

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

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FILER

INTERNATIONAL GAME TECHNOLOGY

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FORM 10-K/A
Securities and Exchange Commission

Washington, D.C. 20549

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (No Fee Required) For the Fiscal Year Ended September 30, 2000

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.)

9295 Prototype Drive, Reno, Nevada 89511
(Address of principal executive offices)
Registrant's telephone number, including area code: (775) 448-7777

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

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 24, 2000:
\$2,876,779,414

The number of shares outstanding of each of the registrant's classes of common stock, as of November 24, 2000:

72,721,196 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

Item 1.	Business
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General

International Game Technology was incorporated in December 1980 to acquire the gaming licensee and operating entity, IGT, and to facilitate its initial public offering. In addition to its 100% ownership of IGT, International Game Technology has the following directly or indirectly wholly-owned subsidiaries: I.G.T. - Argentina S.A. (IGT-Argentina); I.G.T. Australia Pty. Limited (IGT-Australia); International Game Technology (NZ) Ltd. (IGT-NZ); IGT do Brazil Ltda. (IGT-Brazil); IGT-Europe B.V. (IGT-Europe); IGT-Iceland Ltd. (IGT-Iceland); IGT-Japan K.K. (IGT-Japan); IGT-UK Limited (Barcrest); International Game Technology - Africa Pty. Limited (IGT-Africa); International Game Technology S.R. Ltda. (IGT-Peru); and Sodak Gaming, Inc. (Sodak).

Unless the context indicates otherwise, references to "International Game Technology," "IGT," "we," "our" or "the Company" include International Game Technology and its wholly-owned subsidiaries and their subsidiaries. Our principal executive offices are located at 9295 Prototype Drive, Reno, Nevada 89511; our telephone number is (775) 448-7777.

IGT is the largest manufacturer of computerized casino gaming products and operator of proprietary gaming systems in the world and was the first to develop computerized video gaming machines. Since its founding in 1980, IGT has principally served the casino gaming industry in the United States. In 1986, IGT began expanding its business internationally, and in addition to its production in the United States, currently manufactures its gaming products in the United Kingdom and through a third party manufacturer in Japan. IGT also maintains sales offices in selected legalized gaming jurisdictions globally, including Australia, Argentina, New Zealand, Peru, South Africa and The Netherlands. We

also maintain a service office in Brazil. IGT provides gaming products in every significant legalized gaming jurisdiction in the world.

The following are trademarks, service marks, and/or federally registered trademarks of International Game Technology or its wholly-owned subsidiaries: After Shock, All for One, Diamond Cinema, Dollars Deluxe, Dynamite, EZ Pay, Fabulous 50's, Five Play Draw Poker, Game King, High Rollers, IGT Gaming System (IGS), iGame Plus, Integrated Voucher System (IVS), Megabucks, MegaJackpots, Monedin Joker, Multi-Denomination, Multi-Hand Poker, Nickelmania, Nickels, Nickels Deluxe, Party Time, Pokermania, Popper King, Psycho Cash Beast Club, Quartermania, Quarters Deluxe, S2000, S-Plus, Security Accounting Management System (SAMS), Slotopoly, Super Nickelmania, Super Vision, Triple Play Draw Poker, Triple Play Poker, and Vision Series.

IGT designs, manufactures, produces, operates, uses, and/or otherwise has permission to exploit certain gaming machines utilizing materials under license from third-party licensors. More specifically, the games which have been mentioned in this filing and their related trademark and copyright ownership information are: "The Addams Family" is a trademark of Monaco Entertainment Corporation; "Elvis, Elvis Presley, and King of Rock 'n' Roll" are registered trademarks of Elvis Presley Enterprises, Inc. (C) Elvis Presley Enterprises, Inc.; "Jeopardy!" is a registered trademark of Jeopardy Productions, Inc., "Jeopardy!" (C) 2000 Jeopardy Productions, Inc., All Rights Reserved; "Wheel of Fortune" is a registered trademark of Califon Productions, Inc., "Wheel of Fortune" (C) 2000 Califon Productions, Inc., All Rights Reserved; "Regis' Cash Club" is a game developed in conjunction with Philbin Enterprises; "\$1,000,000 Pyramid (TM) and (C) 2000 CPT Holdings, Inc., All Rights Reserved; "I Dream of Jeannie" (TM) and (C) 2000 CPT Holdings, Inc., All Rights Reserved; "The Three Stooges" (C) 2000 C3 Entertainment, Inc., All Rights Reserved; "The Three Stooges" characters, names and all related indicia are trademarks of C3 Entertainment, Inc.; "The Honeymooners" is a trademark used under license; "Let's Make A Deal" is a trademark of Let's Make a Deal, is registered in the US and is pending elsewhere, and is used under license; "Beverly Hillbillies" (C) 2000 CBS Worldwide Inc., All Rights Reserved; "Lifestyles of the Rich and Famous" (C) 2000 Rysher Entertainment, Inc., All Rights Reserved; "The Munsters" is a copyright of Kayro-Vue Productions and a trademark of Universal Studios, licensed by Universal Studios Licensing, Inc., All Rights Reserved; "American Bandstand" is a trademark of Dick Clark Productions, Inc.; "Wheel of Gold" and "Totem Pole" are federally registered trademarks of Anchor Gaming.

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In March 1998, IGT completed the purchase of Barcrest Limited (Barcrest), a Manchester, England-based manufacturer and supplier of gaming related amusement devices and formed IGT-UK Limited. Also in March 1998, IGT purchased certain assets of Olympic Amusements Pty. Limited (Olympic), a manufacturer and supplier of electronic gaming machines, gaming systems and other gaming equipment and services to the Australian gaming market. The Olympic business was consolidated with IGT-Australia.

In September 1999, IGT completed the acquisition of Sodak Gaming, Inc. Sodak distributes IGT gaming products and provides wide-area progressive systems to Native American casinos. Sodak also provides financing for gaming ventures in Native American markets.

In July 2000, IGT completed the sale of Barcrest K.K. (Barcrest-Japan) to a Japanese company engaged in the manufacture, development and sale of pachinko and pachisuro slot machines.

Risk Factors and Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act of 1995

Forward-Looking Statements

This annual report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information, which are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. These forward-looking statements are identified by their use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will" and similar terms and phrases, including references to assumptions.

Such forward-looking statements and IGT's operations, financial condition and results of operations involve known and unknown risks and uncertainties. Such risks and factors include, but are not limited to, the following:

- o a decline in demand for IGT's gaming products or reduction in the growth rate of new and existing markets;
- o delays of scheduled openings of newly constructed or planned casinos;
- o the effect of changes in economic conditions;
- o a decline in public acceptance of gaming;
- o unfavorable public referendums or anti-gaming legislation;
- o unfavorable legislation affecting or directed at manufacturers or operators of gaming products and systems;
- o delays in approvals from regulatory agencies;
- o political and economic instability in developing international markets for IGT's products;
- o a decline in the demand for replacement machines;
- o a decrease in the desire of established casinos to upgrade machines in response to added competition from newly constructed casinos;
- o a decline in the appeal of IGT's gaming products or an increase in the popularity of existing or new games of competitors;
- o changes in interest rates causing a reduction of investment income or in market interest rate sensitive investments;
- o loss or retirement of our key executives or other key employees;
- o approval of pending patent applications of parties unrelated to IGT that restrict our ability to compete effectively with products that are the subject of such pending patents or infringement upon existing patents;
- o the effect of regulatory and governmental actions, including regulatory or governmental actions challenging our compliance with applicable gaming regulations;
- o unfavorable determinations or challenges of suitability by gaming regulatory authorities with respect to our officers, directors or key employees;
- o the limitation, conditioning, suspension or revocation of any of our gaming licenses;
- o fluctuations in foreign exchange rates, tariffs and other barriers;
- o adverse changes in the credit worthiness of parties with whom IGT has forward currency exchange contracts;

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- o the loss of sublessors of the leased properties no longer used by IGT;
- o with respect to legal actions pending against IGT, the discovery of facts not presently known to IGT or determinations by judges, juries or other finders of fact which do not accord with IGT's evaluation of the possible liability or outcome of existing litigation.

We do not undertake to update our forward-looking statements to reflect future events or circumstances.

Lines of Business

We operate principally in two lines of business: the development, manufacturing, marketing and distribution of gaming products, which we refer to as "Product Sales," and the development, marketing and operation of wide-area progressive systems and gaming equipment leasing, which we refer to as "Proprietary Gaming." This segment includes our wholly-owned gaming operations and our unconsolidated joint venture activities reported as earnings of unconsolidated affiliates.

See Note 20 of Notes to Consolidated Financial Statements for information concerning the revenues, operating results and identifiable assets of our two principal lines of business and operations by geographic region. The consolidated financial statements include the accounts of International Game Technology and all of its majority-owned subsidiaries. All material inter-company accounts and transactions have been eliminated. In fiscal 2000, product sales produced 67% of revenues and gaming operations produced 33% of revenues.

Product Sales

IGT designs, manufactures and markets computerized casino gaming products and systems for both domestic and international markets. Domestically, IGT manufactures a broad range of gaming machines, consisting of traditional spinning reel slot machines, video gaming machines, government-sponsored and other video gaming devices. In international markets, we target the amusement with prize, casino-style, private clubs, gaming-hall and government-sponsored

video machine markets. For our domestic and certain international markets, we offer hundreds of recognized game themes. We typically sell our machines directly or through distributors to casino operators, but may in certain circumstances finance the sale or lease of equipment to the operator. In the North American gaming market, IGT holds a estimated 67% share of the installed base of casino gaming machines and an estimated 59% share of the combined installed base of both casino-style and government sponsored gaming machines. We believe our market share is the result of our innovation in video and slot technology, the efforts of our experienced sales force and our focus on customer service and product reliability.

Gaming machines for the casino markets in Australia, Europe, South Africa and Latin America are similar to the spinning reel and video games in the North American markets. Features differ in each market but the games are generally multiple coin games with random outcomes paid in coins returned to the customer. In some jurisdictions, the machines pay out in the form of tickets, vouchers, or tokens, rather than coins. Gaming machines in Japan and the United Kingdom markets, however, are produced locally and differ substantially from domestic machines.

In addition to gaming machines, IGT develops and sells computerized casino management systems which provide casino operators with slot and table game accounting, player tracking and specialized bonusing capabilities. We also develop and sell specialized proprietary systems to allow the lottery authorities to monitor video lottery terminals. We derive revenue related to the operation of these systems and collect license and franchise fees for the use of the systems.

Description of Product Sales

IGT's innovations in slot and video technology have increased the earning potential of our gaming machines by enhancing entertainment value through creative uses of sound, bonus features and overall aesthetics. We also focus on improving the ease and speed-of-play of our machines by incorporating local game preferences, and by minimizing downtime through improved reliability and added service features. IGT's new gaming machines offer a wide variety of themes, innovative designs, sophisticated security features, self-diagnostic capabilities and various accounting and data retention functions.

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Over the past decade, significant increases in the installed base of gaming machines have been driven by the growth in the number of jurisdictions with legalized gaming, advancements in gaming machine technology, and the increasing popularity of large theme-based casinos. IGT estimates that in North America slot machine revenue accounts for nearly 70% of total casino revenues. IGT was the first to develop computerized video gaming machines and currently offers the largest variety of gaming machines in this market. When making purchasing decisions, casino operators look for machines with enhanced entertainment value such as secondary games or bonusing features, superior graphics and audio and recognizable game themes.

Multi-line, multi-coin video-based games are currently among the most popular games on the floor. In response to this trend, IGT's current products employ advanced technology to enhance entertainment and communication features while retaining many of the familiar and popular features of older games. These product lines include: The Game King(R) video platform, which offers a single or multi-game format with a touchscreen monitor; the iGame Plus(TM) video machine, an interactive video game with animated graphics and secondary bonusing features; the Vision Series(TM), a spinning reel slot combined with a full-color liquid crystal display; and the S2000(TM) spinning reel platform which combines the reliability and game library of IGT's traditional S-Plus(TM) machine with upgraded processor boards and an enhanced sound package.

As these new games are installed, the earnings disparity between the older and newer machines on the casino floor widens, and the replacement cycle is stimulated. In addition, all of IGT's newer games will be available in a Multi-Denomination(TM) format and can be readily adapted for use with IGT's EZ Pay(TM) system or other ticket in/ticket out (TITO) systems. We believe the introduction of new, more sophisticated interactive games combined with the added cost savings, convenience and other benefits of TITO systems will help stimulate the replacement machine market.

One of IGT's newest products, the EZ Pay(TM) Ticket System, targets the casino

operator's need to reduce operating costs and machine downtime. This product provides our customers with a system that allows machines to print tickets in place of dropping coins from the hopper. In many cases the printing of a ticket eliminates the delays encountered when a large payout requires the personal attention of a casino employee. The system also provides the machines with the capability of accepting tickets. This provides players with the added flexibility to move from one machine to another without the inconvenience of coin handling. Casinos will have the option to use both hoppers and tickets in IGT's machines connected to the EZ Pay(TM) Ticket System. We believe this offers casino operators and players the most flexibility while the industry explores player preferences with respect to ticket based products. EZ Pay(TM) machines will also enable the player to select any denomination he or she prefers. Our Integrated Voucher System (IVS)(TM) product was also introduced during the last quarter of fiscal 2000. The IVS(TM) product offers EZ Pay(TM) system functionality, but can be integrated with a casino's existing slot accounting system. This integration provides additional efficiencies to casino operators who are looking to maximize the automation of accounting controls and other functions. Initial customer response to this technology has been positive and we believe this segment will be a significant driver of the machine replacement market over the next several years.

Gaming machines in Japan and the United Kingdom markets differ substantially from domestic machines. In the United Kingdom, IGT manufactures and sells amusement with prize (AWP) machines. An AWP machine is a game of chance with low stake wagering for amusement with low value cash prizes, typically under \$25. In the Japanese market, IGT manufactures and sells pachisuro machines. A pachisuro machine is a three-reel slot machine played with tokens and is considered a skill game, which allows the player to control the stopping of the reels.

In fiscal year 2000, IGT continued installing the IGT Gaming System (IGS) (TM), which supports casinos' control and information needs. The IGS (TM) product is a 14 module integrated casino system which includes player tracking, pit cage and credit, and slot management, plus specialized modules including bus scheduling and events management. The IGS(TM) product is approved, marketed and operational in most domestic jurisdictions as well as Australia, Canada, Portugal and South Africa.

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The following schedule sets forth net revenues derived from gaming product sales for the fiscal years ended:

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
Gaming products			
Video products	\$263,412	\$189,625	\$177,804
Spinning reel slot	133,251	162,310	161,716
Amusement with prize	75,359	78,947	32,225
Pachisuro	34,787	55,328	17,466
Other gaming products 1	96,572	90,388	87,813
	-----	-----	-----
Total product sales	\$603,381	\$576,598	\$477,024
	=====	=====	=====

1 Other gaming products includes revenues from gaming systems, lottery systems, parts, equipment and service.

Demand for Gaming Products

Demand for IGT's gaming products comes principally from four sources: the establishment of new gaming jurisdictions; expansions of existing casinos; addition of new casinos within existing gaming markets; and the replacement of older and/or technically obsolete machines. The replacement cycle is driven primarily by competition in the casino industry to provide the customer with more entertaining and sophisticated games combined with enhanced features such as multi-denomination capability and TITO technology. To maximize our opportunity in the replacement market, we are increasing the number of new games released each year and focusing our product development efforts on creating games that provide enhanced entertainment value as well as utilizing numerous popular game themes and concepts. Technological advances, new designs, improvements in visual characteristics, the development of new games, general wear and tear and the evolving preferences of casino patrons also drive

replacement. The construction of new casino properties also has an impact on the replacement machine market since, historically, the addition of new properties has encouraged existing casinos to upgrade to new slot products in order to remain competitive. Demand for replacement products is also dependent, in part, upon the willingness of casinos to incur the costs associated with replacing existing gaming machines with new machines.

Product Development

The most significant factor influencing the purchase of all types of gaming machines is player appeal followed by a mix of elements including service, price, reliability, operational efficiencies, technical capability and the financial condition and reputation of the manufacturer. Player appeal is the combination of machine design, hardware, software, game features and ease of play that ultimately improves the earning power of gaming machines and the operator's return on investment. To increase the player appeal of our machines, we have made significant investments in research and development of products tailored toward the specific demands of our customers as well as the users of our products. In this context, IGT developed numerous themes with a variety of ideas and concepts. In fiscal year 2000, IGT debuted more than 40 new offerings, most of which were directed at the growing multi-line, multi-coin video slot market. IGT expects to debut a greater number of games in fiscal year 2001. As with all new games, these machines are subject to regulatory approval. Using our Megatest, an on-line computerized testing and monitoring system, to evaluate and forecast acceptance of new products, IGT is able to evaluate and quickly focus on the more popular gaming concepts. Megatest uses a central computer to monitor the performance of games placed in a representative sample of casinos throughout Nevada. The Megatest program allows IGT to test games in a relatively short time span with a high degree of accuracy, which results in the quicker release of higher-performing games.

In international markets, our strategy is to respond to developing markets with local presence, customized games, new product introductions and local production where feasible or required. For the European casino market, Barcrest has designed the "Enhanced" series of reel-based, casino-style games to complement the current product offerings in the market. The Enhanced machine incorporates top box technologies designed in the UK with our casino-style machines to

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add bonus features and will continue to be marketed by IGT-Europe. In Australia, several platforms were replaced with one common platform featuring enhanced technologies. This new product will become the IGT-Australia standard and is supported by two game design centers. IGT-Japan's engineering department has expanded in order to continue to develop new technologies for the pachisuro market and expects to release a new platform during fiscal 2001.

