, officer, employee or agent of the corporation to the fullest extent permitted by Nevada law.

(h) Effect of Repeal or Modification. Any repeal or modification of this Section 4 shall not result in any liability for a director with respect to any action or omission occurring prior to such repeal or modification.

## SECTION V

### THE OFFICERS

Section 5.01. Officers. The officers of the corporation shall consist of a President, Vice President, Secretary, Treasurer,

and such other officers and assistant officers and agents as may be deemed necessary by the Board of Directors at its annual meeting. Officers need not be Directors of the corporation. Each officer so elected shall hold office until his successor is elected and qualified, but shall be subject to removal at any time by the vote or written consent of a majority of the Directors.

Section 5.02. Vacancies. Whenever any vacancies shall occur in any office by death, resignation, increase in the number of officers of the corporation, or otherwise, the same shall be filled by the Board of Directors, and the officer so elected shall hold office until his successor is elected and qualified, subject to removal as aforesaid.

Section 5.03. The Chairman of the Board of Directors. The Chairman of the Board of Directors shall preside at all meetings of the Directors, discharge all duties incumbent upon the presiding officer, and perform such other duties as the Board of Directors may prescribe.

Section 5.04. The President. The President shall have active executive management of the operations of the corporation, subject, however, to the control of the Board of Directors. He shall preside at all meetings of Shareholders, discharge all the duties incumbent upon a presiding officer, and perform such other duties as this Code of Bylaws provides or the Board of Directors may prescribe. The President shall have full authority to execute proxies in behalf of the corporation. To vote stock owned by it in any other corporation, and to execute powers of attorney appointing other corporation, partnerships, or individuals the agent of the corporation.

Section 5.05. The Vice President. The Vice President shall perform all duties incumbent upon the President during the absence or disability of the President, and shall perform such other duties as this Code of Bylaws may provide or the Board of Directors may prescribe.

Section 5.06. The Secretary. The Secretary shall attend all meetings of the Shareholders and of the Board of Directors, and shall keep a true and complete record of the proceedings of these meetings. He shall be custodian of the records of the corporation. He shall attend to the giving of all notices and shall perform other duties as this Code of Bylaws may provide or the Board of Directors may prescribe.

Section 5.07. The Treasurer. The Treasurer shall keep correct and complete records of account, showing accurately at all times the financial condition of the corporation. He shall be the legal custodian of all moneys, notes, securities, and other valuables that may from time to time come into the possession of

the corporation. He shall immediately deposit all funds of the corporation coming into his hands in some reliable bank or other depository to be designated by the Board of Directors, and shall keep this bank account in the name of the corporation. He shall furnish at meetings of the Board of Directors, or whenever requested, a statement of the financial condition of the corporation, and shall perform such other duties as this Code of Bylaws may provide or the Board of Directors may prescribe. The Treasurer may be required to furnish bond in such amount as shall be determined by the Board of Directors.

Section 5.08. Transfer of Authority. In case of the absence of any officer of the corporation, or for any other reason that the Board of Directors may deem sufficient, the Board of Directors may transfer the powers or duties of that officer to any other officer or to any Director or employee of the corporation, provided a majority of the full Board of Directors concurs.

## ARTICLE VI

### SPECIAL CORPORATE ACTS

Negotiable Instruments, Deeds, and Contracts. All checks, drafts, notes, bonds, bills of exchange, and orders for the payment of money of the corporation; all deeds, mortgages, and other written contracts and agreements to which the corporation shall be a party; and all assignments or endorsements of stock certificates, registered bonds, or other securities owned by the corporation shall, unless otherwise required by law, be signed by the President and by any one of the following officers who are different persons: Vice President, Secretary, or Treasurer. The Board of Directors may designate officers or employees of the corporation, other than those named above, who may, in the name of the corporation, sign such instruments; and may authorize the use of facsimile signatures of any of such persons. Any shares of stock issued by any other corporation and owned or controlled by the corporation may be voted at any Shareholders' meeting of the other corporation by the President of the corporation, if he be present; or, in his absence, by the Secretary of the corporation and, in the event both the President and Secretary shall be absent, then by such person as the President of the corporation shall, by duly executed proxy, designate to represent the corporation at such Shareholders' meeting.

## ARTICLE VII

### AMENDMENTS

The power to alter, amend, or repeal this Code of Bylaws, or

adopt a new Code of Bylaws, is vested in the Board of Directors, but the affirmative vote of a majority of the Board of Directors holding office shall be necessary to effect any such action.

I hereby certify that the foregoing Bylaws are a true and correct copy of the Bylaws of International Game Technology as adopted on the 11th day of November, 1987.

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Secretary

## EXCLUSIVE DISTRIBUTORSHIP AGREEMENT

AGREEMENT, made and entered into in Reno, Nevada, this \_\_\_\_ day of \_\_\_\_\_, 1993 between Sodak Gaming Services, a South Dakota corporation (hereinafter referred to as "SGS"); Mike Wordeman, an individual; and IGT, 520 South Rock Boulevard, Reno, Nevada, ("IGT").