North American Markets

In the last decade, the increased legalization of gaming in new jurisdictions, expansion in existing gaming markets and growing popularity of gaming as a leisure activity has influenced demand in North America and presented growth opportunities for IGT. The introduction of riverboat gaming in the Midwest, the expansion of Native American casino gaming, including the opening of the California market, and the growth in the Canadian, Nevada and non-casino government-sponsored gaming markets have all expanded the market for gaming machines.

IGT's machine sales in North America increased by approximately 3,600 units in fiscal year 2000 as compared to fiscal 1999 due primarily to the opening of the Native American casino market in California. Fewer new casino openings contributed to slower growth in certain domestic jurisdictions including Canada, Colorado, Nevada, and cruise ship markets.

Nevada

Throughout the 1990s, the addition of new casinos with enhanced entertainment and leisure activities has stimulated demand for our machines in this market. The expansion or refurbishment of existing operations and replacement of older gaming machines also increased demand for our machines. Nevada's developing nickel video reel and traditional video poker markets are expected to drive implementation of TITO systems much faster than many of the newer jurisdictions.

In fiscal year 2000, we provided gaming machines to two major new casinos,

Suncoast and Aladdin, and to two smaller casino openings, Arizona Charlies East and The Hacienda, all in Las Vegas. Several other Nevada properties underwent smaller-scale expansions. The majority of the sales in fiscal year 2001 are expected to be for expansions and replacements with the exception of Terribles Casino in Las Vegas, which is scheduled to open in early fiscal year 2001.

Midwest Gaming

Riverboat-style gaming began in Iowa in 1991 and currently is operating in Illinois, Indiana, Iowa, Louisiana, Mississippi and Missouri. In late fiscal year 2000, IGT shipped machines to the following new properties, which are expected to open in early fiscal year 2001: Hollywood Park in Louisiana and Belterra, a Pinnacle Entertainment property in Indiana. Lakeside Oceola in Iowa was the only new opening in this region in fiscal year 2000. IGT provided gaming machines to the Greektown, the third temporary casino in Detroit, which is expected to open in early fiscal year 2001. The permanent casinos in Michigan are expected to add 4,000 machines to the market in the next three to five years.

Atlantic City

The Atlantic City market consists of 12 large casinos, which are concentrated in the mature boardwalk area and the marina district. During fiscal year 2000, Boyd Gaming and MGM Mirage began construction of the Borgata, a marine area-property, which is expected to open in 2003. MGM Mirage has announced plans to construct another new casino in Atlantic City within the next three years. In addition, Trump Hotels and Casino Resorts plan to raze the World's Fair Casino and replace it with a new casino property. Recent changes in the gaming approval process in this jurisdiction may also serve to stimulate new games by accelerating approval times and allowing a greater number of popular themes to be introduced.

Native American Gaming

Casino-style gaming continued to expand on Native American lands during fiscal year 2000. Native American 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

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implementation, that the Native American tribe and the state government in which the Native American lands are located enter into a compact governing the terms of the proposed gaming. We place machines with Native American tribes who have negotiated compacts with their respective states and have received approval by the US Department of the Interior.

IGT, through Sodak, began selling machines to authorized Native American casinos in 1990, and to date has sold machines or components to Native American casinos in 17 states. Sodak maintained a distributor relationship with IGT from 1990 until September 1999 when IGT acquired Sodak. Sodak provides financing for its product sales and, in some instances, has participated in the development, equipping, and financing of gaming ventures.

In March 2000, the California constitution was amended to allow the Governor to compact with tribes for the operation of casinos including the operation of traditional slot machines. The Governor, with the legislature's approval, has entered into compacts with 61 California tribes. We commenced sales in California immediately after the initial compacts were approved by the US Department of the Interior in May 2000. This market potential is estimated at 43,000 machines based on the language in the compacts between the Governor and the tribes. The portion of the compacts that defines machine limits can be renegotiated in March of 2003, but there is no assurance renegotiations will occur, or that they would result in increased machine numbers.

Gaming expanded to the state of Washington in 1999 where the Governor signed compacts with 19 tribes that permit electronic gaming devices, linked to a central determination system, at the Native American casinos. Sierra Design Group (SDG) manufactures and distributes terminals and systems designed specifically to comply with the Washington compacts. IGT provided manufactured components to SDG for approximately 4,300 terminals for the Washington market; 2,300 in fiscal year 2000 and 2,000 in fiscal year 1999.

In addition to potential new markets, the replacement of older machines may

offer the potential for additional sales. Native American gaming experienced rapid expansion in 1992 and 1993, suggesting that a greater proportion of the installed machine base may be entering the replacement cycle, based on overall gaming industry trends.

Canada

We currently provide spinning reel slot machines to all Canadian provincial governments operating or authorizing casino-style gaming, including Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, Quebec, Saskatchewan and Yukon. The expansion of existing casinos and opening of new properties in Alberta, British Columbia and Ontario may create demand for approximately 5,000 new machines. In fiscal 2000 we introduced leased games into Alberta, Ontario, and Quebec casinos. The Canadian lease market is expected to continue to expand into additional jurisdictions due to the demonstrated success of properties utilizing leased IGT games.

In fiscal year 2000, business opportunities in Canada prompted IGT to expand its distribution agreement with the New Brunswick-based Hi-Tech Gaming.com, Ltd. (Hi-Tech) to include machine and systems sales, in addition to parts and service. While IGT will continue to maintain a corporate presence in Canada, we expect this new distribution agreement with Hi-Tech to provide the increased infrastructure necessary to service the anticipated growing volume of business.

In addition to government sponsored or approved casino gaming, the provinces of Alberta, Manitoba, New Brunswick, Newfoundland, Nova Scotia, Prince Edward Island, Quebec and Saskatchewan operate video gaming terminals (VGTs). In the past year Lotto Quebec issued a request for proposal (RFP) calling for the replacement of 15,000 VGTs, while the Atlantic Lottery Corporation (ALC) issued an RFP for 3,000 VGTs. The Western Canada Lottery Corporation (WCLC) is expected to issue RFPs for the replacement of 6,000 VGTs in Alberta and 3,500 VGTs in Saskatchewan during the coming year. IGT through Hi-Tech has submitted bids for the ALC and Quebec RFPs, which are currently being evaluated. It is expected that bids will also be submitted for the WCLC and Saskatchewan RFPs once they are released.

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International Markets

IGT has sold to international markets since 1986. Each model must comply with the individual country's regulations. We respond to the specific requirements of a number of international jurisdictions by maintaining a local presence and by providing products appropriate for each market.

Our unit sales in international markets are as follows:

	Fiscal 2000	Fiscal 1999

Jurisdiction		
United Kingdom 1	33,400	31,500
Japan	14,600	27,900
Australia and New Zealand	6,700	6,700
Europe, Middle East and Africa	3,300	2,800
Latin America	2,200	3,900
South Africa	1,500	1,100
Other	600	1,000
	-----	-----
Total	62,300	74,900
	=====	=====

1 Includes 15,500 AWP machines exported to Europe in fiscal year 2000 and 7,400 machines in fiscal year 1999.

Australia and New Zealand

We established manufacturing, sales, marketing and distribution operations in Sydney in 1985 and began selling gaming machines in Australia in 1986. Australia is the largest and most established market for gaming products outside of North America and is primarily a video machine market. The installed base for machines is approximately 200,000 units in the casino, hotel, pub and club markets in Australia and New Zealand. Our installed base in this region is approximately 46,000 units or 23%. In both fiscal years 2000 and 1999, IGT had sales of 6,700

machines. This year has again been one of intense competition between manufacturers as a result of the limited growth and technologically advanced products.

In March 1998, we acquired the assets of Olympic Amusements Pty. Limited (Olympic), an Australian-based manufacturer and supplier of electronic gaming machines, gaming systems and other gaming equipment and services in an effort to enhance our existing operation. As a result of the acquisition, approximately \$100 million in intangible assets were recognized. After the acquisition, IGT-Australia experienced difficulties with the planned integration of Olympic, changes in management, adverse changes in the regulatory environment, product performance issues and new competition. As a result, we lost market share while our competition prospered in this market. In the fourth quarter of fiscal 1999 we determined that the total unamortized balance of intangible assets was fully impaired. See Note 8 of Notes to Consolidated Financial Statements. In an effort to return IGT-Australia to a profitable operation, we developed a restructuring plan during late 1999 and implemented the changes during the current fiscal year. These changes included narrowing product lines, downsizing our sales, service and engineering departments and transferring manufacturing to Reno.

In April 2000, the New South Wales (NSW) state government announced that it would place a twelve-month moratorium on the number of new slot machines permitted by registered clubs. There is the possibility that this moratorium will be extended, thereby affecting the growth in this market. In Queensland, similar "responsible gambling" restrictions were adopted during fiscal 2000, where the limit on the number of gaming machines was set at 280 for clubs and 40 for hotels. Other Australian jurisdictions are considering similar measures. We can't determine the effect this will have on future sales.

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In July 2000, we introduced a new machine platform with eight new games. It has been approved in the jurisdictions of NSW, Queensland and New Zealand. Initial response to this new product line has been very positive. The performance of the new games has been very strong, particularly in the lower denominations. There are currently a number of additional games in development.

United Kingdom

We established a manufacturing, sales, marketing and distribution operation in Manchester, England with our acquisition of Barcrest Limited in March 1998. Barcrest manufactures and sells amusement with prize machines, club machines and top box products. AWP machines are approximately half the price of our domestic S-Plus(TM) product and have a replacement cycle of less than 18 months.

The AWP installed base in the United Kingdom (UK), which is not expected to grow in the near term, exceeds 220,000 units, located in a variety of outlets including pubs, clubs, bingo halls, casinos, licensed betting offices and arcades. The UK has a review every three years of the stake and prize regulations for AWP machines. During fiscal year 2000, the UK market for AWP machines was 53,000, down from 63,000 in fiscal year 1999, which had benefited from increased demand following a change in stake and prize regulations. This replacement market is dominated by bars and licensed betting offices that demand regular releases of new machines. To meet this demand, new products are launched in the UK every four to six weeks. In fiscal year 2000, AWP sales in the UK totaled 14,905 units, approximately 29% of the market.

In response to the European market's continual need for new and innovative AWP products, in fiscal year 2000 Barcrest launched a new design center, Red Gaming, and re-named its BWB business to Vivid Gaming. Red Gaming is presently focused on development for the UK market and has received orders for its first game, After Shock(TM), to be delivered during the first quarter of fiscal year 2001. Vivid develops product for the European leisure industry. It launched its first game, All For One(TM), in June 2000 and sold 900 units of this machine in fiscal year 2000.

We also sell AWP products, through distributors, in Germany, Spain, The Netherlands and other smaller European markets. The total European market size for AWP products is 800,000 machines with an annual replacement market of approximately 113,000 machines. Export opportunities arise as various governments recognize the benefits of AWP products. To capitalize upon these opportunities, we have research and development centers in The Netherlands and Spain, which design machines for various European markets. In FY 2000, Barcrest's research and development center in Spain launched the highly

successful product, Monedin Joker(TM). The company's success in the Spanish market resulted in an increase to 7,600 unit shipments in fiscal year 2000, compared to 575 machines in the prior year. During the year, UK manufacturers exported approximately 40,000 machines to Europe, up from 24,000, of which approximately 37% were Barcrest products.

Club machines are more simply designed AWP products offering higher maximum wagers and cash prizes. These machines are replaced less often and are located in private member clubs and bingo halls. The UK club market has an installed base of approximately 60,000 units with an annual replacement market of approximately 5,300 machines. Barcrest produced the most successful club machine in the UK market, Psycho Cash Beast Club(TM), which sold 900 units. In fiscal year 2000, our total club sales in the UK were 1,600 units, a 29% market share.

Barcrest designs and manufactures top boxes, which are attached to IGT's domestically produced casino-style machines. These top boxes add a bonus feature, which increases the player appeal of these games. In July 1999, we began providing all of our top boxes, excluding Party Time(TM), to our joint venture with Anchor Gaming for sale to the casino customer. The Party Time(TM) top box is used with IGT's domestic MegaJackpots(TM) machines.

Europe, Middle East and Africa

In 1992, we opened our office in The Netherlands to service the European, Middle Eastern and African markets, excluding South Africa. In these regions, gaming is prevalent in casinos and non-casino environments such as pubs, bars and

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arcades. Within the European markets, casino-style gaming machines compete with AWP machines, which we sell exclusively through our Barcrest office.

We estimate that throughout this region, the market base of legally installed casino-style gaming machines is approximately 68,000 units. Of these machines, we estimate our share at 19,000. In fiscal year 2000, we made sales of approximately 3,300 machines in this market, compared to 2,800 machines in fiscal year 1999. The majority of our fiscal year 2000 sales were to gaming operations in France, Greece, Italy, Portugal, Slovenia, Spain, Sweden and The Netherlands. We currently anticipate moderate growth in the European installed base and our sales to this market will be principally dependent upon replacement sales. Our market share improvement is due to the success of our new product rollout, specifically relating to the new video product. Additionally, this proved to be a successful year with the rollout of the IGS(TM) product in the European market. The IGS(TM) product was selected as the system of choice by the Portuguese government resulting in a successful launch of three IGS(TM) systems in July 2000.

South Africa

Our office in Midrand, Gauteng, South Africa services the gaming markets located in South Africa, sub-Saharan Africa and the Indian Ocean Islands. Casino gaming in South Africa is governed under the National Gambling Act, which has allocated a total of 40 casino licenses among each of the nine provinces in South Africa. All 40 licenses are expected to be operational by the year 2003. There are currently 19 operational casinos in the country with five additional new casinos opening by the end of the calendar year. The new casino that opened in the fiscal year 2000 was Desert Palace in the Northern Cape Province. Of the five new casinos to be opened, three will be in the Western Cape Province, one in KwaZulu Natal and one in the Eastern Cape.

By the end of fiscal year 2000, IGT-Africa was licensed as a manufacturer/supplier in six of the nine provinces. We will receive licensure in one other province in the first quarter of fiscal year 2001. We have an application pending in one other province. The only remaining province to call for licenses is the North West Province where five of the original casinos are located.

During fiscal year 2000, we sold 1,500 machines in the South Africa casino market, compared to 1,100 units in fiscal year 1999. We rank second in market share in this region with 30% of unit sales. The majority of these sales were to new casinos due to open later in the year including Tsogo Sun's permanent casino.

South Africa is also in the final stages of legalizing a limited payout market

(LPM). The LPM permits smaller venues to operate a maximum of five machines, with each machine limited to a maximum payout of 500 Rand or approximately US \$70. The National Gambling Act and the provincial gambling acts govern these smaller venues, which include bars, taverns, and social or sports clubs. The National Gambling Board has recently called for RFPs for the Central Monitoring System. We anticipate that the first limited payout machines will begin operating in mid to late calendar 2001. We estimate the total size of this market will be approximately 38,000 machines.

Japan

Historically we have serviced the Japanese market with two offices in Tokyo: IGT-Japan, established in 1992; and Barcrest-Japan, acquired in 1998 as part of the Barcrest acquisition. In July 2000, Barcrest-Japan was sold to a Japanese pachisuro manufacturer. The pachisuro machine is a three-reel slot machine played with tokens and is considered a skill game as the player controls the stopping of the reels. Payouts are relatively small. The product is regulated by the Security Electronics and Communication Technological Agency (SECTA), which ensures compliance with regulations mandated by the National Police Agency. Pachisuro machines are more fashion-driven and sell for approximately a third of the price of our domestic S-Plus(TM) machine. These machines are licensed for three years. However, they typically have a replacement cycle of less than 12 months.

The pachisuro-installed base in the Japanese market is over 1,000,000 machines in approximately 17,000 halls and sites throughout the country. There are 22 manufacturers that are members of the Nichidenkyo (NDK) manufacturer's

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association and licensed to sell in this market. IGT-Japan became the first foreign member of NDK in 1992 and a full member in 1995.

In Japan, we utilize third party manufacturers to produce our machines and distributors to sell our products. The distributors sell to hall operators and to second-tier distributors. IGT-Japan also has an in-house sales team to market products directly to customers in Nagoya, Sendai and Tokyo.

During fiscal 2000 we sold 14,600 units in the Japanese market compared to 27,900 units in the prior fiscal period. Fiscal 1999 was our most successful year ever in this market as a result of the strong customer acceptance of our Popper King(TM) product. The relatively short selling cycle of three to four months for any one new game release makes success in this market highly dependent upon the ability to regularly introduce popular new games.

Latin America

We sell casino-style gaming equipment to many legalized gaming jurisdictions in Latin America through our established offices in Argentina, Miami, Peru, and our distributor in Venezuela, Starwin. During fiscal year 2000, IGT sold 2,200 machines in Latin America compared to 3,900 machines in the previous fiscal year. Sales decreased due to new laws in Brazil, which effectively closed that market, and government delays in granting new operator licenses in Venezuela.

Proprietary Gaming

Our proprietary gaming segment includes our wholly owned-gaming operations and our unconsolidated joint venture activities reported as earnings of unconsolidated affiliates.

We have developed and operated wide-area progressive systems, collectively referred to as MegaJackpots(TM), since 1986. As of September 30, 2000, IGT operated 149 systems in 17 domestic jurisdictions, including Native America, Nevada and New Jersey, under the following names or trademarks: The Addams Family(TM), Dollars Deluxe (R), Elvis (R), Fabulous 50's(R), Five Play Draw Poker(TM), High Rollers (TM), Jeopardy!(R), Megabucks(R), Nickelmania(TM), Nickels(TM), Nickels Deluxe(R), Party Time(TM), Pokermania(R), Quartermania(R), Quarters Deluxe(R), Slotopoly(TM), Super Nickelmania (TM), Totem Pole(R), Triple Play Draw Poker(TM), Wheel of Fortune(R), and Wheel of Gold(R). These games may be offered in different denominations in each jurisdiction. Internationally, our IGT-Europe office supports one MegaJackpots(TM) system, operated under the name Gullnaman in Iceland. Approximately 5% of the domestic installed base of gaming machines generates recurring revenue including wide-area progressive systems and stand-alone machines in which the manufacturer participates in the revenue from

the machine on a percentage or fee basis. Wide-area progressive systems are electronically-linked, inter-casino systems that connect gaming machines to a central computer, allowing the system to build a "progressive" jackpot with every wager made throughout the system until a player hits a winning combination. In the North American market, IGT estimates it holds more than a 70% share of the installed base of these machines.