IT IS AGREED AS FOLLOWS:

1. EXCLUSIVE REPRESENTATION FOR SPECIFIC TERRITORY:

A. Grant of Territory and Marketing Privileges: IGT, subject to the Operating Requirements set forth below and the other limitations, terms and conditions set forth herein, grants to SGS: the sole and exclusive, non-transferable license to purchase for resale, sell, promote the sale, and distribute IGT Products lawfully approved for sale in North Dakota, South Dakota, Wyoming, and for Native American Reservations located in the 48 contiguous States (except and excluding Nevada, New Jersey and the non-contiguous States Hawaii and Alaska) and to Indians, aboriginal peoples or Native peoples in Provinces of Canada where gaming activity is approved by the appropriate Canadian entity and Sodak is licensed or approved to distribute IGT Products. "IGT Products" shall mean IGT manufactured or assembled gaming devices, slot machines, terminals developed and offered by IGT as video terminals for a lottery, and IGT-distributed gaming machines designed or manufactured by others. It is acknowledged and agreed that this grant does not include, and no rights accrue to SGS hereunder, as to IGT linked progressive system products, Special Products, or system management operations conducted in whole or part by IGT; or to non-gaming applications of IGT Products or Special Products. All other distributorship arrangements, agreements or understandings between the parties, except the Wisconsin and South Dakota Indian Gaming Interlink Agreement ("Interlink Agreement"), are herewith fully terminated, including without limitation the prior agreements of August 10, October 28, 1989, February 5, 1990 and January 21, 1991, and April 28, 1992 and all modifications to said agreements, it being the intention of the parties that this Agreement and the Interlink Agreement as amended from time to time shall be the sole distributorship agreements between the parties.

B. Acceptance: SGS hereby accepts the above exclusive non-transferable license to sell, distribute, and promote IGT Products in said territory, as limited, and agrees to use its best efforts in selling and distributing IGT Products in the territory. Further, so long as this Agreement is in force and effect, SGS and

all affiliates of SGS agree that they, and each of them, shall not anywhere in North America directly or indirectly solicit orders for, sell, lease, promote the sale or otherwise deal in products which compete with or are similar to systems or devices manufactured by IGT. Notwithstanding the foregoing, SGS may manufacture, promote the sale of, and distribute specialty manufactured gaming equipment or supplies as specified in Exhibit A, attached hereto and incorporated herein, which Exhibit A may be amended from time to time by written agreement between IGT and SGS. As used herein, "affiliate" shall be any company or business entity of which SGS directly or through a subsidiary owns ten percent (10%) or more of the outstanding equity interests, or any company, business entity or person which directly or indirectly holds five percent (5%) or more of SGS (excluding Promus Corporation) or is an officer of SGS.

C. Specific Reservations:

i. Special Products: SGS shall, within the guidelines provided in writing by IGT from time to time, solicit offers only within the territory for Special Products. "Special Products", as used herein, means IGT linked progressive systems, keno systems, live game systems, non-video lottery systems, and products not offered for sale by IGT to gaming or government customers of IGT. All such offers shall be subject to acceptance by IGT in its sole discretion. The parties specifically reserve the dealings as between IGT and SGS for future negotiations as to each transaction that presents itself.

ii. Special Customers: Notwithstanding anything in this Agreement to the contrary, IGT may deal directly with any retail customer where that customer has operations inside and outside the territory and insists upon dealing with IGT directly. In all such instances, SGS shall receive a five percent (5%) commission rateably as IGT is paid on the actual sales price to IGT less shipping, taxes and all costs attendant to delivery, which costs are not reimbursed by such customer to IGT. In addition to the referenced five percent (5%) commission, IGT shall pay Sodak on a prorated basis, that portion of the actual costs incurred by Sodak as of the date of sale by IGT pursuant to this provision which is attributable to the development of the state within which the customer in question is located as a market for IGT Products [method to be discussed]. It is understood and agreed that Sodak is not entitled to a commission for any sale or lease of gaming or lottery equipment to any Provincial Government for use in any Canadian Province.

iii. Used Trade-Ins: SGS agrees it shall observe the territorial structure of IGT marketing to ensure orderly distribution of IGT Products. Should SGS receive used equipment as trade-ins on new sales of IGT Products, it may sell such used

equipment even if it is not an IGT Product. If such used equipment is sold for use outside the territory, SGS agrees to pay no less than five percent (5%) commission on the sales price of said used equipment to IGT or the IGT distributor for the location in which the equipment is to be used.

D. Term: Except as provided in Paragraph 8, this Agreement shall commence on the date set forth above and continue for five (5) years. At the end of said five (5) years, this Agreement shall continue from year to year upon the terms and conditions set forth herein, unless canceled by either party by written notice delivered at least ninety (90) days prior to a proposed termination at the end of said five (5) years or any year continuance thereafter.

E. Models/Display Machines: IGT may, from time to time, change the design or specifications for IGT Products and Special Products and shall designate the specific machine models of any and all of the machines to be offered to SGS from the entire range of IGT Products and Special Products licensed by the applicable licensing body for the specific jurisdiction involved, during the term of this Agreement.

F. Standard Machine Specifications: IGT agrees that all IGT machines provided to SGS shall conform to the specifications of machines licensed by the appropriate licensing agency for the destination within the territory which SGS designates the machines to be bound. Any change of or addition to said specifications by SGS shall only be at the prior approval of IGT and pursuant to changes authorized by said appropriate governmental agency. Any change required by governmental authority having responsibility for the licensure or approval of gaming machines shall be deemed approved by the parties and shall be a standard specification to be implemented by SGS and IGT. Any change thus required shall be deemed to require a change, as specifically designated by IGT in its sole discretion, to the list price otherwise applicable. Any retrofit shall be at SGS's cost.

G. Manufacturer's Limited Warranty: IGT warrants all equipment, parts, supplies and accessories to be in satisfactory operating condition at the time of shipment from Reno, Nevada. Any minor repairs, exchanges of parts and adjustments necessary to maintain satisfactory operating conditions of equipment after delivery to SGS shall be the responsibility of SGS, except that, in light of the special circumstances of the distances in the territory, IGT will replace or repair any IGT part or component which is defective because of the fault of IGT, PROVIDED these defective elements are returned to IGT by SGS, shipment at SGS's expense, within ninety (90) days of shipment from Reno. THE WARRANTY STATED IN THIS PARAGRAPH IS EXCLUSIVE AND IS IN LIEU OF ALL OTHER WARRANTIES, WRITTEN OR ORAL, STATUTORY, EXPRESS OR

IMPLIED, INCLUDING ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR PURPOSE. IGT shall not be liable to SGS and/or any customer of SGS for any claim and/or damages including any labor costs, lost profits, and/or consequential damages. IGT shall defend, indemnify and hold harmless SGS from and against any and all claims, demands, suits, and/or causes of action which arise or have arisen either directly or indirectly as a result of, or in connection with any patent or copyright matters as to IGT products or special products, save and except for machines and devices manufactured by others.

H. Price/Payment for IGT Products:

i. IGT Products: IGT shall sell to SGS the IGT Products (except custom alterations and parts and except Special Products) at IGT's then current retail list price, as established by IGT in its sole discretion and provided to SGS from time to time in writing by IGT, F.O.B. Reno, Nevada, minus twenty-five percent (25%) as to all IGT Products (except non-Indian Reservation lottery terminals, which terminals shall be list minus twenty percent (20%)), plus sales taxes, shipping charges and all costs attendant to delivery to SGS. A standard IGT Product is that item which has, prior to the time of customer order, been designed and released to production by IGT and designated as available for sale in the territory. Anything different from or in addition to a standard product is a custom alteration. All custom alterations to IGT's standard products shall be sold to SGS at IGT's then quoted hourly rate plus materials minus twenty-five percent (25%). IGT shall specify custom work prior to acceptance of the purchase order, and shall provide SGS a written estimate of the custom charges. SGS must accept the estimate price in writing before it shall be bound to purchase the custom alteration.

ii. Written Orders for IGT Products: All orders for IGT Products shall be in writing on forms provided by IGT, signed by an authorized employee of SGS. No order by SGS or any of its employees shall be binding upon IGT until the same is formally accepted in writing by an authorized employee of IGT at IGT's office in Reno. Once accepted by IGT, an order may be canceled or modified only by mutual consent, subject to payment to IGT by SGS of expenditures incurred by IGT in connection with the order which are not reasonably recoverable.

iii. Payment by SGS for IGT Products: Unless otherwise specified in writing at the time of order, payment in full by SGS shall be made to IGT for IGT Products and custom alterations within ninety (90) days from the date of delivery to the carrier for shipment. If such payment is made in full within ninety (90) days, no interest charge shall be applied. Payment for IGT orders shall be in U.S. dollars to IGT's Reno office. As to sales on other than 90 day terms, payment in full shall be made in not more than thirty-six (36) equal monthly installments of

principal, pursuant to such terms as is specified by SGS in the sales order, together with interest at the rate of two percent (2%) over the prime lending rate as quoted from time to time by First Interstate Bank, Los Angeles office; prepayment may be made at anytime without penalty; payment and interest to commence from the date of delivery to the carrier for shipment. Any and all amounts not timely paid shall accrue interest at a default interest rate of one and one-half percent (1.5%) per month on the unpaid balance of principal and accrued interest due. Payment in full by SGS shall be secured by an irrevocable standby letter of credit (or other form of guaranteed payment acceptable to IGT) in an amount up to fifty percent (50%) of the total outstanding balance due by SGS to IGT, which amount shall not be less than Six Million Dollars (\$6,000,000.00). The letters of credit shall be in a form acceptable to IGT, to be drawn against only if payment is not received by IGT as specified herein. Said letters of credit shall be renewed not later than thirty (30) days before expiration, and IGT may be entitled to draw on existing letters of credit if such advance renewal is not secured. SGS shall be fully liable as to any deficiencies that may remain owed to IGT by SGS after said letter of credit draw.

I. Manufacture and Delivery: To enable IGT to establish production schedules and place orders with its suppliers with adequate lead time, SGS will furnish IGT, unless otherwise specified by IGT, with monthly estimates of SGS's requirements for the next three (3) calendar months. A mutually agreed upon delivery schedule shall be established for each order. SGS will select the mode of transportation provided for all deliveries of IGT Products hereunder and shall be responsible to carriers for all charges and costs in effectuating delivery of the IGT Products to SGS at such places as may be mutually agreed from time-to-time. Each and every shipment shall be deemed delivered as of the date of receipt of delivery at IGT's warehouse docks, at either Reno, Nevada, by an authorized agent of SGS or the SGS-designated carrier.