Wide-area progressive systems are designed to increase gaming machine play for participating casinos by giving players the opportunity to win larger or more frequent jackpots than on machines not linked to progressive systems. Win (net earnings to the operator) per machine on machines linked to progressive systems are generally higher than on stand-alone machines.

IGT continually provides innovation and enhanced player appeal to its MegaJackpots(TM) games consistent with product lines that are sold directly to the casinos. This is accomplished through the introduction of feature rich games with second event bonus incorporating popular themes, such as The Addams Family (TM) and video Jeopardy!(R), which were introduced in fiscal year 2000. New themed product introductions planned for fiscal year 2001 include the Regis' Cash Club(TM) and \$1,000,000 Pyramid(TM) games.

IGT operates some of these systems under joint marketing alliances with other gaming companies, principally with Anchor Gaming (Anchor). The purpose of these strategic alliances is to combine the game development efforts of other companies with IGT's wide-area progressive system expertise. The Wheel of Fortune (R) game, which is offered through

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the Anchor joint venture, began in December 1996 in Nevada and New Jersey with approximately 240 machines, and as of September 2000, 11,500 machines were operating in 17 jurisdictions. The I Dream of Jeannie(TM) wheel game is planned for introduction in fiscal year 2001 under the same joint venture. In addition, we entered into a licensing, development and marketing agreement in fiscal year 2000 with Shuffle Master to further develop Shuffle Master's licensed intellectual properties, The Three Stooges(R), The Honeymooners(TM) and Let's Make A Deal(R). Introduction of these products is planned for fiscal year 2001.

We also supply certain MegaJackpots(TM) games as "stand alone" games that are proprietary in nature but not linked to a progressive system. In certain jurisdictions, these games are either leased on a per machine per day basis or are operated under a revenue sharing agreement. This additional marketing tool was created for the customer that didn't want to contribute to a large jackpot, yet still wanted our games on the floor. They are installed in Canada, Colorado, Connecticut, Illinois, Indiana, International cruise ship markets, Iowa, Louisiana and Nevada. Approximately 3,600 machines are operated as stand alone games. Most of these games were developed in connection with the Anchor joint venture.

We recognize that all games, including MegaJackpots(TM) systems games, have a finite life cycle. As a result, IGT systematically replaces, either wholly or in part, older systems experiencing declining play levels with new systems that incorporate enhanced entertainment value and improved player appeal. This serves to increase revenue generation overall as well as on a per unit basis for both IGT and our customers. During fiscal year 2000, IGT removed 19 MegaJackpots(TM) systems in eight jurisdictions.

The operation of linked progressive systems varies among jurisdictions as a result of different gaming regulations. In all jurisdictions, the casinos contribute a portion of the wagered amount to fund the progressive jackpot. Funding of the progressive jackpot differs by jurisdiction but is generally administered by IGT. Jackpot winners may elect either a single payment of the discounted value of the progressive jackpot, or annual installments which are paid out over 20 to 26 years depending on the system and jurisdiction. Many of our new products are Instant Winner systems, which pay the full jackpot amount in one sum when won. In Atlantic City, the progressive jackpot fund is administered by a trust managed by representatives of the participating casinos. The trust pays IGT fees for annual licensing and machine rental. In Colorado, funding of progressive jackpots is administered by a separate fund managed by IGT. Progressive system lease fees or a portion of the amount contributed by the casinos is paid to us from this fund. In Iowa, the progressive jackpot fund is administered by a trust managed by IGT and net profits are transferred to IGT.

Lease and Other Gaming Operations

IGT also receives gaming operations revenue from machines and systems on lease, rental and other recurring revenue agreements. Lease revenue increased in fiscal year 2000 due primarily to royalty revenue earned on our most popular game, Triple Play Draw Poker (TM), which is operational in various domestic jurisdictions. These machines are placed under a royalty agreement whereby casinos pay Action Gaming, the company that holds a patent for the game concept, and IGT a monthly royalty fee.

IGT currently leases machines to three state lotteries: Delaware, Oregon and Rhode Island. Under a technology provider license with the Delaware State Lottery, IGT leases approximately 2,400 terminals to the state at three pari-mutuel facilities. During the past year we added 540 terminals. Under the technology lease with the Delaware State Lottery, which will expire in December 2001, we receive a percentage of revenue for use and maintenance of these machines. We lease approximately 2,200 video gaming terminals to the Oregon State Lottery under a lease agreement expiring in April 2002. We also have machines on Rhode Island's video lottery system, which links two pari-mutuel facilities. As of September 30, 2000, there were approximately 400 IGT terminals operating in Rhode Island's system.

In 1999, we entered into a license agreement with the West Virginia Racing Association for IGT's SAMS(TM) system that will monitor approximately 6,000 machines at the state's four pari-mutuel facilities. The West Virginia Lottery will operate this system while IGT will provide hardware and software maintenance. We successfully installed the SAMS system in West Virginia in 2000 and will complete the installation of the progressive portion during fiscal year 2001. IGT shipped more than 1,500 terminals to four pari-mutuel facilities in West Virginia during fiscal year 2000.

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As part of our normal business, we also receive other recurring revenue in various jurisdictions from short-term rental contracts or long-term lease contracts for gaming machines.

Business Strategy

IGT's product development staff works to provide innovation in gaming machines and related computer system technology. IGT invested approximately \$55.2 million in research and development in fiscal year 2000. Innovations from these efforts increase our gaming machines' earning potential through enhancements in entertainment value, ease of play, and decreased machine downtime. Machine downtime is minimized by improvements in product reliability and functionality. IGT's creative designs enhance player entertainment with features such as larger jackpots, choreographed sound events, multiple interactive bonus features and unique mechanical packages. The introduction of innovative products, Multi-Denomination(TM) capability and TITO technology is anticipated to shorten the replacement cycle by encouraging casino operators to upgrade to new products which improve earnings and operating efficiencies.

To capitalize on future opportunities, management is committed to:

- o innovative new product development such as our Game King(R), iGame Plus(TM), Vision Series(TM), S2000(TM), Super Vision(TM) and Game King(R) SI platforms; EZ Pay(TM) (TITO) and Multi-Denomination(TM) technology;
- o development and rollout of new wide-area progressive systems such as The Addams Family(TM), video Jeopardy!(R) nickel, 15-line Wheel of Fortune(R) nickel, Wheel of Fortune(R) video quarter, video Megabucks(R) nickel, Regis' Cash Club(TM), Diamond Cinema(TM), Beverly Hillbillies(TM), Lifestyles of the Rich and Famous(R), The Munsters(TM) (New Jersey only), \$1,000,000 Pyramid(TM) and American Bandstand(R) games;
- o continued focus on customer service and reliability through our more than 300 trained sales and service personnel;
- o increased focus on opportunities to roll out IGT products and systems into new markets including international jurisdictions;
- o enhancement of our industry-leading game library with strong new offerings for all product lines both domestically and internationally; and
- o ongoing improvements to our IGS(TM) products that answer industry demands for improved operational efficiencies.

Sales and Service

Sales and Distribution

Our products and services are sold to gaming operators and governmental entities, which conduct gaming operations. During fiscal year 2000, our ten largest domestic customers accounted for 33% of our domestic gaming product sales. IGT markets gaming products and proprietary systems through its internal sales staff, agents and distributors. We employ more than 300 sales personnel in various domestic and international locations.

IGT uses distributors for sales to specific markets including Canada, the Caribbean, France, Germany, Japan, Korea, Louisiana, New Jersey, New Mexico, New Zealand, Spain, The Netherlands and Venezuela. Sodak was our exclusive distributor to Native American casinos until we acquired it in September 1999. IGT's agreements with distributors do not specify minimum purchases, but generally provide that IGT may terminate the distribution agreement if certain performance standards have not been satisfied.

Customer Service

IGT considers its customer service department an important aspect of the overall marketing strategy and a key differentiating factor when casino operators purchase equipment. We typically provide a 90-day service and parts warranty domestically and up to a 180-day warranty internationally, for our gaming machines. We employ more than 300 trained service personnel for customer assistance and maintain 20 customer service support centers domestically in 11 jurisdictions and internationally in Argentina, Australia, Brazil, Japan, New Zealand, Peru, South Africa, The Netherlands and the United Kingdom.

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We also provide extensive customer education and service through training, videotaped instruction, a 24-hour customer service hotline, newsletters, our website, www.IGT.com, and the Technical Assistance Center (TAC). The TAC is a fully staffed facility providing 24-hour telephone support to all types of casino system customers. The TAC has access to a range of field support engineering resources to resolve technical issues. Through these extensive resources, IGT provides a direct link for two-way communication between the customer and IGT and access to product information 24 hours a day, seven days a week.

Competition

The market for gaming machines and proprietary systems is intensely competitive. The principal method of competition is product development. A library of strong performing games can be a significant competitive advantage. Other methods of competition include quality and reach of sales and service organizations, financial stability of the manufacture, and pricing.

Product Sales

US and foreign manufacturers which compete with IGT in the domestic casino-style gaming machine market include Anchor, Aristocrat Leisure Limited (Aristocrat), Bally Gaming Inc., a subsidiary of Alliance Gaming Corp. (Bally), Atronic Casino Technology, Ltd. (Atronics), Casino Data Systems (CDS), Konami Co. Ltd. (Konami), Sigma Game, Inc. (Sigma), Silicon Gaming, Inc. (Silicon), Universal Distributing, Inc. and WMS Industries, Inc. (WMS). All have developed casino products and are either authorized to sell products or are in the licensing process in many US gaming jurisdictions. There are several competitors for the international markets including Aristocrat, Atronics, Aruze, formerly known as Universal, Cirsa Group, Franco Gaming, Ltd., a division of Recreativos Franco, Konami, and Novomatic Industries. In the accounting and player tracking systems product market, our IGS(TM) system competes with products offered by Bally, CDS and several other systems manufacturers.

We consider ourselves one of five primary competitors in the linked gaming market along with Anchor, GTECH Holdings Corp. (GTECH), Spielo, a supplier based in Canada, and WMS. These suppliers have substantial resources, established presence in the lottery market, and specialize in the development and marketing of gaming terminals to governments. We continue to view the video lottery industry as an important market for our products.

Proprietary Gaming

IGT's competitors in the progressive systems market are Bally and CDS, who each operate one system. IGT's competitors in the stand alone participation market are Anchor, Bally, CDS, Mikohn Gaming Corp, Silicon, and WMS. We provide substantial marketing and advertising support for our MegaJackpots(TM) systems products and compete on the basis of our progressive systems brand names, product appeal, jackpot awards, player loyalty and technical and marketing experience.

Manufacturing and Suppliers

We manufacture gaming machines in the United Kingdom, the US and through a manufacturing relationship with a third party in Japan. The manufacturing operations primarily involve the assembly of electronic components, cables, harnesses, video monitors and prefabricated parts purchased from outside sources. We also operate a cabinet manufacturing and silkscreen facility in the US. IGT has a broad base of material suppliers and utilizes multi-sourcing practices to assure component availability. Domestic manufacturing has been ISO 9002 certified since 1996. As part of our restructuring plan for IGT-Australia, we began manufacturing the IGT-Australia product lines in the Reno, Nevada facility in fiscal year 2000.

IGT 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. At October 30, 2000 and 1999, we had an estimated \$196.4 million and \$50.1 million in backlog orders. The backlog has increased due to a large influx of orders in the fourth quarter of

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fiscal year 2000. In response, production has increased output significantly and the backlog, as well as production lead-times are expected to decrease within fiscal year 2001.

Our research and development activities totaled \$55.2 million, \$45.5 million and \$38.1 million for the fiscal years 2000, 1999 and 1998. Research and development activities for specific customers are charged to cost of product sales and totaled \$300,000, \$1.2 million and \$900,000 for fiscal years 2000, 1999 and 1998.

Patents, Trademarks, Copyrights and Trade Secrets

IGT believes that its patents, trademarks, copyrights and trade secrets (intellectual property rights) are significant assets. IGT seeks to protect its investment in research and development and the unique and distinctive features of its products and services by perfecting and maintaining its intellectual property rights. IGT has obtained patent rights protection covering many of its products. It has a large number of United States and foreign patent applications pending. The subject matter of these patents and patent applications include game designs, bonus and secondary game features, gaming device components and a variety of other aspects of video and electronic slot machines and associated equipment. Most of IGT's products are sold under trademarks and copyrights that provide product recognition and promote widespread acceptance. IGT creates and licenses trademarks and copyrighted works. Some of these trademarks and copyrights relate to products that are significant to IGT.

There can be no assurance that the intellectual property rights of IGT will not be infringed or that others will not develop products that do not violate these intellectual property rights. No assurance can be given that IGT's pending applications to obtain additional intellectual property rights will be granted.

Employees

As of September 30, 2000, IGT, including all subsidiaries, employed approximately 3,600 persons, including 600 in administrative positions, 300 in sales and 700 in engineering. Of the total employees, our North American operation accounted for 2,700; IGT-Australia, 300; IGT-UK, 400; and approximately 200 employees at other subsidiaries. The total number of employees increased in fiscal year 2000 by approximately 250 compared to the number of employees at October 2, 1999.

Government Regulation

General

The manufacture and distribution of gaming equipment and related gaming software is subject to federal, state, tribal, local and foreign regulation. While the regulatory requirements vary from jurisdiction to jurisdiction, the majority of these jurisdictions require licenses, permits, findings of suitability, documentation of qualification including evidence of financial stability and/or other required approvals for companies who manufacture and distribute gaming equipment, as well as the individual suitability of officers, directors, major stockholders and key employees. Laws of the various gaming regulatory agencies generally serve to protect the public and ensure that gaming related activity is conducted honestly, competitively, and free of corruption.

Various gaming regulatory agencies have issued licenses allowing IGT to manufacture and/or distribute its products and operate wide-area progressive systems. IGT and its key personnel have obtained or applied for all government licenses, permits, registrations, findings of suitability and approvals necessary allowing for the manufacture, distribution, and where permitted, operation of gaming machines in the jurisdictions where we do business. We have never been denied a gaming related license, nor have our licenses been suspended or revoked.

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

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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 our operations.

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 material 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.

A publicly traded corporation must be registered and found suitable to hold an interest in a corporate subsidiary that 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 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 that 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 IGT who are actively and

directly involved in gaming activities of the Company's licensed gaming subsidiary may be required to be licensed or found suitable. Officers, directors, and certain key employees of the Company's licensed gaming subsidiary must file applications with the Nevada Commission and may be required to be licensed or found suitable. 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 or finding of suitability may be denied for any cause deemed reasonable by the Nevada Commission. A finding of suitability is comparable to licensing and both require submission of detailed personal and financial information followed by a thorough investigation. Changes in licensed positions must be reported to the Nevada Commission. In addition to its authority to deny an application for a license or finding of suitability, the Nevada Commission has jurisdiction to disapprove a change in position by such officer, director, or key employee.

The Nevada Commission has the power to require the Company and its licensed gaming subsidiary 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. Determinations of suitability or of questions pertaining to licensing are not subject to judicial review in Nevada.

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 subject to compliance with certain statutory and regulatory procedures. In addition to the licensee, the Company and the persons involved could be subject to substantial fines for

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each separate violation of the gaming laws at the discretion of the Nevada Commission. In addition, a supervisor 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 beneficial holder of our voting securities, regardless of the number of shares owned, to file an application, be investigated, and be found suitable, in which case the applicant would be required to pay the costs and fees of the Control Board investigation. If the beneficial holder of voting securities who must be found suitable is a corporation, partnership, or trust, it must submit detailed business and financial information including a list of beneficial owners. 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 our voting securities must apply for a finding of suitability within 30 days after the Chairman of the Nevada Control Board mails the written notice requiring such finding.

Under certain circumstances, an Institutional Investor, as such term is defined in the Nevada Regulations, which acquires more than 10%, but not more than 15%, of the Company's voting securities may apply to the Nevada Commission for a waiver of such finding of suitability requirements, provided the institutional investor holds the voting securities for investment purposes only. An institutional investor will not be deemed to hold voting securities for investment purposes unless the voting securities were acquired and are held in the ordinary course of business as an institutional investor and not for the purpose of causing, directly or indirectly, the election of a majority of the board of directors of the Company, any change in its corporate charter, bylaws, management, policies or operations of the Company, or any of its gaming affiliates, or any other action which the Nevada Commission finds to be inconsistent with holding the Company's voting securities for investment purposes only. Activities which are not deemed to be inconsistent with holding voting securities for investment purposes only include: (i) voting on all matters voted on by stockholders; (ii) making financial and other inquiries of management of the type normally made by securities analysts for informational

purposes and not to cause a change in its management, policies or operations; and (iii) such other activities as the Nevada Commission may determine to be consistent with such investment intent.

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 or Chairman of the Control Board may be found unsuitable. The same restrictions apply to a record 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 criminal offense. The Company is subject to disciplinary action, and possible loss of our approvals, if, after it receives notice that a person is unsuitable to be a stockholder or to have any other relationship with, 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, for services rendered or otherwise, or (iv) 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 Nevada Commission may, in its discretion, require the holder of any debt security of the Company to file applications, be investigated and be found suitable to own the debt security of the Company. If the Nevada Commission determines that a person is unsuitable to own such security, then pursuant to the Nevada Gaming Control Act (the "Nevada Act"), the

Item 1. Business

Company can be sanctioned, including the loss of its approvals, if without the prior approval of the Nevada Commission, it: (i) pays to the unsuitable person any dividend, interest, or any distribution whatsoever; (ii) recognizes any voting right by such unsuitable person in connection with such securities; (iii) pays the unsuitable person remuneration in any form; or (iv) makes any payment to the unsuitable person by way of principal, redemption, conversion, exchange, liquidation, or similar transaction.