J. Risk of Loss: Whenever IGT shall cause to be manufactured and shipped any machines, parts, components or materials for delivery to SGS, the risk of loss shall be on IGT until actual delivery of said machines to SGS in Reno, Nevada, or its designated shipper, in Reno, Nevada, at which time the risk of loss shall pass to SGS; provided, however, that, if a machine, part, component, or material is returned to IGT pursuant to warranty herein, the risk of loss shall pass to IGT upon delivery to an authorized agent of IGT.

K. Independent Status: All persons hired or employed by SGS in the discharge of this Agreement shall be considered employees of SGS and not of IGT and shall be solely and exclusively under SGS's direction and control. SGS agrees to obtain and

maintain all business licenses necessary to its business, pay all applicable taxes and fees, and to employ all salesmen, servicemen or other persons only under terms by which IGT shall be released in writing from all indebtedness from SGS to such persons. SGS further agrees to have all persons employed by it properly covered by Workmen's Compensation or Employer's Liability Insurance, as required by law; and to assume and pay at its own cost all taxes and contributions required by an employer under any and all unemployment insurance, old age pensions and other applicable so-called social security acts. SGS specifically agrees that it shall be solely responsible for, and shall indemnify and save IGT harmless from, any and all loss, damage, and costs (including attorney's fees) that IGT may sustain, or become liable for, by reason of claims against IGT, on account of the acts of any employee or agent of SGS.

L. Dealer Operating Requirements: To provide appropriate representation, and facilitate proper sale and servicing of IGT Products, Dealer shall establish and maintain places of business and/or agencies satisfactory to IGT, in its reasonable judgment, as to facilities, appearance, sales and service operations, parts inventory, and trained personnel and capital equipment. Such facilities shall be sufficiently established within the territory set forth above to adequately meet, within IGT's reasonable judgment, the needs of customers within each jurisdiction for which IGT Products are located within the said territory.

M. Trade Name: The names IGT, and International Game Technology, and the names of its products, are registered and/or are the exclusive property of IGT; and nothing herein contained shall give to SGS any interest in these names, except the right to use them during the term of this Agreement in connection with the lease, operation, service or repair of the machines as provided herein or applications for necessary permits. Upon termination of this Agreement for whatever cause, SGS shall abandon at once the use of the names IGT, or International Game Technology or any similar name or colorable imitation, or misleading name.

N. Advertising: In the event IGT shall supply SGS advertising material relative to any of its products, SGS shall display such advertising material as directed by IGT, and in the absence of instructions, SGS upon receipt of such materials, shall promptly display them in a conspicuous and prominent manner.

## 2. INSTALLATION, MAINTENANCE, PARTS AND SERVICE:

A. Purchase of Inventory: SGS shall maintain, at its cost, a stock of spare parts adequate to timely meet the needs of its customers and its obligations under this Agreement.

B. Provision for Service: SGS shall make available and offer to SGS customers within the territory set forth above through its own employees or agents, parts and repair service at no cost to said customers during the first ninety (90) days following installation for all IGT Products sold or leased in the said territory. SGS shall provide installation, parts, and repair service not covered by the ninety (90) day parts and service warranty, for all IGT Products and Special Products within the territory, at such rates and charges as are competitive in the industry and shall make a good faith effort with such service to maintain the reputation of IGT, subject to all Foreign, Federal, State and Local laws, statutes, ordinances, regulations and lawful requirements of the gaming authorities regarding the engagement in such services.

C. Price of Parts: Except as provided by warranty herein and except as to parts specified in writing from time to time by IGT to SGS for which a designated price to SGS is made, the price of standard IGT manufactured parts and components, parts obtained by IGT from other suppliers provided to SGS shall be at the then IGT retail list price, as determined solely by IGT and provided in writing to SGS from time to time, minus thirty percent (30%) of said price. A standard IGT part is that item which has, prior to the time of customer order, been designed and released to production by IGT; anything different from or in addition to a standard part is a custom alteration; all custom alterations to IGT's standard parts shall be sold to SGS at IGT's then quoted hourly rate minus twenty-five percent (25%). All prices for IGT parts are F.O.B. Reno, Nevada, to which shall be added applicable sales tax, shipping and all other costs attendant to delivery to SGS.

D. Method of Order and Payment: An order for parts or components shall be in writing specifying the SGS ordering agent, order number, and sufficiently detailed specifications for identification of the kind and quantity of the items ordered. Payment in full shall be made in full, secured by standby irrevocable letter of credit or other guaranteed payment acceptable to IGT, from a bank acceptable to IGT, within ninety (90) days of the date of delivery to SGS of each part sold to SGS. If said payment is not timely made, interest at one and one-half percent (1.5%) per month shall accrue on the outstanding balance of principal and accrued interest until paid in full. Payment for IGT orders shall be in U.S. Dollars to IGT's Reno, Nevada office.

E. Delivery: Delivery of parts, components and materials shall be pursuant to the same terms and conditions as set forth above for delivery of IGT Products.