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 securities are subject to 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 prior 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. Such approval, if given, does not constitute a finding, recommendation, or approval by the Nevada Commission or the Nevada Control Board to the accuracy or adequacy of the prospectus or investment merits of the securities. Any representation to the contrary is unlawful. Changes in control of the Company through merger, consolidation, acquisition of assets or stock, 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. Entities seeking to acquire control of the Company must satisfy the Nevada Board and Nevada Commission in a variety of stringent standards prior to assuming control of the Company. The Nevada Commission may also require controlling stockholders,

officers, directors and other persons having a material relationship or involvement with the entity proposing to acquire control, to be investigated and licensed as part of the approval process relating to the transaction. 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 laws and regulations also require prior approval by the Nevada Commission if the Company were to adopt a plan of recapitalization proposed by our 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 by the Control Board of the licensee's participation in foreign gaming.

The revolving fund is subject to increase or decrease at 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 grounds of personal unsuitability.

Item 1. Business

International Regulation

Certain foreign countries permit the importation, sale and operation of gaming equipment in casino and non-casino environments. Some countries prohibit or restrict the payout feature of the traditional slot machine or limit the operation and the number of slot machines to a controlled number of casinos or casino-like locations. Each gaming machine must comply with the individual country's regulations. Certain jurisdictions require the licensing of gaming machine operators and manufacturers.

We manufacture and supply gaming equipment to various international markets including Australia, Europe, Japan, Latin America, the Middle East, New Zealand, South Africa, and the United Kingdom. We have obtained the required licenses to manufacture and distribute our products in the various foreign jurisdictions where we do business.

Federal Registration

The Federal Gambling Devices Act of 1962 (the Act) makes it unlawful for a person to manufacture, transport, or receive gaming machines, gaming devices or components across interstate lines unless that person has first registered with the Attorney General of the US Department of Justice. In addition, gambling device identification and recordkeeping requirements are imposed by the Act. Violation of the Act may result in seizure and forfeiture of the equipment, as well as other penalties. Subsidiaries of International Game Technology involved in the manufacture and transportation of gaming devices are required to register annually. We have complied with the registration requirements of the Act.

Native American Gaming Regulation

Gaming on Native American lands is governed by federal law, tribal-state compacts, and tribal gaming regulations. The Indian Gaming Regulatory Act of

1988 (IGRA) provides the framework for federal and state control over all gaming on Native American lands and is administered by the National Indian Gaming Commission (the NIGC) and the Secretary of the US Department of the Interior. IGRA requires that the tribe and the state enter into a written agreement, a tribal-state compact, that governs the terms of the gaming activities. Tribal-state compacts vary from state-to-state and in many cases require equipment manufacturers and/or distributors to meet ongoing registration and licensing requirements. In addition, tribal gaming commissions have been established by many Native American tribes to regulate gaming related activity on Indian lands. IGT manufactures and supplies gaming equipment to Native American tribes who have negotiated compacts with their state and have received federal approval.

In March 2000, the state of California approved a constitutional amendment that permitted Native American casino-style gaming within the state. As of September 30, 2000, we are licensed to sell gaming machines and components to Native American casinos in 17 states.

Item 2. Properties

<TABLE>
<CAPTION>

Location	Square Footage	Owned/Leased	Use
<S>	<C>	<C>	<C>
Reno, Nevada	1,000,000	Owned	Manufacturing, warehousing, sales, administration
Sydney, Australia	157,000	Leased	Assembly, warehousing, sales, administration
Las Vegas, Nevada	128,500	Leased	Warehousing, sales, administration
Ashton, UK	122,300	Owned	Manufacturing
Rapid City, South Dakota	94,000	Owned	Warehousing, sales, administration
Ashton, UK	17,200	Leased	Manufacturing
Wellington, New Zealand	12,000	Owned	Warehousing, sales, administration
Other domestic	184,800	Leased	Sales and administration
Other international	174,800	Leased	Warehousing, sales, administration

</TABLE>

Item 2. Properties

IGT also leases two buildings in Reno, Nevada consisting of approximately 179,000 square feet. We vacated these buildings during 1996 and 1997 upon completion of our South Meadows facility. Our original lease on these facilities expires in 2001. This expiration date was extended to 2003 for 91,500 square feet that we sublease to third parties.

Item 3. Legal Proceedings

IGT 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 our financial position or results of future operations. For a description of certain of these matters, see Note 14 of Notes to Consolidated Financial Statements, which is incorporated by reference in response to this item.

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

Our common stock is listed on the New York Stock Exchange (NYSE) under the symbol "IGT." The following table sets forth for the periods presented the high and low sales prices of the common stock as traded on the NYSE:

Fiscal 2000	High	Low

First Quarter	\$20.6250	\$17.5625
Second Quarter	22.4375	17.4375
Third Quarter	28.5625	20.2500
Fourth Quarter	34.5000	26.8750

Fiscal 1999	High	Low
-----	-----	-----
First Quarter	\$24.5000	\$16.5000
Second Quarter	23.4375	14.3750
Third Quarter	19.5000	14.6875
Fourth Quarter	19.2500	16.1875

As of November 24, 2000, there were approximately 3,699 record holders of IGT's common stock. The closing price of the common stock was \$41.25 on that date.

We declared no quarterly dividend in fiscal 2000 and one quarterly dividend of \$0.03 per share in fiscal 1999. During fiscal 1999, IGT's Board of Directors voted to discontinue payment of cash dividends and redirect the funds toward the stock repurchase plan or other corporate purposes.

IGT's transfer agent and registrar is The Bank of New York, P.O. Box 11258, Church Street Station, New York, NY 10286, (800) 524-4458.

Item 6. Selected Financial Data

The following information has been derived from our consolidated financial statements as of and for the years ended:

<TABLE>
<CAPTION>

	September 30,	October 2,	September 30,		
	2000	1999	1998	1997	1996
-----	-----	-----	-----	-----	-----
(Amounts in thousands, except per share data)					
<S>	<C>	<C>	<C>	<C>	<C>
Selected Income Statement Data					
Total revenues	\$ 898,404	\$ 854,106	\$ 758,942	\$ 730,799	\$ 733,452
Earnings of unconsolidated affiliates	\$ 105,991	\$ 75,556	\$ 65,181	\$ 13,171	\$ -
Income from operations	\$ 267,528	\$ 116,318	\$ 218,877	\$ 191,437	\$ 169,833
Income before extraordinary item	\$ 156,792	\$ 65,312	\$ 152,446	\$ 137,247	\$ 118,017
Net income	\$ 156,792	\$ 62,058	\$ 152,446	\$ 137,247	\$ 118,017
Basic earnings per share					
Income before extraordinary item	\$ 2.05	\$ 0.65	\$ 1.35	\$ 1.14	\$ 0.93
Net income	\$ 2.05	\$ 0.62	\$ 1.35	\$ 1.14	\$ 0.93
Diluted earnings per share					
Income before extraordinary item	\$ 2.00	\$ 0.65	\$ 1.33	\$ 1.13	\$ 0.93
Net income	\$ 2.00	\$ 0.62	\$ 1.33	\$ 1.13	\$ 0.93
Cash dividends declared per common share					
	\$ -	\$ 0.03	\$ 0.12	\$ 0.12	\$ 0.12
Weighted average common shares outstanding					
	76,586	99,461	113,064	120,715	126,555
Weighted average common and potential shares outstanding					
	78,229	100,238	114,703	121,829	127,412
Selected Balance Sheet Data					
Working capital	\$ 555,233	\$ 739,753	\$ 470,003	\$ 406,958	\$ 488,150
Total assets	\$1,623,716	\$1,765,060	\$1,543,628	\$1,215,052	\$1,154,187
Long-term notes payable and capital lease obligations					
	\$ 991,507	\$ 990,436	\$ 322,510	\$ 140,713	\$ 107,155
Stockholders' equity	\$ 96,585	\$ 242,218	\$ 541,276	\$ 519,847	\$ 623,200

</TABLE>

Item 7. Management's Discussion and Analysis of Financial Condition

Results of Operations

We operate principally in two lines of business: the development, manufacturing, marketing and distribution of gaming products, which we refer to as "Product Sales"; and the development, marketing and operation of wide-area progressive systems and gaming equipment leasing, which we refer to as "Proprietary Gaming". This segment includes our wholly owned gaming operations and our unconsolidated joint venture activities reported as earnings of unconsolidated affiliates.

Certain amounts in prior years comparative consolidated financial statements have been reclassified to be consistent with the presentation used in the current fiscal periods. In this report and in each of our reports, as amended, beginning with this Report on Form 10-K for the year ended September 30, 2000, we have reclassified our presentation of earnings from unconsolidated joint venture operations. We previously reported earnings from unconsolidated joint ventures, net of expenses, as a component of gaming operations revenues. In each of our reports as amended, beginning with this Report on Form 10-K for the year ended September 30, 2000 and going forward, we will report the net results of our unconsolidated joint ventures as a separate component of operating income on our income statement under a separate caption titled Earnings of Unconsolidated Affiliates. This reclassification has no impact on operating income, net income, or earnings per share as reflected on our consolidated statements of income and no impact on our consolidated balance sheets and statements of cash flows.

Fiscal 2000 Compared to Fiscal 1999

Fiscal 2000 net income, excluding one-time items discussed below, totaled \$138.4 million or \$1.77 per diluted share compared to \$135.7 million or \$1.35 per diluted share for fiscal 1999. Both fiscal years included several one-time items that affected net income. Current year net income of \$156.8 million or \$2.00 per diluted share included the effects of the following one-time events:

- |X| gain of \$27.0 million (\$17.3 million net of tax) or \$0.22 per diluted share from a legal settlement;
- |X| loss of \$1.4 million (\$900,000 net of tax) or \$0.01 per diluted share on the sale of the gaming systems business unit previously purchased as part of the Olympic Gaming acquisition; and
- |X| gain of \$3.2 million (\$2.0 million net of tax) or \$0.02 per diluted share on the sale of the Japanese subsidiary of Barcrest.

Prior year net income of \$62.1 million or \$0.62 per diluted share included the following one-time items:

- |X| impairment and restructuring charges of \$98.1 million (\$70.4 million net of tax) or \$0.70 per diluted share related to operations in Australia and Brazil; and
- |X| an extraordinary loss on early redemption of debt of \$4.9 million (\$3.3 million net of tax) or \$0.03 per diluted share.

The legal settlement gain, received in the first quarter of fiscal 2000, resulted from the resolution of legal actions between IGT and WMS related to infringement claims involving our Telnaes patent for virtual reel technology. See Note 14 of Notes to Consolidated Financial Statements.

In the fourth quarter of fiscal 1999, we determined that the total unamortized balance of intangible assets related to the Olympic acquisition was fully impaired. We recorded an impairment charge of \$86.8 million. See Note 8 of Notes to Consolidated Financial Statements for a discussion of the reasons for the impairment charge. After difficulties experienced with the acquisition of Olympic, we initiated a significant restructuring plan in late fiscal 1999 in an effort to return IGT-Australia to a profitable operation. The changes implemented in fiscal 2000 included narrowing the product lines, downsizing the sales, service, and engineering departments, and transferring manufacturing to Reno. In the fourth quarter of fiscal 1999 we recognized restructuring costs of \$6.0 million related to this plan. An additional \$1.9 million in restructuring costs were incurred during fiscal 2000 related to the elimination of certain administrative and manufacturing positions in Australia. Although our Australian subsidiary recorded an operating loss for the year, the financial results continued to get better each quarter culminating with a profit recorded in the fourth quarter, the first profitable quarter in several years. While we have taken steps to address problems we experienced in Australia, we continue to face regulatory, and competitive challenges in this market.

Item 7. Management's Discussion and Analysis of Financial Condition
and Results of Operations

In the fourth quarter of 1999, the Brazilian government rescinded the law allowing gaming devices in bingo halls. Based on our assessment of the recoverability of our inventories and receivables in Brazil at October 2, 1999, we recorded impairment charges of \$5.3 million. During fiscal 2000, we received payment of \$1.9 million for receivables and inventories previously considered fully impaired.

In July 2000, in a move to eliminate duplication within our operations in Japan, we sold Barcrest KK, the Japanese subsidiary of Barcrest, for a gain of \$3.2 million (\$2.0 million net of tax). The net cash proceeds from the sale were \$9.8 million and the net assets disposed of were \$6.6 million. The purchaser is a Japanese company engaged in the manufacture, development, and sale of pachinko and pachisuro slot machines. See Note 2 of Notes to Consolidated Financial Statements.

Operating Income

Fiscal 2000 operating income, before impairment and restructuring charges, grew 25% to \$267.5 million or 30% of revenues compared to \$214.4 million or 25% of revenues last year. This improvement was due to the increased gross profit margins in both product sales and gaming operations and gains in the earnings of our unconsolidated affiliates, partially offset by higher operating expenses, as discussed below.

Revenues, Gross Profit Margins and Earnings of Unconsolidated Affiliates

Total revenues for fiscal 2000 improved to \$898.4 million over fiscal 1999 revenues of \$854.1 million, reflecting a 5% increase in product sales and a 6% increase in gaming operations. This improvement was due to continued growth in our domestic revenues, which increased by 11% over the prior year. Gross profit on total revenues for fiscal 2000 increased by 15% to \$397.8 million compared to \$345.7 million for fiscal 1999. This improvement was attributable to growth in profitability year-over-year for both product sales and gaming operations.

Worldwide, IGT shipped 107,000 gaming machines for product sales of \$603.4 million in fiscal 2000 versus 116,000 units for \$576.6 million in the prior fiscal year. Domestic shipments increased to 44,700 units for the current year from 41,100 units in fiscal 1999, predominantly due to sales of approximately 5,000 units into the new California Native American market. Current year domestic shipments to new casinos also included Suncoast (87% market share) in Nevada, Hollywood Casino (91% market share) in Louisiana, Belterra Resort (87% market share) in Indiana, and Greektown Casino (67% market share) in Michigan. Although fiscal 2000 offered fewer major casino openings than fiscal 1999, domestic replacement sales were up 52% for the fourth quarter and 10% for the year compared to the same prior year periods, led by strong demand for our newer games.

International shipments, comprising 58% of total units in fiscal 2000, declined 17% to 62,300 units compared to 74,900 units in fiscal 1999. This decline reflected a slower year in Japan and Latin America, partially offset by increased unit sales in Europe, Africa, and the United Kingdom. Unit sales in Australia were virtually flat year over year, but improved 84% in the fourth quarter of fiscal 2000 over the prior year quarter, reflecting improvement from the restructuring plan implemented during fiscal 2000.

The gross profit margin on product sales improved to 38% in the current fiscal year compared to 37% in the prior year. Margins were positively impacted by a higher percentage of domestic sales in the overall mix, offset by additional costs associated with sourcing more sophisticated electronic components and the rapid production ramp-up in the latter half of the year.

Gaming operations revenue, for the year ended September 30, 2000 improved to \$295.0 million compared to \$277.5 million in fiscal 1999. The gross profit performance in gaming operations climbed to \$170.2 million or 58% for fiscal 2000 from \$135.0 million or 49% in fiscal 1999. The inclusion of Sodak's gaming operations revenues and the impact of higher interest rates, which lowered the cost of funding jackpot payments were the most significant contributors to this margin growth.

Item 7. Management's Discussion and Analysis of Financial Condition

Earnings of unconsolidated affiliates, a separate component of operating income reported net of expenses for accounting purposes, boosted by the continued popularity of the Wheel of Fortune(R) games, grew 40% to \$106.0 million in fiscal 2000 compared to \$75.6 million in fiscal 1999.

Performance of our proprietary gaming segment, which includes our wholly-owned gaming operations and our unconsolidated joint venture activities, accelerated markedly in fiscal 2000 due to significant placements of our newest and most popular game themes. The installed base of our MegaJackpot(TM) machines, including placement under joint ventures, at September 30, 2000 experienced unprecedented year over year growth of 27% to 19,200 games from 15,100 machines at the end of fiscal 1999. Our joint venture activities contributed significantly to this growth, led by the installation of 4,300 video and 800 spinning reel Wheel of Fortune(R) games during the year.

Also contributing to the overall growth in proprietary gaming were the successes of Multi-Hand Poker(TM), Party Time(TM), Elvis(R) and The Addams Family (TM) games. Fiscal 2000 brought the installation of new feature rich MegaJackpot(TM) games with second event bonusing, incorporating popular themes such as The Addams Family (TM) and Jeopardy!(R) Video. In recognition that all games have a finite life cycle, IGT systematically replaces legacy systems experiencing declining play levels with new systems incorporating enhanced entertainment value and improved player appeal. Of the current installed base, approximately 16,300 units are new platform, higher performing games. During fiscal 2000, we discontinued 19 MegaJackpots(TM) systems in eight jurisdictions. As of September 30, 2000, our MegaJackpots(TM) games operated in 17 domestic jurisdictions and one international location versus 11 domestic jurisdictions and one international location at the end of fiscal 1999. IGT continues to pursue additional markets for our MegaJackpots(TM) systems of linked progressive games.

Operating Expenses

Fiscal 2000 operating expenses, excluding impairment and restructuring charges, totaled \$236.3 million or 26% of total revenue compared to \$206.8 million or 24% in fiscal 1999. The \$20.8 million increase in selling, general and administrative expenses reflects the inclusion of Sodak's operating expenses and increased incentives as the result of improved operating results. Depreciation and amortization expense, not included in cost of sales, declined 13% from the prior year to \$20.9 million, primarily due to the write-off of intangible assets in Australia in the fourth quarter of fiscal 1999. The addition of goodwill and fixed assets relating to the acquisition of Sodak partially offset this decline.