3. FACILITATION OF SALES AND SERVICE, IGT PROPRIETARY INTERESTS: To facilitate said sales service by SGS, IGT agrees to

provide SGS with schematics, wiring diagrams, maintenance and service manuals, and any other technical material as determined solely by IGT for appropriate IGT Products, special Products, and parts as ordered by SGS pursuant to this Agreement. IGT also agrees to train SGS technicians, provided SGS pays all expenses and travel costs incurred in such training. SGS agrees that the technical data not available in the normal course of business which is provided pursuant to this Paragraph and any and all modifications thereto from whatever party or source constitutes IGT proprietary information, and SGS, its employees and agents shall not disclose said information to any third party without the prior consent of IGT and shall not use such information to the detriment of IGT or its products. SGS specifically agrees that all software, processes, mechanisms, art work, trade names, systems and items whatsoever created, developed or originated by IGT and any and all modifications thereto from whatever source are and shall remain the sole property of IGT. This Paragraph shall survive termination of this Agreement for any reason and the parties agree damages are inadequate to remedy any breach hereof, and that injunctive relief is appropriate and may be granted by a court of competent jurisdiction to halt any such breach.

4. ADDRESSES: Any written notice, or offer and reply required by this Agreement shall be effective by letter, telegram and/or telex and the same shall be addressed to:

SGS

Mike Wordeman

Sodak Gaming Services  
c/o Mike Wordeman  
405 E. Omaha  
Rapid City, South Dakota 57701

IGT

John J. Russell  
520 South Rock Blvd.  
Reno, Nevada 89502  
U.S.A.

5. SGS agrees that, to facilitate monitoring by IGT to assure satisfactory sales and service results, it will:

A. Keep and provide IGT with access at all reasonable times to accurate accounts, books and records, and reports as to sales and service, including, but not limited to, warranty work, in such manner and form as IGT shall, from time to time, require; and

B. Forward immediately to IGT every customer complaint

and governmental order, advice, and communication relating to IGT Products, Special Products, or IGT.

6. WAIVER OF BREACH: The failure of either party to require the performance of any term of this Agreement or the waiver by either party of any breach under this Agreement shall not prevent a subsequent enforcement of such term, nor be deemed a waiver of any subsequent breach.

7. BENEFIT: Except as otherwise expressly provided above, this Agreement supersedes and cancels all prior understandings of the parties, including but not limited to the agreement between the parties dated August 10, 1989, October 28, 1989 and February 5, 1990 and all modifications to said Agreements; and shall be binding upon and inure to the benefit of the legal representatives, successors, and assigns of SGS and IGT; provided, however, that neither SGS nor Wordeman shall not assign any interest in this Agreement without the prior written approval of IGT.

8. EARLY TERMINATION: Other than as provided in Paragraph 1.C. of this Agreement, the Agreement may be terminated as follows:

A. By IGT: IGT may terminate this Agreement as to all or any part of the territory if:

i. Upon ninety (90) days written notice delivered by IGT to SGS, if any ownership in SGS or control or control influence over SGS or its successors is held by or passed to any single person or single business entity which, in the reasonable belief of IGT, materially jeopardizes any license or approval or application by IGT or creates a material conflict of interest in such person or business entity with IGT and its products and such ownership or control influence is not forthwith removed, or if Wordeman either fails to maintain a substantial (5% or more) ownership of SGS or ceases his substantial involvement in the operation of SGS (including without limitation his resignation or termination from his positions as President and CEO of SGS) for any reason other than as a result of his death or total disability, without the prior written consent of IGT, which consent shall not be unreasonably withheld. Stock certificates evidencing at least five percent (5%) ownership by Wordeman of SGS shall be endorsed with a restrictive legend prohibiting transfer of said shares without the prior written consent of IGT;

ii. a. If in the reasonable belief of IGT, SGS has failed to maintain ethics, reputation, image, or customer relations in accordance with Industry standards (including without limitation, standards applicable to distributors licensed by the States of Nevada and New Jersey), and such failure is not corrected within ninety (90) days of receipt from IGT of written notice to

Sodak of the specific nature of said failure and the action necessary to correct said failure; or

b. SGS has failed to provide its best effort to attain a reasonable level of sales performance and market or service from IGT Products or Special Products as to any specific jurisdiction within the territory, and such failure is not corrected within ninety (90) days of receipt from IGT of written notice to Sodak of the specific nature of said failure and the action necessary to correct said failure; or

c. If SGS has directly or indirectly offered any non-IGT Products which directly compete with IGT Products or IGT Special Products to the extent such activity is prohibited by Paragraph 1.B of this Agreement and if such activity is not corrected by Sodak within ninety (90) days of receipt from IGT of written notice by Sodak of the nature of the activity and the action necessary to correct said failure; or

d. If SGS has failed to comply with written IGT policies or procedures delivered to Sodak which shall be reasonable and consistent with industry norms if such failure has materially affected the ability of Sodak to perform its obligations imposed pursuant to this Agreement and if such failure is not corrected by Sodak within ninety (90) days of receipt from IGT of written notice by Sodak of the nature of said failure and the action necessary to correct said failure; or

e. If SGS has failed to establish and maintain sufficient facilities as to any specific jurisdiction within the territory, if such failure has materially affected the ability of Sodak to perform its obligations imposed pursuant to this Agreement and such failure is not corrected to the satisfaction of IGT within a reasonable time following receipt of written notice to Sodak of the specific nature of said failure and the action necessary to correct said failure; or

B. By Sodak: Upon written notice delivered to IGT, Sodak may terminate this Agreement if:

i. In the reasonable belief of Sodak, a material defect or condition is contained within a significant number of IGT Products which render those products noncompetitive in the marketplace, or not fit for the use intended, and which defect or condition is not corrected within a reasonable time giving due regard to the nature of the defect.