Research and development expenses increased \$9.7 million to \$55.2 million for the current year, primarily as a result of engineering expenses related to the unprecedented rate of new game development. Bad debt expense increased \$2.0 million over fiscal 1999 primarily due to fluctuations in sales volumes.

Other Income and Expense

Other expense, net for the current year, totaled \$22.5 million versus \$14.9 million in the prior year. Increased interest expense from our outstanding \$1.0 billion Senior Notes issued in May 1999 was partially offset by the \$27.0 million legal settlement received. Operation of our MegaJackpots(TM) systems results in interest income from both the investment of cash and from investments purchased to fund jackpot payments. Interest expense on the jackpot liability is accrued at the rate earned on the investments purchased to fund the liability. Therefore, interest income and expense relating to funding jackpot winners are similar and increase at approximately the same rate based on the growth in total jackpot winners.

Our worldwide tax rate increased to 36% in fiscal 2000 from 35.6% in fiscal 1999. We expect our tax rate for fiscal 2001 to fluctuate between 37% and 38%.

Business Segments Operating Profit (See Note 20 of Notes to Consolidated Financial Statements)

We operate principally in two lines of business, product sales and proprietary gaming. Gaming operations and our unconsolidated joint venture activities, reported as earnings of unconsolidated affiliates, are included in the proprietary

Item 7. Management's Discussion and Analysis of Financial Condition

gaming segment. IGT's operating profit by business segment reflects an appropriate allocation of selling, general and administrative expenses, research and development expenses, interest income, and interest expense.

Product sales operating profit, before impairment and restructuring charges, for the year ended September 30, 2000 improved to \$95.5 million or 16% of related revenues compared to \$95.6 million or 17% in fiscal 1999. Including the one-time charges for impairment and restructuring of \$98.1 million, product sales operating loss for the year ended October 2, 1999 was \$2.5 million. This fluctuation reflects increased sales volume, offset by increased research and development costs, and increased interest expense allocated to the product sales segment from our \$1.0 billion Senior Notes proceeds used to fund the acquisition of Sodak in September 1999.

In fiscal 2000, operating profit for the proprietary gaming segment totaled \$190.9 million, an increase of \$46.5 million or 32% compared to the prior year. This improvement resulted from the growth of the installed base and excellent player acceptance of our new proprietary systems games, the continued popularity of the joint venture Wheel of Fortune(R) games, higher interest rates which lowered the cost of funding jackpot payments, and the inclusion of gaming operations revenue from Sodak.

Fiscal 1999 Compared to Fiscal 1998

Fiscal 1999 net income of \$62.1 million or \$0.62 per diluted share included certain one-time charges recorded in the fourth quarter totaling \$98.1 million (\$70.4 million or \$0.70 per diluted share, net of tax) as discussed below. An extraordinary loss on early redemption of debt of \$3.3 million or \$0.03 per diluted share was also recognized during fiscal 1999. Net income for the year ended October 2, 1999 before the one-time charges and extraordinary loss totaled \$135.7 million or \$1.35 per diluted share versus net income of \$152.4 million or \$1.33 per diluted share in fiscal 1998.

The one-time charges in the fourth quarter of fiscal 1999 of \$98.1 million consisted primarily of the write-off of intangible assets of \$86.8 million related to IGT-Australia's prior acquisition of Olympic. Also in the fourth quarter of fiscal 1999, we determined the total unamortized balance of intangible assets acquired from Olympic was fully impaired. See Note 8 of Notes to Consolidated Financial Statements for a discussion of the reasons for the impairment charge. In an effort to return IGT-Australia to a profitable operation, we initiated a significant restructuring plan in late fiscal 1999 which included narrowing current product lines and utilizing IGT's Reno, Nevada manufacturing plant to reduce product costs. We recorded restructuring costs of \$6.0 million in fiscal 1999 related to this plan, including a \$4.0 million inventory obsolescence charge and \$2.0 million in asset and facility redundancy costs.

We also recorded impairment charges of \$5.3 million in fiscal 1999, relating to changes in our recoverability assessment of inventory and receivables in Brazil. In fiscal 1999 the government in Brazil rescinded the law allowing gaming devices in bingo halls throughout this market.

Operating Income

Fiscal 1999 operating income, before impairment and restructuring charges, totaled \$214.4 million or 25% of revenues compared to \$218.9 million or 29% in fiscal 1998. This decrease was primarily the result of lower gross margins in domestic product sales, as discussed below.

Revenues, Cost of Sales and Earnings of Unconsolidated Affiliates

Total revenues for fiscal 1999 improved to \$854.1 million over fiscal 1998 revenues of \$758.9 million, reflecting a 21% increase in product sales, offset by a decrease of 2% in gaming operations. Gross profit on total revenues for fiscal 1999 increased by 8% to \$345.7 million compared to \$321.1 million for fiscal 1998. This improvement was attributable to growth in profitability year-over-year for both product sales and gaming operations.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

We shipped 116,000 gaming machines for total product sales revenues of \$576.6

million in fiscal 1999 compared to 77,000 units for \$477.0 million in the prior fiscal year. Domestic shipments totaled 41,100 units for the year ended October 2, 1999 compared to 37,800 units in the year earlier period. The four major new casino openings in the Las Vegas, Nevada market, as well as growth in the Canadian and Native American markets, positively impacted domestic product sales during 1999. Fiscal 1999 shipments to new Las Vegas properties included Park Place's Paris Resort, The Resort at Summerlin, the Mandalay Bay and the Venetian Resort. Also contributing to the fiscal 1999 improvement were shipments of 3,000 machines to the Ontario Lottery Commission and 1,800 machines to new casinos in Detroit, Michigan. Domestic revenues for fiscal 1999 also benefited from increased demand in the Native American market. In June 1999, we became a licensed manufacturer for Native American venues in Washington. Fiscal 1999 sales included 1,500 games for a market share of approximately 93% to a Washington licensee who designs and markets gaming machines for placement in eight Native American casinos.

International shipments of 74,900 machines in fiscal 1999 accounted for 65% of total units, the highest percentage in our history, compared to 39,200 machines in fiscal 1998. This 91% growth in international unit shipments was driven primarily by Japan and Barcrest which contributed increased shipments of approximately 18,400 units each. Growth in Japanese pachisuro sales were driven by the introduction of popular game themes including Popper King(TM), Dynamite(TM) and Elvis (R). Fiscal 1999 shipments for Barcrest, which was acquired in March 1998, include a full year of results. Machine shipments in the Australia market totaled 6,700 units in fiscal 1999 compared to 6,200 machines in fiscal 1998. The lack of anticipated growth in the fiscal 1999 unit sales as a result of the Olympic acquisition influenced our assessment of the IGT-Australia intangible asset impairment.

The gross margin on product sales was 37% in fiscal 1999 compared to 41% in fiscal 1998. This fluctuation is the result of an increase in the mix of new domestic product lines, including the Game King(R) and Vision Series(R) platforms, which have lower gross margin percentages yet higher gross margin dollars along with increased obsolescence expense domestically. The gross margin was also impacted by the higher percentage of international sales during 1999 which are typically at lower gross margins.

Gaming operations revenue for the year ended October 2, 1999 totaled \$277.5 million compared to \$281.9 million in fiscal 1998. The gross margin profit on gaming operations revenues was 49% in fiscal 1999 and 44 % in fiscal 1998. The decrease in gaming operations revenues was favorably offset by the lower cost of funding jackpot payments due to higher average interest rates.

Earnings from unconsolidated joint ventures, reported net of expenses, grew 16% to \$75.6 million in fiscal 1999 compared to \$65.2 million in fiscal 1998.

The total installed base of our proprietary gaming machines at October 2, 1999 increased to 15,100 games on 137 systems from 13,900 machines on 92 systems at the end of fiscal 1998. During fiscal 1999 we began operating MegaJackpot(TM) systems in two new jurisdictions, Iowa and Michigan. We introduced 36 new systems in nine jurisdictions during the year including Slotopoly(TM), Elvis (R), Party Time(TM) and Triple Play Poker(TM) in the MegaJackpot(TM) system formats in Atlantic City. The introduction of these new systems in various jurisdictions offset the decrease in revenue of other maturing systems.

Operating Expenses

Fiscal 1999 operating expenses totaled \$304.9 million, including the \$98.1 million impairment of assets and restructuring charges. Operating expenses before the one-time charges discussed above as a percent of total revenue were 36% in fiscal 1999 compared to 22% in fiscal 1998. The \$23.3 million increase in selling, general and administrative expenses reflects the inclusion of operating expenses attributable to the businesses acquired in the UK and Australia in March 1998, along with increased wages, professional services and domestic advertising, marketing, and compliance expenses related to new product offerings.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Depreciation and amortization expenses totaled \$24.0 million in the fiscal 1999 compared to \$18.6 million in fiscal 1998. This increase was primarily due to amortization of goodwill and additional depreciation of the acquired assets.

Research and development expenses increased \$7.4 million in fiscal 1999 compared to the prior year due to the inclusion of a full year of Barcrest and Olympic operations along with higher engineering expenditures domestically related to the development of over 30 new games. Bad debt expense increased \$3.4 million over fiscal 1998 due to growth in product sales as well as additional reserves for gaming operations activities.

Other Income and Expense

Other expense, net, for fiscal 1999 totaled \$14.9 million and was impacted by interest expense of \$31.2 million on the \$1.0 billion Senior Notes issued in May 1999. Other income, net for fiscal 1998 totaled \$15.7 million which included a gain on the sale of the IGT-Australia manufacturing facility of \$10.4 million. Operation of our MegaJackpots(TM) systems results in interest income from both the investment of cash and from investments purchased to fund jackpot payments. Interest expense on the jackpot liability is accrued at the rate earned on the investments purchased to fund the liability. Therefore, interest income and expense relating to funding jackpot winners are similar and increase at approximately the same rate based on the growth in total jackpot winners.

Business Segments Operating Profit (See Note 20 of Notes to Consolidated Financial Statements)

We operate principally in two lines of business, product sales and proprietary gaming. Gaming operations and our unconsolidated joint venture activities, reported as earnings of unconsolidated affiliates, are included in the proprietary gaming segment. Product sales and proprietary gaming operating profit reflects an allocation of selling, general, administrative and engineering expenses to each of these business segments.

Product sales operating loss was \$2.5 million for the year ended October 2, 1999, including the one-time charges for impairment and restructuring of \$98.1 million. Product sales operating profit before these charges totaled \$95.6 million compared to \$121.2 million in the prior period. This fluctuation resulted from a decline in the gross margin to 37% from 41% in the prior year, as well as increased domestic advertising, marketing, and compliance expenses, increased selling expenses in Japan, and the inclusion of a full year of operating expenses from Barcrest and Olympic.

Fiscal 1999 proprietary gaming profit increased \$10.4 million or 8% compared to fiscal 1998. This improvement resulted primarily from the continued popularity of the joint venture Wheel of Fortune (R) games and higher average interest rates, which resulted in lower costs of funding jackpot payments.

Foreign Operations

Approximately 27% of our total revenues in fiscal 2000, 31% in fiscal 1999, and 23% in fiscal 1998 were derived outside of North America. To date, we have not experienced significant translation or transaction losses related to foreign exchange fluctuations.

Financial Condition, Liquidity and Capital Resources

Capital Resources

IGT's sources of capital include, but are not limited to, cash flows from operations, the issuance of public or private placement debt, bank borrowings, and the issuance of equity securities. We believe that our available short-term and long-term capital resources are sufficient to fund our capital expenditure and operating capital requirements, scheduled debt payments, interest and income tax obligations, strategic investments, acquisitions, and share repurchases. Our sources of capital afford us the financial flexibility to target acquisition of businesses that offer opportunities to implement our operating strategies, increase our rates of return, and improve shareholder value.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Credit Facilities and Indebtedness

Our domestic and foreign borrowing facilities totaled \$273.0 million at September 30, 2000. Of this amount, \$4.6 million was drawn, \$2.8 million was reserved for letters of credit and the remaining \$265.6 million was available

for future borrowings. We are required to comply with certain covenants contained in these agreements which, among other things, limit financial commitments we may make without the written consent of the lenders and require the maintenance of certain financial ratios. At September 30, 2000, we were in compliance with all applicable covenants.

In May 1999, we completed the private placement of \$1.0 billion in aggregate principal amount of Senior Notes pursuant to rule 144A under the Securities Act of 1933. The Senior Notes were issued in two tranches: \$400 million aggregate principal amount of 7.875% Senior Notes, due May 15, 2004, priced at 99.053% and \$600 million aggregate principal amount of 8.375% Senior Notes, due May 15, 2009, priced at 98.974%. In August 1999, we exchanged all outstanding Senior Notes for identical registered notes. A portion of the proceeds was used to redeem previously outstanding 7.84% Senior Notes due 2004, which resulted in a prepayment penalty of \$3.3 million, net of tax. Additionally, we repaid outstanding borrowings under both our US and Australian credit facilities. The remaining net proceeds from the offering were used to fund our acquisition of Sodak, working capital, and share repurchases.

The issuance of our \$1.0 billion of Senior Notes could have important consequences, including: increasing our vulnerability to general adverse economic and industry conditions; limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions and other general corporate requirements; requiring a substantial portion of our cash flow from operations for the payment of interest on our indebtedness and reducing our ability to use our cash flow to fund working capital, capital expenditures, acquisitions and general corporate requirements; limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and disadvantaging us compared to competitors with less indebtedness.

Our ability to meet our debt service obligations on the Senior Notes and our other indebtedness will depend on our future performance. In addition, our bank revolving line of credit requires us to maintain specified financial ratio tests. Our ability to maintain such ratio tests will also depend on our future performance. Our future performance will be subject to general economic conditions and to financial, business, regulatory and other factors affecting our operations, many of which are beyond our control. If we were unable to maintain the financial ratio tests under the bank revolving line of credit, the lenders could terminate their commitments and declare all amounts borrowed, together with accrued interest and fees, to be immediately due and payable. If this happened, other indebtedness that contains cross-default or cross-acceleration provisions, including the Senior Notes, may also be accelerated and become due and payable. If any of these events should occur, we may not be able to pay such amounts and the Senior Notes.

Summary of Cash Activities

IGT's principal sources of cash consisted of \$128.8 million derived from operations and \$43.0 million in proceeds from the October 1999 sale of the Miss Marquette riverboat held for sale as part of the Sodak acquisition. Our primary use of cash was share repurchases of \$318.5 million.

Our proprietary MegaJackpots(TM) systems provide cash through collections from systems to fund jackpot liabilities and from maturities of US government securities purchased to fund jackpot liabilities. Cash is used to make payments to jackpot winners or to purchase investments to fund liabilities to jackpot winners. These activities used cash of \$23.2 million in the current year and \$21.3 million in fiscal 1999. The net cash provided by these activities for fiscal 1998 was \$36.3 million. Fluctuations in net cash flows from systems represent differences between the growth in liabilities for jackpots and the actual payments to the winners during the period, based on the timing of the jackpot cycles and the volume of play across all of our MegaJackpots(TM) systems.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Operating Activities: Cash flows from operating activities in fiscal 2000 resulted from the favorable operating performance discussed earlier. Fiscal 1999 operating cash flow increased due to the realization of deferred tax assets related to the timing of the tax deductibility of jackpot payments. Federal legislation was passed in October 1998 allowing jackpot winners to receive the discounted value of progressive jackpots won in lieu of annual installments.

Investing Activities: Cash provided by investing activities in the current year was primarily due to proceeds from the October 1999 sale of the Miss Marquette riverboat held for sale as part of the Sodak acquisition. The primary use of investing cash in fiscal 1999 related to our acquisition of businesses. See Note 2 of Notes to Consolidated Financial Statements. Use of cash from investing activities also included purchases of property, plant, and equipment totaling \$18.5 million in fiscal 2000, \$17.8 million in fiscal 1999, and \$16.8 million in fiscal 1998.

Financing Activities: The primary use of cash in financing activities in the current year related to treasury stock purchases. Net borrowings in the prior year periods were used primarily to fund business acquisitions, stock repurchases, and working capital.

Stock Repurchase Plan

A stock repurchase plan was originally authorized by our Board of Directors in October 1990. As of November 25, 2000, the remaining share repurchase authorization, as amended, totaled 10.8 million additional shares. During fiscal 2000, we repurchased 15.7 million shares for an aggregate purchase price of \$318.5 million, including 11.0 million shares repurchased pursuant to an issuer-tender offer at \$21 per share. During fiscal 1999, we repurchased 21.8 million shares for an aggregate purchase price of \$361.4 million. During fiscal 1998, we repurchased 5.5 million shares for an aggregate purchase price of \$122.2 million.

Recently Issued Accounting Standards

On June 30, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standards for derivative instruments and hedging activities and is effective for the first quarter of our fiscal year ending September 29, 2001. We believe that adoption of this statement will not have a material impact on our financial condition or results of operations.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 clarifies existing accounting principles related to revenue recognition in financial statements. SAB 101 is effective for the fourth quarter of our fiscal year 2001. We believe that the adoption of this statement will not have a material impact on our financial condition or results of operations.

Reclassifications

Certain amounts in the prior years' comparative consolidated financial statements have been reclassified to be consistent with the presentation used in the current fiscal year. In this report, we have reclassified our presentation of earnings from unconsolidated joint venture operations. We previously reported earnings from unconsolidated joint ventures, net of expenses, as a component of gaming operations revenues. Unless otherwise noted, revenues in this report exclude revenues, net of expenses, from our unconsolidated joint ventures. In this report and going forward, we will report the net results of our unconsolidated joint ventures as a separate component of operating income on our income statement under a separate caption titled Earnings of Unconsolidated Affiliates. This reclassification has no impact on operating income, net income, or earnings per share as reflected on our consolidated statements of income and no impact on our consolidated balance sheets and statements of cash flows.