C. By Either Party: Upon written notice delivered to the other party, if:

i. The other party has failed to observe all

applicable laws or obtain any necessary license or approval from each gaming regulatory authority in each applicable jurisdiction within the territory; and such failure materially affects the performance of such other party or could materially affect the complaining party in its business elsewhere. In the event of the inability of Sodak to obtain a license or approval in a jurisdiction within the territory does not materially affect IGT's business elsewhere and if the failure is not corrected by Sodak within sixty (60) days of receipt of notice by Sodak of the nature of the failure, IGT may terminate the right of Sodak to distribute only in that jurisdiction within the territory;

ii. The other party becomes insolvent, or files a petition for adjudication as bankrupt or insolvent, or executes an assignment for the benefit of creditors, or has a receiver appointed for it for any reason; or

iii. The other party materially breaches this Agreement.

9. EFFECT OF TERMINATION: OBLIGATION OF THE PARTIES: Upon the termination of this Agreement for any reason, the rights of each to payment on account of the sale of equipment or services already performed when this Agreement was in effect shall not be impaired. Upon such termination, each party shall cooperate with the other to effect a smooth termination, with minimum economic harm to each party and with regard to the best interests of customers, and to reimburse the other in a commercially reasonable fashion for any expenses incurred by it at the request of the first party. Upon the termination of this Agreement, SGS will turn over to IGT copies of all records relating to proprietary information, confidential information, service activities on IGT Products and Special Products. Further, upon termination, either party, subject to the proprietary rights set forth above, shall have the right to develop, manufacture and sell, lease or otherwise distribute or operate any and all products in the territory.

10. GAMING LAWS: This Agreement is intended to only authorize and facilitate the sale, service, and/or distribution of slot machines and related products in a lawful manner, and is subject to and conditioned upon all applicable Federal, state and local laws dealing with such machines. This Agreement shall not be deemed to require or authorize any act or transaction except as may be in full compliance with all such legal requirements. It is specifically agreed by SGS that it shall scrupulously observe all applicable federal, state and tribal laws relating to the activities contemplated by this Agreement. This Agreement and the rights of the parties shall be construed in accordance with the law of the State of Nevada. Each party hereto agrees to take all lawful actions necessary and make every lawful effort to procure and maintain all required Foreign, Federal, State and local

licenses and approvals for compliance with such legal requirements.

A. IGT agrees that it shall pay all costs of licensing proceedings, governmental investigation and approval required by Foreign, Federal, State, and local laws, regulations, ordinances or statutes as to IGT, its stockholders, agents, employees or assigns and as to IGT-offered slot and/or any modifications, components, parts or materials of IGT-offered slot machines.

B. SGS agrees that it shall, at no cost to IGT, take all necessary actions as liaison between IGT and governmental authorities to coordinate and facilitate governmental investigation of IGT-offered machines, including facilitation of location testing of such machines, if such is required.

C. SGS agrees that it shall pay all costs of licensing proceedings, governmental investigations, and approval required by Foreign, Federal, State, or local laws, regulations, ordinances or statutes as to SGS, its stockholders, agents, employees or assigns.

11. FORCE MAJEURE: IGT shall not be liable for any commissions or damages resulting from failure to accept or fill any order or orders for IGT Products, Special Products, or parts hereunder, either in whole or in part, when any such failure shall be due to any one or more of the following causes: orders or instructions issued by representatives of the governments of the United States or Australia, or of any state, territory or district of the United States or Australia, or of any municipality, or other political or governmental division of any such state, territory or district, or on account of IGT's inability to make complete deliveries of all of its contracts because of the scarcity of labor or materials used in manufacturing its products, or on account of fires, strikes, lockouts, differences with workmen, accidents to machinery, or orders, decrees or judgments of any court, or any cause not within the direct control of IGT after a good faith effort.

DATED as first set forth above.

SGS

BY: \_\_\_\_\_

IGT

BY: \_\_\_\_\_

For full and adequate consideration, I acknowledge the

personal restrictions placed upon me by Paragraphs 1.A, 1.B, and 8.A above, and specifically agree to abide by said terms and restrictions.

---

Mike Wordeman, an individual

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Date

FIRST AMENDMENT TO  
STOCK PURCHASE AND REDEMPTION AGREEMENT

THIS FIRST AMENDMENT TO STOCK PURCHASE AND REDEMPTION PURCHASE AGREEMENT ("Amendment"), dated as of this \_\_\_\_\_ day of March, 1993, is by and between Golden Eagle Casinos International, a Nevada corporation ("Golden Eagle") and International Game Technology, a Nevada corporation ("IGT") with reference to that certain Stock Purchase and Redemption Agreement (the "Agreement"), dated as of the fourth day of December, 1992, by and between Golden Eagle and IGT.

In consideration of the mutual covenants contained herein, the parties agree as follows:

1. Amendment to Section 1.7. Section 1.7 of the Agreement is amended to read in its entirety as follows:

"1.7. Financial Statements. The Consolidated Financial Statements of CMS and the Subsidiaries audited by Deloitte & Touche for the period ending September 30, 1991, the Financial Statement of King's Casino Limited audited by Price Waterhouse for the period ending September 30, 1991, and those portions of the Unaudited Financial Statements for the period ending September 30, 1992, delivered to Golden Eagle fairly present, in all material respects, the financial position of CMS and the Subsidiaries and results of their respective operations at and for the period therein specified in accordance with generally accepted accounting principles. All of the Financial Statements referred to above are collectively referred to herein as the "Disclosed Financial Statements."

2. Deletion of Section 8.8. Section 8.8 of the Agreement, entitled Audited Financial Statements, is hereby deleted in its entirety.

IN WITNESS WHEREOF, this Amendment has been executed by Golden Eagle and IGT as of the date first above written.

GOLDEN EAGLE:

GOLDEN EAGLE CASINOS INTERNATIONAL

By \_\_\_\_\_  
Roger H. Elton, President

IGT:

INTERNATIONAL GAME TECHNOLOGY

By \_\_\_\_\_  
John J. Russell, President

SECOND AMENDMENT TO  
STOCK PURCHASE AND REDEMPTION AGREEMENT

THIS SECOND AMENDMENT TO STOCK PURCHASE AND REDEMPTION AGREEMENT ("Second Amendment"), dated as of this \_\_\_\_ day of May, 1993, is by and between Summit Casinos International, Inc. (formerly named Golden Eagle Casinos International), a Nevada corporation ("Summit") and International Game Technology, a Nevada corporation ("IGT") with reference to that certain Stock Purchase and Redemption Agreement, dated as of the fourth day of December, 1992, by and between Summit and IGT, as amended by a First Amendment to Stock Purchase and Redemption Agreement, dated as of March \_\_, 1993 (the "Agreement"). Except as otherwise defined herein, capitalized terms used herein without definition have the meanings ascribed to them in the Agreement.

RECITALS:

A. On March 30, 1993, Golden Eagle Casinos International filed a Certificate of Amendment to its Articles of Incorporation changing its name to Summit Casinos International, Inc.

B. In view of changed circumstances relating to King's Casino Limited, the parties desire to adjust the purchase price for the Common Stock of CMS by reducing the principal amount of the note (currently referred to in the Agreement as the "Golden Eagle Note") to be made by Summit to IGT at closing as provided herein and to make provision regarding certain dividends of King's Casino Limited.

C. The parties desire, to amend Section 10 of the Agreement to reflect the understanding of the parties regarding repayment of that certain Equipment Financing Agreement and Revolving Note, pursuant to the terms of the CMS/IGT Substituted Note.

In consideration of the mutual covenants contained herein, the parties agree as follows:

1. Name Change. Each and every reference in the Agreement to Golden Eagle and Golden Eagle Casinos International, respectively, is hereby deleted and replaced by a reference to Summit and Summit Casinos International, Inc. respectively.
2. Ownership of Summit. Notwithstanding anything to the contrary in the Agreement, including the provisions of Section 2.2 of the Agreement, IGT hereby agrees that the shares of Summit may be contributed by RHE Trust to Summit Riverboat Casinos, Inc. whether such contribution is effected prior to or following the closing of the Purchase Agreement.

3. Reduction of Purchase Price. The parties agree that the purchase price for the Common Stock of CMS shall be reduced by reducing the principal balance of the Summit Note (formerly the Golden Eagle Note) from two million eight hundred forty-two thousand five hundred twenty-nine dollars (\$2,842,529.00) to two million forty-two thousand five hundred twenty-nine dollars (\$2,042,529.00). The parties agree that each and every reference in the Agreement to the principal amount of the Summit Note shall be changed in accordance with the reduction of the principal balance as set forth in the preceding sentence. Notwithstanding anything to the contrary in the Agreement, the parties agree that any and all dividends or other distribution paid or payable by Kings Casino, Limited from the date of the Agreement through the closing of the Agreement shall be paid to CMS and shall be held by CMS subject to the terms of the Stock Pledge Agreement. Summit hereby waives any objection that Summit might otherwise have under the Agreement relating to a change of condition of King's Casino Limited, including without limitation, objection pursuant to Section 8.7 of the Agreement.

4. Equipment Revolving Note. Section 10 of the Agreement is hereby amended to read in its entirety as follows:

"10. CMS/IGT Substituted Note. At closing, IGT agrees to cause CMS to make, and IGT shall accept, a promissory note in the form attached as Exhibit "Q" (the "CMS/IGT Substituted Note") made in substitution and replacement of (1) that certain Second Consolidated Note made by CMS to IGT pursuant to that certain Note Purchase and Consolidation Agreement, dated as of April 30, 1992, among IGT, IGT, a Nevada corporation, and CMS and (2) that certain Equipment Financing Agreement and Revolving Note, dated April 30, 1992, between IGT and CMS. The CMS/IGT Substituted Note shall be secured pursuant to the Stock Pledge Agreement set forth as Exhibit "P."

5. Confirmation. Except as amended by this Second Amendment, all of the other provisions of the Agreement shall continue in full force and effect without modification.

IN WITNESS WHEREOF, this Second Amendment has been executed by Summit and IGT as of the date first above written.

IGT: INTERNATIONAL GAME TECHNOLOGY

By \_\_\_\_\_  
John J. Russell, President

SUMMIT:

SUMMIT CASINOS INTERNATIONAL, INC.