Impact of Inflation

Inflation has not had a significant effect on IGT's operations during the last three fiscal years.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Euro Currency Conversions

On January 1, 1999, 11 of 15 member countries of the European Union fixed conversion rates between their existing currencies and one common currency - the "euro". Conversion to the euro eliminated currency exchange rate risk between the member countries. The euro trades on currency exchanges and may be used in business transactions. Beginning in January 2002, new euro-denominated bills and

coins will be issued and the former currencies will be withdrawn from circulation.

Our operating subsidiaries effected by the euro conversion have established plans to address the issues raised by the euro currency conversion. These issues include: the need to adapt financial systems and business processes; changes required to equipment, such as coin validators and note acceptors, to accommodate euro-denominated transactions in our current products; and the impact of one common currency on pricing. We do not expect material system and equipment conversion costs related exclusively to the euro. Due to numerous uncertainties, we cannot reasonably estimate the long-term effects that one common currency will have on pricing and the resulting impact, if any, on our financial condition or results of operations.

Year 2000

IGT's Year 2000 strategic plan identified initiatives necessary to minimize failures of our electronic systems to process date sensitive information in and beyond the year 2000. Necessary modifications and replacements of our critical systems were completed timely. To date we have not experienced any significant failures of our electronic systems related to year 2000 processing issues. The total cost to accomplish our year 2000 plan was \$2.7 million, of which approximately \$2.2 million was capitalized for the replacement of non-compliant equipment and software. We continue to monitor systems performance to assure compliance.

Item 7a. Quantitative and Qualitative Factors about Market Risk

Market Risk

Under established procedures and controls, we enter into contractual arrangements or derivatives, in the ordinary course of business, to hedge our exposure to foreign exchange rate and interest rate risks. The counterparties to these contractual arrangements are major financial institutions and we believe that credit loss in the event of nonperformance is remote.

Foreign Currency Risk

We routinely use forward exchange contracts to hedge our net exposures, by currency, related to the monetary assets and liabilities of our operations denominated in non-functional currency. The primary business objective of this hedging program is to minimize the gains and losses resulting from exchange rate changes. At September 30, 2000, we had net foreign currency exposure of \$58.0 million hedged with \$63.5 million in currency forward contracts. At October 2, 1999, we had net foreign currency exposure of \$41.7 million, of which \$38.8 million was hedged with currency forward contracts. In addition, from time to time, we may enter into forward exchange contracts to establish with certainty the US dollar amount of future firm commitments denominated in a foreign currency.

Given our foreign exchange position, a ten percent adverse change in foreign exchange rates upon which these foreign exchange contracts are based would result in exchange gains and losses. In all material aspects, these exchange gains and losses would be fully offset by exchange gains and losses on the underlying net monetary exposures for which the contracts are designated as hedges. We do not expect material exchange rate gains and losses from unhedged foreign currency exposures.

As currency exchange rates change, translation of the income statements of our international businesses into US dollars affects year-over-year comparability of operating results. IGT does not generally hedge translation risks because cash flows from international operations are generally reinvested locally.

Item 7a. Quantitative and Qualitative Factors about Market Risk

Changes in the currency exchange rates that would have the largest impact on translating our international operating results include the Australian dollar, the British pound and the Japanese yen. We estimate that a 10% change in foreign exchange rates would impact reported operating results by less than \$1.0 million. This sensitivity analysis disregards the possibility that rates can move in opposite directions and that gains from one area may or may not be offset by losses from another area.

Interest Rate Risk

IGT's results of operations are exposed to fluctuations in bank lending rates and the cost of US government securities, both of which are used to fund liabilities to jackpot winners. We record expense for future jackpots based on these rates which are impacted by market interest rates and other economic conditions. Therefore, the gross profit on our proprietary gaming segment decreases when interest rates decline. We estimated that a 10% decline in interest rates would impact gaming operations gross profit by \$2.3 million in the current year, \$2.2 million in fiscal 1999, and \$3.3 million in fiscal 1998. We also estimate that a 10% decline in interest rates would impact earnings of unconsolidated affiliates by \$1.6 million in fiscal 2000, \$1.2 million in fiscal 1999, and \$1.0 million in fiscal 1998. IGT currently does not manage this exposure with derivative financial instruments.

Our outstanding Senior Notes carry interest at fixed rates. If interest rates increased by 10%, then the fair market value of these notes would decrease approximately \$40.1 million at September 30, 2000 and \$45.0 million at October 2, 1999.

Item 8. Consolidated Financial Statements and Supplementary Data

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Consolidated Balance Sheets at September 30, 2000 and October 2, 1999	36
Consolidated Statements of Cash Flows for the years ended September 30, 2000, October 2, 1999 and September 30, 1998	38
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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 (the "Company") as of September 30, 2000 and October 2, 1999, 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, 2000. Our audits also included the consolidated financial statement schedule listed in the Index at Item 14(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the Company as of September 30, 2000 and October 2, 1999, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

DELOITTE & TOUCHE LLP

Reno, Nevada
November 6, 2000

Consolidated Statements of Income

<TABLE>
<CAPTION>

	Years Ended		
	September 30, 2000	October 2, 1999	September 30, 1998

(Amounts in thousands except per share amounts)			
<S>	<C>	<C>	<C>
Revenues			
Product sales	\$ 603,381	\$ 576,598	\$ 477,024
Gaming operations	295,023	277,508	281,918
	-----	-----	-----
Total revenues	898,404	854,106	758,942
	-----	-----	-----
Costs and Expenses			
Cost of product sales	375,750	365,948	279,337
Cost of gaming operations	124,806	142,497	158,528
Selling, general and administrative	150,051	129,211	105,945
Depreciation and amortization	20,897	23,955	18,635
Research and development	55,204	45,462	38,066
Provision for bad debts	10,153	8,153	4,735
Impairment of assets and restructuring charges	6	98,118	-
	-----	-----	-----
Total costs and expenses	736,867	813,344	605,246
	-----	-----	-----
Earnings of Unconsolidated Affiliates	105,991	75,556	65,181
	-----	-----	-----
Income from Operations	267,528	116,318	218,877
	-----	-----	-----
Other Income (Expense)			
Interest income	50,977	55,525	45,346
Interest expense	(102,170)	(72,764)	(41,049)
Gain on investments	4,553	5,438	1,031
Gain (loss) on the sale of assets	(917)	(562)	10,115
Other	25,016	(2,562)	212
	-----	-----	-----
Other income (expense), net	(22,541)	(14,925)	15,655
	-----	-----	-----
Income Before Income Taxes and Extraordinary Item	244,987	101,393	234,532
Provision for Income Taxes	88,195	36,081	82,086
	-----	-----	-----
Income Before Extraordinary Item	156,792	65,312	152,446
Extraordinary Loss on Early Redemption of Debt, Net of Income Tax Benefit of \$1,640	-	(3,254)	-
	-----	-----	-----
Net Income	\$ 156,792	\$ 62,058	\$ 152,446
	=====	=====	=====
Basic Earnings Per Share			
Income before extraordinary item	\$ 2.05	\$ 0.65	\$ 1.35
Extraordinary loss	-	(0.03)	-
	-----	-----	-----
Net income	\$ 2.05	\$ 0.62	\$ 1.35
	=====	=====	=====
Diluted Earnings Per Share			
Income before extraordinary item	\$ 2.00	\$ 0.65	\$ 1.33

Extraordinary loss	-	(0.03)	-
Net income	\$ 2.00	\$ 0.62	\$ 1.33
Weighted Average Common Shares Outstanding	76,586	99,461	113,064
Weighted Average Common and Potential Shares Outstanding	78,229	100,238	114,703

</TABLE>

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

Consolidated Balance Sheets

<TABLE>
<CAPTION>

	September 30, 2000	October 2, 1999
(Dollars in thousands)		
<S>	<C>	<C>
Assets		
Current assets		
Cash and cash equivalents	\$ 244,907	\$ 426,343
Investment securities, at market value	21,473	18,546
Accounts receivable, net of allowances for doubtful accounts of \$13,831 and \$8,904	219,948	193,479
Current maturities of long-term notes and contracts receivable, net of allowances	76,320	74,987
Inventories, net of allowances for obsolescence of \$24,304 and \$23,901:		
Raw materials	98,081	60,616
Work-in-process	4,593	4,902
Finished goods	44,315	51,094
Total inventories	146,989	116,612
Investments to fund liabilities to jackpot winners	27,939	27,702
Deferred income taxes	29,086	23,977
Assets held for sale	-	42,292
Prepaid expenses and other	47,564	51,302
Total Current Assets	814,226	975,240
Long-term notes and contracts receivable, net of allowances and current maturities	76,888	60,870
Property, plant and equipment, at cost		
Land	19,889	19,938
Buildings	75,891	76,050
Gaming operations equipment	87,918	87,499
Manufacturing machinery and equipment	121,512	114,912
Leasehold improvements	4,996	5,361
Total	310,206	303,760
Less accumulated depreciation and amortization	(143,297)	(121,644)
Property, plant and equipment, net	166,909	182,116
Investments to fund liabilities to jackpot winners	229,726	235,230
Deferred income taxes	97,670	89,474
Intangible assets, net	143,738	152,036
Other assets	94,559	70,094
Total Assets	\$ 1,623,716	\$ 1,765,060

</TABLE>

Consolidated Balance Sheets

<TABLE>

<CAPTION>

	September 30, 2000	October 2, 1999
(Dollars in thousands)		
<S>	<C>	<C>
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of long-term notes payable	\$ 4,621	\$ 3,278
Accounts payable	76,387	55,705
Jackpot liabilities	55,942	64,061
Accrued employee benefit plan liabilities	31,425	23,746
Accrued interest	31,369	30,684
Other accrued liabilities	59,249	58,013
Total Current Liabilities	258,993	235,487
Long-term notes payable, net of current maturities	991,507	990,436
Long-term jackpot liabilities	267,985	293,895
Other liabilities	8,646	3,024
Total Liabilities	1,527,131	1,522,842
Commitments and contingencies (See Note 14)		
Stockholders' equity		
Common stock, \$.000625 par value; 320,000,000 shares authorized; 153,739,686 and 152,871,297 shares issued	96	96
Additional paid-in capital	278,825	261,941
Retained earnings	1,043,184	886,392
Treasury stock; 81,170,767 and 65,515,867 shares, at cost	(1,215,707)	(897,234)
Accumulated other comprehensive loss	(9,813)	(8,977)
Total Stockholders' Equity	96,585	242,218
Total Liabilities and Stockholders' Equity	\$ 1,623,716	\$ 1,765,060

</TABLE>

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

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Years Ended		
	September 30, 2000	October 2, 1999	September 30, 1998
(Dollars in thousands)			
<S>	<C>	<C>	<C>
Cash Flows from Operating Activities			
Net income	\$ 156,792	\$ 62,058	\$ 152,446
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	54,387	61,448	44,494
Amortization of discounts and deferred offering costs	2,457	879	-
Provision for bad debts	10,153	8,153	4,735
Provision for inventory obsolescence	16,001	19,185	9,173
Gain on investment securities and fixed assets	(3,636)	(4,876)	(11,146)
Common stock awards	1,216	1,005	1,973
(Increase) decrease in assets, net of effects from acquisitions of businesses:			
Receivables	(32,878)	17,257	8,585
Inventories	(67,430)	(32,403)	(57,690)

Prepaid expenses and other	(5,993)	(21,867)	(21,696)
Other assets	(8,458)	(8,864)	6,473
Net accrued and deferred income taxes, net of tax benefit of employee stock plans	(17,394)	38,165	(22,343)
Increase in accounts payable and accrued liabilities, net of effects from acquisitions of businesses	44,610	13,481	6,187
Impairment of assets and restructuring charges	6	98,118	-
Extraordinary loss on debt retirement	-	4,894	-
Earnings of unconsolidated affiliates (in excess of) less than distributions	(20,993)	4,806	(14,042)
Other	-	-	(23)
Total adjustments	(27,952)	199,381	(45,320)
Net cash provided by operating activities	128,840	261,439	107,126

</TABLE>

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Years Ended		
	September 30, 2000	October 2, 1999	September 30, 1998
(Dollars in thousands)			
<S>	<C>	<C>	<C>
Cash Flows from Investing Activities			
Cash advanced on loans receivable	(25,327)	-	-
Payments received on loans receivable	3,519	-	-
Investment in property, plant and equipment	(18,460)	(17,751)	(16,828)
Proceeds from sale of property, plant and equipment	11,503	2,988	24,452
Purchase of investment securities	(14,034)	(12,510)	(15,191)
Proceeds from sale of investment securities	12,758	11,957	12,528
Proceeds from investments to fund liabilities to jackpot winners	30,469	194,957	40,286
Purchase of investments to fund liabilities to jackpot winners	(25,202)	(43,589)	(102,122)
Proceeds from sale of other assets	43,249	-	-
Investment in unconsolidated affiliates	(55)	(26,229)	(1,422)
Acquisition of businesses, net of cash acquired	-	(198,860)	(181,764)
Net cash provided by (used in) investing activities	18,420	(89,037)	(240,061)
Cash Flows from Financing Activities			
Proceeds from long-term debt	12,008	1,636,276	624,199
Principal payments on debt	(10,408)	(1,013,484)	(430,018)
Payments on jackpot liabilities	(111,251)	(261,899)	(40,286)
Collections from systems to fund jackpot liabilities	82,769	89,184	138,442
Proceeds from employee stock plans	13,287	3,693	7,484
Purchases of treasury stock	(318,473)	(361,419)	(122,180)
Penalties paid on early retirement of debt	-	(4,658)	-
Payments of cash dividends	-	(6,474)	(13,594)
Net cash provided by (used in) financing activities	(332,068)	81,219	164,047
Effect of Exchange Rate Changes on Cash and Cash Equivalents	3,372	(2,691)	(7,470)
Net Increase (Decrease) in Cash and Cash Equivalents	(181,436)	250,930	23,642
Cash and Cash Equivalents at:			
Beginning of Year	426,343	175,413	151,771
End of Year	\$ 244,907	\$ 426,343	\$ 175,413

</TABLE>

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

Consolidated Statements of Changes in Stockholders' Equity

<TABLE>
<CAPTION>

	Years Ended		
	September 30, 2000	October 2, 1999	September 30, 1998
(Amounts in thousands)			
<S>	<C>	<C>	<C>
Common Stock			
Balance at beginning of year 152,871; 152,587; and 151,883 shares	\$ 96	\$ 95	\$ 95
Employee stock plans 869; 284; and 704 shares	-	1	-
Balance at end of year 153,740 shares at 2000	\$ 96	\$ 96	\$ 95
Additional Paid-In Capital			
Balance at beginning of year	\$ 261,941	\$ 256,656	\$ 243,950
Employee stock plans	13,287	3,710	7,484
Common stock awards	1,216	1,005	1,973
Tax benefit of employee stock plans	2,381	570	3,249
Balance at end of year	\$ 278,825	\$ 261,941	\$ 256,656
Retained Earnings			
Balance at beginning of year	\$ 886,392	\$ 827,542	\$ 688,545
Dividends declared	-	(3,208)	(13,449)
Net income	156,792	62,058	152,446
Balance at end of year	\$ 1,043,184	\$ 886,392	\$ 827,542
Treasury Stock			
Balance at beginning of year	\$ (897,234)	\$ (535,797)	\$ (413,617)
Purchases of treasury stock	(318,473)	(361,437)	(122,180)
Balance at end of year	\$ (1,215,707)	\$ (897,234)	\$ (535,797)
Accumulated Comprehensive Income (Loss) (a)			
Balance at beginning of year	\$ (8,977)	\$ (7,220)	\$ 874
Other comprehensive loss	(836)	(1,757)	(8,094)
Balance at end of year	\$ (9,813)	\$ (8,977)	\$ (7,220)
Summary of Total Comprehensive Income (a)			
Net income	\$ 156,792	\$ 62,058	\$ 152,446
Other comprehensive loss	(836)	(1,757)	(8,094)
Comprehensive income	\$ 155,956	\$ 60,301	\$ 144,352

</TABLE>

(a) All items of comprehensive income and other comprehensive income are displayed net of tax effects (see Note 16).

The accompanying notes are an integral part of these consolidated financial

Notes to Consolidated Financial Statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

International Game Technology (referred throughout these notes, together with its consolidated subsidiaries where appropriate, as IGT, the Company, we, our and us) was incorporated in December 1980 to acquire the gaming licensee and operating entity, IGT, and to facilitate our initial public offering. We operate principally in two lines of business: the development, manufacturing, marketing and distribution of gaming products referred to as "Product Sales" and the development, marketing and operation of wide-area progressive systems and gaming equipment leasing referred to as "Proprietary Gaming". This segment includes our wholly-owned gaming operations and our unconsolidated joint venture activities reported as earnings of unconsolidated affiliates. Our revenues are generated domestically in the US and Canada, and internationally in Australia, Europe, Japan, Latin America, New Zealand, South Africa, and the United Kingdom.

Product Sales

IGT manufactures domestically a broad range of gaming machines, consisting of traditional spinning reel slot machines, video gaming machines, government-sponsored and other video gaming devices. For our domestic and certain international markets, we offer hundreds of recognized game themes. We typically sell our machines directly or through distributors to casino operators, but may in certain circumstances finance the sale or lease of equipment to the operator.

Gaming machines for the markets in Australia, Europe, Latin America and South Africa are similar to the spinning reel and video games in North America. Features differ in each market, but the games are generally multiple coin games with random outcomes paid in coins returned to the customer. In some jurisdictions, the machines pay out in the form of tickets, vouchers or tokens, rather than coins. Gaming machines in Japan and the United Kingdom markets are produced locally and differ substantially from domestic machines.

In addition to gaming machines, IGT develops and sells computerized casino management systems which provide casino operators with slot and table game accounting, player tracking and specialized bonusing capabilities. We also develop and sell specialized proprietary systems to allow the lottery authorities to monitor video lottery terminals. We derive revenue related to the operation of these systems and collect license and franchise fees for the use of the systems.

Proprietary Gaming

Approximately 5% of the domestic installed base of all gaming machines generate recurring revenue including wide-area progressive systems and stand-alone machines in which the manufacturer participates in the revenue from the machine on a percentage or fee basis. Wide-area progressive systems are electronically-linked, inter-casino systems that connect gaming machines to a central computer, allowing the system to build a "progressive" jackpot with every wager made throughout the system until a player hits a winning combination. In the North American market, IGT estimates it holds more than a 70% share of the installed base of these machines.

We have developed and operated wide-area progressive systems since 1986. As of September 30, 2000, IGT operated 149 such systems in 17 domestic jurisdictions, including Nevada, New Jersey, and Native American markets, as well as internationally in Iceland. Stand alone versions of some of the recurring revenue games are also operated in Colorado, Connecticut, Illinois, Indiana, Louisiana, Nevada, Canada, and on cruise ships.

We operate some of these systems under joint marketing alliances, principally with Anchor Gaming (Anchor). The purpose of these strategic alliances is to combine the game development efforts of other companies with IGT's wide-area progressive system expertise. Wide-area progressive systems are designed to increase gaming machine play for participating casinos by giving players the opportunity to win larger or more frequent jackpots than on machines not linked

to progressive systems. Win (net earnings to the operator) per machine on machines linked to progressive systems are generally higher than on stand-alone machines.

Notes to Consolidated Financial Statements

Principles of Consolidation and Revenue Recognition

The consolidated financial statements include the accounts of International Game Technology and all of its majority-owned subsidiaries. Investments in unconsolidated affiliates which are 50% or less owned are accounted for under the equity method. All material inter-company accounts and transactions have been eliminated.

Product Sales

IGT makes product sales for cash, on normal credit terms of 90 days or less, and over longer term installments. Generally, sales are recorded when the products are shipped and title passes to the customer.

Gaming Operations

The following table shows the revenues from gaming operations:

	Years Ended		
	September 30, 2000	October 2, 1999	September 30, 1998
(Dollars in thousands)			
Gaming Operations			
Proprietary systems	\$249,952	\$244,808	\$253,318
Lease operations	45,071	32,700	28,600
	-----	-----	-----
Total	\$295,023	\$277,508	\$281,918
	=====	=====	=====

Gaming operations revenues consist of revenues relating to the operation of the proprietary games, either connected to progressive jackpot systems or in stand-alone formats, and the lease and rental of gaming and video lottery machines. Revenues from proprietary jackpot systems are recognized monthly based on a percentage of the revenue, or "coin in". Revenues from proprietary games in stand-alone format are recognized monthly based on the net win that the game generates for the operator. Lease and rental revenue is recognized with the passage of time.

The operation of linked progressive systems varies among jurisdictions as a result of different gaming regulations. In all jurisdictions, the jackpot on wide area progressive systems increases based on the coin-in. The casinos pay a percentage of the coin-in to IGT, an administrator or a trust to fund the progressive jackpot. This percentage of coin-in (contribution) is recognized as revenue. Concurrently, IGT, the administrator or the trust recognize a liability (liability for jackpots not yet won) and jackpot expense (recorded in cost of gaming operations) for the cost to fund this jackpot in the future.

Funding of the progressive jackpot differs by jurisdiction but is generally administered by IGT. Jackpots are currently paid in equal installments over a 20 to 26 year period or winners can elect to receive the discounted value of the jackpot in lieu of annual installments. Jackpots on some of our newer MegaJackpots(TM) games are paid out at the time they are won. In Atlantic City, the progressive jackpot fund is administered by a trust managed by representatives of the participating casinos. The trust records a liability to IGT for an annual casino licensing fee as well as an annual machine rental fee for each machine. In Colorado, funding of progressive jackpots is administered by a separate fund managed by IGT. Progressive system lease fees are paid to IGT from this fund. A linked progressive system is also operated by a trust in Iowa. IGT derives revenue based on trust profits.

Notes to Consolidated Financial Statements

Earnings of Unconsolidated Affiliates

IGT operates several proprietary systems under joint venture agreements, principally with Anchor Gaming, that are accounted for under the equity method. Because the nature of the operations of these joint ventures are the same as our gaming operations and these activities are an integral part of our business, the earnings from unconsolidated affiliates is included as a component of income from operations. In accordance with the equity method, IGT's portion of joint venture income is recorded net of expenses and is presented on the income statement under a separate caption titled Earnings of Unconsolidated Affiliates.

Research and Development

Research and development costs are expensed as incurred. Research and development performed for specific customers is charged to cost of product sales when the related sale is recorded.

Cash and Cash Equivalents

Cash and cash equivalents includes operating cash and cash required for funding progressive systems jackpot payments. 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.

Investment Securities

Our investment securities are classified as available-for-sale and stated at market value. Unrealized gains and losses, net of income tax effects, are excluded from income and reported as a component of accumulated other comprehensive income. Market value is determined by the most recently traded price of the security at the balance sheet date. Net realized gains or losses are determined on the specific identification cost method.

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:

Buildings	39 to 40 years
Gaming operations equipment	2 to 5 years
Manufacturing machinery and equipment	2 to 15 years
Leasehold improvements	Term of lease
Excess of cost over net assets acquired	40 years

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.

Long-Lived Assets

We review the carrying amount of long-lived assets and certain identifiable intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In fiscal 1999, our review of the recoverability of certain long-lived and intangible assets resulted in charges to income for the estimated impairment of these assets (see Note 8).

Notes to Consolidated Financial Statements

Investments to Fund Liabilities to Jackpot Winners

These investments represent discounted US Treasury Securities purchased to meet obligations for annual payments to progressive systems jackpot winners. We have both the intent and ability to hold these investments to maturity and, therefore, classify them as held-to-maturity. Accordingly, these investments are stated at cost, adjusted for amortization of premiums and accretion of discounts over the term of the security, using the interest method. Securities in this portfolio have maturity dates through 2027. Certain events during fiscal 1999 prompted IGT to sell a portion of these investments prior to maturity (see Note 4).

Other Assets

Other assets are primarily comprised of investments in joint ventures which are accounted for under the equity method and deferred offering costs related to Senior Notes issued in May 1999 (see Note 9). Other assets also include deferred royalties, deposits and certain investments.

Earnings Per Share

Earnings per share is computed based on the weighted average number of common and potential shares outstanding.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

The functional currency of certain of IGT's international subsidiaries is the local currency. For those subsidiaries, assets and liabilities are translated at exchange rates in effect at the balance sheet date, and income and expense accounts at average exchange rates during the year. Resulting translation adjustments are recorded directly to accumulated other comprehensive income within stockholders' equity. Gains and losses resulting from foreign currency transactions are recorded in income. For subsidiaries whose functional currency is the US dollar, gains and losses on non-US dollar denominated assets and liabilities are recorded in income.

Derivatives

IGT uses derivative financial instruments to reduce our exposure resulting from fluctuations in foreign exchange rates and interest rates. Derivative financial instruments are used to minimize our net exposure, by currency, related to the foreign currency denominated monetary assets and liabilities of our operations. These gains and losses are included in income. From time to time, we may hedge firm foreign currency commitments by entering into forward exchange contracts. Gains and losses on these hedges are included as a component of the hedged transaction when recorded. At times IGT may enter into interest rate swap agreements to effectively manage variable interest rate fluctuations. Amounts paid under these interest rate swap agreements are accrued as interest rates change and are recognized over the life of the agreement as an adjustment to interest expense. The counterparties to each of these agreements are major commercial banks. We believe that losses related to credit risk are remote.

Recently Issued Accounting Standards

On June 30, 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 133, "Accounting for Derivative Instruments and Hedging Activities". This statement establishes accounting and reporting standards for derivative instruments and hedging activities and is effective for the first quarter of our fiscal year ending September 29, 2001. We believe that adoption of this statement will not have a material impact on our financial condition or results of operations.

Notes to Consolidated Financial Statements

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 clarifies existing accounting principles related to revenue recognition in financial statements. SAB 101 is effective for the fourth quarter of our fiscal year 2001. We believe that the adoption of this statement will not have a material impact on our financial condition or results of operations.

Reclassifications

Certain amounts in the comparative prior years' consolidated financial statements have been reclassified to be consistent with the presentation used in the current fiscal year. In this report, we have reclassified our presentation

of earnings from unconsolidated joint venture operations. We previously reported earnings from unconsolidated joint ventures, net of expenses, as a component of gaming operations revenues. Unless otherwise noted, revenues in this report exclude revenues, net of expenses, from our unconsolidated joint ventures. In this report and going forward, we will report the net results of our unconsolidated joint ventures as a separate component of operating income on the income statement under a separate caption titled Earnings of Unconsolidated Affiliates.

Year End

IGT changed its fiscal year end to the Saturday closest to September 30, beginning with the fiscal year ended October 2, 1999. Similarly, subsequent quarters end on the Saturday closest to the last day of the quarter end month.

2. Acquisitions, Divestitures, and Subsequent Events

Acquisitions

In September 1999, we completed the purchase of Sodak, a South Dakota-based distributor of casino gaming products and software systems to Native American casinos and gaming operators in the US. The purchase method of accounting for business combinations was applied to the Sodak acquisition. Accordingly, the aggregate purchase price of \$198.9 million was allocated to the net assets of \$87.0 million based on estimated fair values of the tangible assets and liabilities at the date of acquisition. The Miss Marquette riverboat, with its associated real property and assets, was classified as an asset held for sale in the purchase price and net assets of the Sodak acquisition. It was subsequently sold for \$43.0 million. The excess of the purchase price over the net assets acquired totaled \$111.9 million. This acquisition was funded primarily by the issuance of Senior Notes in May 1999. Results of Sodak since the closing of the acquisition are included in the results of operations.

The following unaudited pro forma financial information is presented as if the Sodak acquisition had been made at the beginning of fiscal 1998:

	October 2, 1999	September 30, 1998
--	--------------------	-----------------------

(Dollars in thousands, except per share amounts)

Total revenues	\$887,881	\$784,847
Income before extraordinary item	65,698	144,486
Net income	62,444	144,486
Earnings per share:		
Basic	\$ 0.63	\$ 1.28
Diluted	\$ 0.62	\$ 1.26

In June 1999, we made an investment in Access Systems Pty., Limited (Access) of Sydney, Australia. During the latter half of fiscal 1999 and the first quarter of fiscal 2000, we owned a minority interest in Access. We also held options to purchase additional shares and notes convertible into capital stock of Access. We used the equity method of accounting for this investment. In December 1999, notes receivable increased by \$3.9 million as a result of converting our equity interest in Access to a debt instrument.

Notes to Consolidated Financial Statements

In March 1998, we purchased Barcrest Limited (Barcrest), a Manchester, England-based manufacturer and supplier of gaming related amusement devices, and purchased certain assets of Olympic Amusements Pty. Limited (Olympic), a manufacturer and supplier of electronic gaming machines, gaming systems and other gaming equipment and services to the Australian gaming market. The purchase method of accounting for business combinations was applied to the Barcrest and Olympic acquisitions. The aggregate purchase price of \$181.8 million was allocated to the net assets of \$76.5 million based on estimated fair values of the tangible assets, intangible assets and liabilities at the dates of acquisition. The excess of the purchase price over the net assets acquired totaled \$105.3 million. These acquisitions were funded primarily with additional borrowings on our line of credit, as well as long-term borrowings by our Australian subsidiary. See Note 8 for a discussion regarding Olympic.

Divestitures

In July 2000, in a move to eliminate duplication within our operations in Japan,

we sold Barcrest KK, the Japanese subsidiary of Barcrest, for a gain of \$3.2 million (\$2.0 million net of tax). The net cash proceeds from the sale were \$9.8 million and the net assets disposed of were \$6.6 million. The purchaser is a Japanese company engaged in the manufacture, development, and sale of pachinko and pachisuro slot machines.

Subsequent Events

In October 2000, IGT began negotiations to acquire Silicon Gaming, Inc. (Silicon). Silicon, headquartered in Palo Alto, California, designs and manufactures a full line of innovative wagering products and holds an extensive library of game applications. Under the terms of the proposed transaction, the total consideration paid by IGT would be approximately \$45.0 million. If a definitive agreement is reached, completion of the business combination will be conditioned upon regulatory approvals, Silicon shareholder approval and other customary closing conditions.

3. Investment Securities

Available-for-sale investment securities consisted of the following:

	Net	Gross Unrealized		Market
	Cost	Gains	Losses	Value
(Dollars in thousands)				
September 30, 2000				
US government obligations	\$ 10,010	\$ -	\$ (122)	\$ 9,888
Equity securities	12,397	102	(914)	11,585
Total investment securities	\$ 22,407	\$ 102	\$ (1,036)	\$ 21,473
October 2, 1999				
US government obligations	\$ 10,010	\$ -	\$ (60)	\$ 9,950
Equity securities	10,083	-	(1,487)	8,596
Total investment securities	\$ 20,093	\$ -	\$ (1,547)	\$ 18,546

At September 30, 2000, debt securities had maturity dates ranging from five months to 14 years.

Below is a summary of sales of available-for-sale securities for the years ended:

	September 30, 2000	October 2, 1999	September 30, 1998
(Dollars in thousands)			
Proceeds from sales	\$12,758	\$11,956	\$12,528
Gross realized gains	1,441	5,852	1,145
Gross realized losses	403	27	187
Permanent impairment loss recognized	-	236	-

Notes to Consolidated Financial Statements

4. Investments to Fund Liabilities to Jackpot Winners

Held-to-maturity investments to fund liabilities to jackpot winners consisted of the following:

	Amortized	Gross Unrealized		Market
	Cost	Gains	Losses	Value
(Dollars in thousands)				
September 30, 2000				
US government obligations	\$257,665	\$13,584	\$ (4,006)	\$267,243
October 2, 1999				
US government obligations	\$262,932	\$10,202	\$ (4,892)	\$268,242

Federal legislation was passed in October 1998 permitting jackpot winners to receive the discounted value of progressive jackpots won in lieu of annual installments. For jackpots won prior to the effective date of the legislation, the winner was able to make this election after July 1, 1999. Upon a winner's election after July 1, 1999, investments held by IGT to fund the winner's liability were sold to settle the liability. The offer for these past winners to elect a single cash payment has now expired and we do not anticipate additional sales of these held-to-maturity investments.

Since all proceeds from the sale of these securities were paid to jackpot winners, the net realized gain was offset by an equal loss on the settlement of winner liabilities. Below is a summary of sales of these securities for the years ended:

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
Proceeds from sales	\$3,020	\$154,146	-
Gross realized gains	99	5,682	-
Gross realized losses	10	2,025	-

5. Notes and Contracts Receivable

IGT 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.

Notes to Consolidated Financial Statements

The following table represents the estimated future collections of notes and contracts receivable, net of allowances, at September 30, 2000:

Fiscal Year	Estimated Receipts

(Dollars in thousands)	
2001	\$ 76,320
2002	40,996
2003	14,125
2004	4,159
2005	1,402
Thereafter	16,206

	\$ 153,208
	=====

At September 30, 2000 and October 2, 1999, the following allowances for doubtful notes and contracts were netted against current and long-term maturities:

	September 30, 2000	October 2, 1999

(Dollars in thousands)		
Current	\$ 14,607	\$ 14,157
Long-term	3,426	5,497
	-----	-----
	\$ 18,033	\$ 19,654
	=====	=====

Occasionally, IGT has provided loans, other than for gaming equipment, to customers. With the acquisition of Sodak and the restructuring of CMS-International (CMS) (see Note 6), our portfolio of this type of loan has increased. Included in total notes and contracts receivable were loans of \$49.4 million at September 30, 2000 and \$27.6 million at October 2, 1999. Allowances for doubtful loans were \$60,000 at September 30, 2000, and \$58,000 at October 2, 1999. These loans are generally for terms of one to five years with interest at prevailing rates.

6. Concentrations of Credit Risk

The financial instruments that potentially subject us to concentrations of credit risk consist principally of cash and cash equivalents and accounts, contracts, and notes receivable. At September 30, 2000, we had bank deposits in excess of insured limits of approximately \$43.6 million.

Product sales and the resulting receivables are concentrated in specific legalized gaming regions. We also distribute a portion of our products through third party distributors resulting in significant distributor receivables. We did not have sales to a single customer which exceeded 10% of revenues during fiscal 2000, 1999 or 1998. Accounts, contracts, and notes receivable by region as a percentage of total receivables at September 30, 2000 were as follows:

Domestic Region	
Native American casinos	30%
Nevada	29%
Riverboats (greater Mississippi River area)	7%
Other US regions (individually less than 3%)	10%

Total domestic	76%

Notes to Consolidated Financial Statements

International Region	
Europe	7%
Australia	6%
Latin America	5%
Other international (individually less than 3%)	6%

Total international	24%

Total	100%
	=====

In September 1993, we sold our equity ownership interest in CMS to Summit Casinos-Nevada, Inc., whose owners included senior management of CMS. During fiscal 1999 we remained as guarantor on certain indebtedness of CMS, which at October 2, 1999 had an aggregate outstanding balance of \$14.4 million, including principal and accrued interest. CMS was restructured in November 1999, at which time we purchased the notes from the lender and restructured the terms with the new owners. The revised notes call for monthly payments of principal and interest and have a maturity date of December 31, 2008. The notes remain collateralized by the respective casino properties. At September 30, 2000, the outstanding balances of these notes totaled \$13.9 million. At this time we do not believe a reserve against these notes is necessary.