By \_\_\_\_\_  
Roger H. Elton, President

INTERNATIONAL GAME TECHNOLOGY  
COMPUTATION OF EARNINGS PER SHARE

(Dollars in thousands) Years Ended

	September 30,		
	1993	1992	1991
PRIMARY SHARES OUTSTANDING:			
COMMON STOCK OUTSTANDING AT BEGINNING OF PERIOD . . . . .	130,601,920	126,260,688	124,144,608
SHARES ISSUED UNDER STOCK OPTION PLANS	2,800,346	3,363,398	2,116,080
PERCENTAGE OF TIME OUTSTANDING	77.4%	66.2%	40.2%
WEIGHTED AVERAGE SHARES OUTSTANDING	2,166,117	2,226,774	850,136
SHARES ISSUED IN EXCHANGE OF EDT			
COMMON STOCK . . . . .	-	874,356	-
PERCENTAGE OF TIME OUTSTANDING	-	66.3%	-
WEIGHTED AVERAGE SHARES OUTSTANDING	-	580,104	-
SHARES ISSUED FROM THE CONVERSION OF			
CONVERTIBLE SUBORDINATED NOTES	5,527,133	10,730	-
PERCENTAGE OF TIME OUTSTANDING	37.6%	39.8%	-
WEIGHTED AVERAGE SHARES OUTSTANDING	2,080,186	4,270-	-
SHARES ISSUED UNDER GIFTS . . . . .			
COMMON STOCK . . . . .	8,948	92,748	-
PERCENTAGE OF TIME OUTSTANDING	59.7%	73.3%	-
WEIGHTED AVERAGE SHARES OUTSTANDING	5,344	68,002-	-
SHARES PURCHASED AND HELD IN TREASURY			
COMMON STOCK . . . . .	(14,071,458)	(13,902,732)	(13,741,056)
PERCENTAGE OF TIME OUTSTANDING	99.8%	99.7%	99.5%
WEIGHTED AVERAGE SHARES OUTSTANDING (	14,041,972)	(13,867,974)	(13,669,412)
COMMON STOCK EQUIVALENT OF OPTIONS			
OUTSTANDING . . . . .	2,806,220	4,809,222	5,492,904
WEIGHTED AVERAGE NUMBER OF PRIMARY COMMON AND COMMON EQUIVALENT SHARES			
OUTSTANDING . . . . .	123,617,815	120,081,086	116,818,236
FULLY DILUTED SHARES OUTSTANDING:			
ADDITIONAL DILUTIVE EFFECT OF STOCK OPTIONS . . . . .	206,811	492,314	672,768
ASSUMED CONVERSION OF			
CONVERTIBLE NOTES . . . . .	12,785,881	14,874,882	-

WEIGHTED AVERAGE NUMBER OF FULLY DILUTED  
COMMON AND COMMON EQUIVALENT SHARES

OUTSTANDING . . . . .	136,610,507	135,448,282	117,491,004	
INCOME FROM CONTINUING OPERATIONS	\$105,578	\$ 63,284	\$ 29,780	
INCOME FROM DISCONTINUED OPERATIONS		13,447	1,500	450
NET INCOME. . . . .	\$ 119,025	\$ 64,784		30,230
PRIMARY EARNINGS PER SHARE				
INCOME FROM CONTINUING OPERATIONS	\$ 0.85	\$ 0.53	\$ 0.26	
INCOME FROM DISCONTINUED OPERATIONS		0.11	0.01	0.00
NET INCOME. . . . .	\$ 0.96	\$ 0.54		0.26
FULLY DILUTED EARNINGS PER SHARE (1)				
INCOME FROM CONTINUING OPERATIONS	\$ 0.80	\$ 0.51	\$ 0.26	
INCOME FROM DISCONTINUED OPERATIONS		0.10	0.01	0.00
NET INCOME. . . . .	\$ 0.90	\$ 0.52		0.26

(1)Based on addition of \$4,549, \$5,313, and \$318, net of taxes, to income from continuing operations in 1993, 1992, and 1991 respect subordinated notes.

## INTERNATIONAL GAME TECHNOLOGY SUBSIDIARIES

Name	Jurisdiction of Incorporation
IGT-North America	Nevada
International Acceptance Corporation	Nevada
Fortune Advertising and Marketing	Nevada
FSC	Ireland
IGT-Australia Pty. Ltd.	New South Wales, Australia
IGT-Montana	Montana
IGT-Missouri	Missouri
Iowa Riverboat Corporation	Nevada
IGT-New Zealand Pty. Ltd.	New Zealand
IGT-Europe, b.v.	Netherlands
IGT-Japan	Japan
IGT-International	Nevada
IGT-Iceland Ltd.	Iceland

INDEPENDENT AUDITORS' CONSENT

International Game Technology:

We consent to the incorporation by reference in Registration Statements Nos. 2-75843, 2-91475, 33-20308, 33-27657, 33-69400 and 33-63608 on Form S-8 of our report dated November 9, 1993 appearing in this Annual Report on Form 10-K of International Game Technology for the year ended September 30, 1993.

DELOITTE & TOUCHE

Reno, Nevada  
December 22, 1993

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DELOITTE & TOUCHE

Reno, Nevada  
December 22, 1993