7. Intangible Assets

Intangible assets consisted of the following:

	September 30, 2000	October 2, 1999

(Dollars in thousands)		
Intellectual property	\$ 1,650	\$ 1,650
Excess of cost over net assets acquired	148,631	153,209
	-----	-----
	150,281	154,859
Less accumulated amortization	(6,543)	(2,823)
	-----	-----
	\$ 143,738	\$ 152,036
	=====	=====

During fiscal 1999, intangible assets increased by \$111.9 million in connection with our acquisition of Sodak (see Note 2) and decreased by \$86.8 million as a result of impairment charges recorded relating to our purchase of Olympic. See Note 8 for a discussion of the reasons for the impairment charges.

8. Impairment of Assets and Restructuring Costs

IGT - Australia

Acquisition of Olympic

As discussed in Note 2, IGT-Australia acquired the assets of Olympic in March 1998. The acquisition price was \$110.5 million. The goal of the Olympic acquisition was to make our Australian operation a stronger and more efficient competitor in the Australian market place and enhance our profitability through the integration of our Australian operation and that of Olympic.

The Olympic purchase price was allocated to net tangible assets of \$8.4 million, identifiable intangibles of \$40.2 million, and \$61.9 million to excess of cost over net assets acquired or goodwill. Net tangible assets were comprised of accounts receivable, raw materials, and manufacturing machinery and equipment, offset by accrued liabilities. The

Notes to Consolidated Financial Statements

identifiable intangible assets represented intellectual property consisting of technology, designs, know-how, patents, trademarks, brand names, and copyrights.

Due to events and difficulties we experienced related to the acquisition of Olympic, as described below, we recorded an impairment charge of \$86.8 million in the fourth quarter of fiscal 1999.

Operational and Other Issues Encountered after Acquisition

After the acquisition, several unforeseen events negatively impacted our Australian operations and resulted in financial results much below those anticipated. Factors contributing to the unfavorable financial results included failure of the planned integration of our existing operations and those of Olympic, changes in our Australian management, adverse changes in the regulatory environment, product performance issues, and new competition. As discussed below, we experienced problems following the acquisition in March 1998 through September 1999. In the fourth quarter of fiscal 1999, management made the decision to abandon the Olympic product line and determined there was no current or future benefit in the identifiable assets acquired from Olympic. Impairment charges were recorded at that time.

In May 1998, the workers at the Olympic manufacturing facility in Melbourne went on strike. We were forced to combine manufacturing for both IGT and Olympic products in the existing Sydney plant much sooner than anticipated in the original integration plan. Additionally, several key staff of Olympic declined to relocate to Sydney. As a result, we experienced severe difficulty processing orders, manufacturing machines, and servicing customers. Australian management began focusing on the day-to-day product issues and the overall integration plans were not the priority. In June 1998, IGT-Australia's Managing Director who played a key role in the acquisition resigned. Turnover at this level of management hampered the execution of the integration plan and adversely affected the performance of the acquired operations.

In October 1998, new Australian regulations required that the approval process for new gaming machines and products use self-testing followed by a final review by regulators assigned to the individual gaming suppliers. When IGT and Olympic combined, we were given one regulatory approval channel instead of maintaining the two that the companies had before the acquisition. The implementation of the new self-testing processes combined with the decrease in regulatory resources resulted in delays in product approval, slowed the release of new products and adversely affected sales. In addition, we identified performance issues with the acquired product line. Olympic had developed two gaming machine platforms, the OA2 and the OA3, along with the Sentinel gaming system product. The OA2 machine hardware and operating system and the OA3 base platform were unstable, resulting in customer complaints and costly retrofits. The Sentinel product had technical problems that would have required additional investments to resolve. In March 1999, IGT-Australia's second Managing Director along with the IGT-Australia's Sales Director resigned. Competitors capitalized on our performance problems during this period and increased sales while our sales declined.

We continued to experience turnover in key positions when the Operations Manager resigned in the third quarter of 1999 and the IGT-Australia's Game Development

Manager, Marketing Director, and Business Development Director resigned during the fourth quarter of 1999. Although the newest IGT-Australia's Managing Director had developed a revised business plan and implemented positive changes in the sales department, these improvements were not enough to overcome the problems that had developed from the time of the acquisition through the end of September 1999. Also in the fourth quarter of fiscal 1999, IGT management made the decision to abandon the OA2, OA3, and the Sentinel products acquired. We did not realize any benefit from what we thought would be complimentary products. The financial results during fiscal 1999 did not meet our expectations and our market share in Australia following the acquisition had declined instead of increased.

Notes to Consolidated Financial Statements

Development of Restructuring Plan and Recognition of Impairment

In the fourth quarter of fiscal 1999, management considered the available facts in determining a go-forward strategy for IGT-Australia. Given the unfavorable operating results, poor product performance, loss of customer confidence and market share, personnel turnover and changes in the regulatory operating environment in Australia, we believed we would not attain our original acquisition goals. Management concluded that it was in our best interest as a global gaming supplier to continue pursuing the Australian market and develop a comprehensive restructuring plan with several strategic initiatives aimed at stabilizing the Australian operations, reducing the overall complexity of the business and improving its operating performance. In connection with this plan, restructuring costs of \$6.0 million were recognized in the fourth quarter of fiscal 1999, comprised of \$4.0 million for inventory obsolescence and \$2.0 million for asset and facility redundancy costs. During fiscal 2000, we recorded additional restructuring charges of \$1.9 million related to the elimination of certain administrative and manufacturing positions in Australia. As of September 30, 2000, 130 positions were eliminated resulting in payments of \$2.3 million. Other restructuring costs of \$1.1 million were paid during fiscal 2000.

During the fourth quarter of 1999, due to the events and circumstances that had occurred since the acquisition of Olympic described above, we prepared a financial analysis to determine if, and to what extent, the identifiable intangible assets and goodwill recorded in connection with the acquisition of Olympic were impaired. In accordance with SFAS 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of", we estimated the projected future cash flows of the business based on reasonable and supportable assumptions and projections. This financial analysis indicated the expected discounted and undiscounted future cash flows were less than the carrying amounts of the intangible assets and goodwill, and the assets were fully impaired. These intangible assets held no remaining value and did not provide any future potential benefit.

The eventual success of the restructuring plan hinged on our ability to develop a simplified product plan incorporating hardware designs and software platforms not yet developed and a suite of games utilizing the new platform. Given our experiences with the pace of regulatory approval, there was uncertainty as to the actual time frame required to implement this initiative. Market acceptance of the reduced product set and player acceptance of the new games would be equally important. The plan included producing machines for the Australia market in the United States in order to achieve cost improvements. This would also require regulatory approval, which was again a significant uncertainty. Finally, the significant changes in management created an uncertainty whether these strategic initiatives could be successfully implemented.

Given the financial analysis, consideration of the risks and uncertainties of the restructuring plan along with the abandonment of all Olympic product lines, software, trademarks and brand names, we determined the total unamortized balance of intangible assets including intellectual property and goodwill was fully impaired. In accordance with SFAS 121, we recorded an impairment charge of \$86.8 million in the fourth quarter of fiscal 1999.

IGT - Brazil

In the fourth quarter of fiscal 1999, the government in Brazil rescinded the law allowing gaming devices in bingo halls throughout this market. At that time, we recorded impairment charges of \$5.3 million relating to our assessment of the recoverability of our inventories and receivables in Brazil. During fiscal 2000, we received payments of \$1.9 million for receivables and inventories previously

considered fully impaired.

Notes to Consolidated Financial Statements

9. Notes Payable

Notes payable consisted of the following:

	September 30, 2000	October 2, 1999

(Dollars in thousands)		
Senior notes, net of unamortized discount	\$ 991,507	\$ 990,436
Credit facilities	4,621	3,278
	-----	-----
Total	996,128	993,714
Less current maturities	(4,621)	(3,278)
	-----	-----
Long-term notes payable, net of current maturities	\$ 991,507	\$ 990,436
	=====	=====

The following table represents the future fiscal year principal payments of our notes payable at September 30, 2000:

Fiscal Year	Principal Payments

(Dollars in thousands)	
2001	\$ 4,621
2002	-
2003	-
2004	400,000
2005	-
2006 and after	600,000

Total principal payments	1,004,621
Less unamortized discount	(8,493)

Net notes payable	\$ 996,128
	=====

Senior Notes

In May 1999, IGT completed the private placement of \$1.0 billion in aggregate principal amount of Senior Notes pursuant to rule 144A under the Securities Act of 1933. The Senior Notes were issued in two tranches: \$400 million aggregate principal amount of 7.875% Senior Notes, due May 15, 2004, priced at 99.053%; and \$600 million aggregate principal amount of 8.375% Senior Notes, due May 15, 2009, priced at 98.974%. In August 1999, we exchanged all outstanding Senior Notes for identical registered notes. A portion of the proceeds was used to redeem previously outstanding 7.84% Senior Notes due 2004, which resulted in a prepayment penalty of \$3.3 million (net of tax) reflected as an extraordinary item in fiscal 1999. Additionally, we repaid outstanding borrowings under both our US and Australian credit facilities. The remaining net proceeds from the offering were used to fund our acquisition of Sodak, working capital, and share repurchases.

Credit Facilities

Our domestic and foreign borrowing facilities totaled \$273.0 million at September 30, 2000. Of this amount, \$4.6 million was drawn, \$2.8 million was reserved for letters of credit, and the remaining \$265.6 million was available. We are required to comply with certain covenants contained in these agreements which, among other things, limit financial commitments we may make without the written consent of the lenders and require the maintenance of certain financial ratios. At September 30, 2000, we were in compliance with all applicable covenants.

Notes to Consolidated Financial Statements

10. Commitments

We lease certain of our facilities and equipment under various agreements for periods through the year 2006. The following table shows the future minimum rental payments required under these operating leases which have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 2000.

Fiscal Year	Operating Leases

(Dollars in thousands)	
2001	\$ 5,637
2002	3,489
2003	1,558
2004	638
2005	194
2006 and after	198

Total minimum payments	\$ 11,714
	=====

Certain of the facility leases provide that we pay utilities, maintenance, property taxes, and certain other operating expenses applicable to the leased property, including liability and property damage insurance. The lease term for our previous manufacturing facility in Reno, Nevada extends through February 2003 and the related payments are included in the schedule above. We have sublet approximately half of this facility to third parties. The terms of the sublease agreements call for receipts of \$2.3 million for the period of October 2000 through February 2003. We previously accrued for the future gross lease payments of these abandoned buildings, net of anticipated sublease receipts, and do not anticipate additional impact on our results of operations.

Our total rental expense was approximately \$5.9 million for fiscal 2000, \$6.0 million for fiscal 1999 and \$5.1 million for fiscal 1998.

11. Jackpot Liabilities

IGT receives a percentage of the amounts wagered or fees for machine rental and service from the linked wide-area progressive systems to fund the related jackpot payments. Winners may elect to receive a single payment of the discounted value of the jackpot won or annual installments. Equal annual installments are paid over 20 to 26 years without interest. The following schedule sets forth the future gross payments due to jackpot winners under these systems at September 30, 2000:

Fiscal Year	Payments

(Dollars in thousands)	
2001	\$ 30,251
2002	27,939
2003	27,896
2004	27,769
2005	27,769
2006 and after	271,029

	\$ 412,653
	=====

Notes to Consolidated Financial Statements

Jackpot liabilities include discounted payments due to winners for jackpots won, as well as amounts accrued for the cost of funding jackpots not yet won that are contractual obligations of IGT. Jackpot liabilities consist of the following:

	September 30, 2000	October 2, 1999

(Dollars in thousands)		
Gross payments due to jackpot winners	\$ 412,653	\$ 431,661
Unamortized discount on payments to jackpot winners	(151,472)	(164,481)
Accrual for jackpots not yet won	62,746	90,776

Total jackpot liabilities	323,927	357,956
Less current liabilities	(55,942)	(64,061)

Long-term jackpot liabilities	----- \$ 267,985 =====	----- \$ 293,895 =====
-------------------------------	------------------------------	------------------------------

We amortize the discounts on the jackpot liabilities to interest expense. During fiscal 2000, we recorded interest expense on jackpot liabilities of \$17.3 million, \$25.9 million in fiscal 1999, and \$25.6 million in fiscal 1998. We were required to maintain cash and investments relating to systems liabilities totaling \$38.8 million at September 30, 2000 and \$54.6 million at October 2, 1999.

12. Financial Instruments

IGT uses derivative financial instruments for the purpose of reducing its exposure to adverse fluctuations in foreign exchange rates. While these hedging instruments are subject to fluctuations in value, such fluctuations are generally offset by the value of the underlying exposures being hedged. IGT is not a party to leveraged derivatives and does not hold or issue financial instruments for speculative purposes.

Foreign Currency Management

We routinely use forward exchange contracts to hedge our net exposures, by currency, related to the monetary assets and liabilities of our operations denominated in non-functional currency. The primary business objective of this hedging program is to minimize the gains and losses resulting from exchange rate changes. At September 30, 2000, IGT had net foreign currency exposure of \$58.0 million hedged with \$63.5 million in currency forward contracts. At October 2, 1999, we had net foreign currency exposure of \$41.7 million, of which \$38.8 million was hedged with currency forward contracts. In addition, from time to time, we may enter into forward exchange contracts to establish with certainty the US dollar amount of future firm commitments denominated in a foreign currency.

Interest Rate Management

During fiscal 1999, we effectively converted variable rate debt in Australia to fixed rate debt using an interest rate swap agreement with three counterparties. These swaps were required under our Australian facility agreement and had quarterly interest settlement dates. In conjunction with the payoff and closure of this Australian facility agreement in May 1999, these swaps were settled with no gain/loss recorded.

Other Off-Balance Sheet Instruments

In the normal course of business, IGT 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. We had performance bonds outstanding that related to our operation of two lottery systems and a gaming machine route totaling \$2.2 million at September 30, 2000 and \$2.3 million at October 2, 1999. IGT is liable to reimburse the bond issuer in the event the bond is exercised as a result of our non-performance. We had outstanding letters of credit, issued under our line of credit (see Note 9), totaling \$2.8 million at September 30, 2000 and \$3.2 million at October 2, 1999, which were issued to insure payment by IGT to certain vendors and governmental agencies. Management does not expect any material losses to result from these off-balance-sheet instruments.

Notes to Consolidated Financial Statements

At September 30, 2000 and October 2, 1999, we had no foreign currency contracts to hedge firm commitments. At September 30, 1998, IGT had foreign currency contracts to hedge firm commitments in the amount of \$1.2 million in Australia. The gain or loss on these instruments was deferred and recognized in income when the hedged transaction occurred. At September 30, 1998, the unrealized gains/losses on these instruments were immaterial to the consolidated financial statements.

The following table presents the carrying amount and estimated fair value of IGT's financial instruments:

<TABLE>
<CAPTION>

September 30,

October 2,

	2000		1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	\$244,907	\$244,907	\$426,343	\$426,343
Investment securities	21,473	21,473	18,546	18,546
Notes and contracts receivable	153,208	139,086	135,857	125,581
Investments to fund jackpot payments	257,665	267,243	262,932	268,242
Liabilities				
Jackpot liabilities	323,927	333,505	357,956	363,267
Notes payable obligations	996,128	981,141	993,714	955,778
Foreign currency contracts				
On balance sheet	63,467	61,481	38,813	39,860
Off balance sheet	-	-	-	-

</TABLE>

The carrying value of cash and cash equivalents approximates fair value because of the short-term maturity of those instruments. The estimated fair value of investment securities and investments to fund jackpot payments are based on quoted market prices. The fair value of our 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. The estimated fair value of jackpot liabilities is based on quoted market prices of investments that will be used to fund these liabilities. The estimated fair value of the registered Senior Notes is based on quoted market prices. The carrying value of the credit facilities included in notes payable approximates fair value.

The estimated fair value of foreign currency contracts is based on quoted market prices for an instrument with similar terms.

Notes to Consolidated Financial Statements

13. Earnings Per Share

The following table shows the reconciliation of basic earnings per share (EPS) to diluted EPS for income before extraordinary item as of and for the years ended:

<TABLE>

<CAPTION>

	September 30, 2000	October 2, 1999	September 30, 1998
(Amounts in thousands, except per share amounts)			
<S>	<C>	<C>	<C>
Income before extraordinary item	\$156,792 =====	\$ 65,312 =====	\$152,446 =====
Weighted average common shares outstanding	76,586	99,461	113,064
Dilutive effect of stock options outstanding	1,643 -----	777 -----	1,639 -----
Weighted average common and potential shares outstanding	78,229 =====	100,238 =====	114,703 =====
Basic earnings per share	\$ 2.05	\$ 0.65	\$ 1.35
Diluted earnings per share	\$ 2.00	\$ 0.65	\$ 1.33

Number of common shares excluded from diluted EPS because option exercise price was greater than average market price

358 1,300 159

</TABLE>

Stock Repurchase Plan

A stock repurchase plan was originally authorized by our Board of Directors in

October 1990. As of November 25, 2000, the remaining share repurchase authorization, as amended, totaled 10.8 million additional shares. During fiscal 2000, we repurchased 15.7 million shares for an aggregate purchase price of \$318.5 million, including 11.0 million shares at \$21 per share pursuant to an issuer-tender offer. During fiscal 1999, we repurchased 21.8 million shares for an aggregate purchase price of \$361.4 million. During fiscal 1998, we repurchased 5.5 million shares for an aggregate purchase price of \$122.2 million.

14. Contingencies

IGT has been named in and has brought lawsuits in the normal course of business. We do not expect the outcome of these suits, including the lawsuits described below, to have a material adverse effect on our financial position or results of future operations.

Ahern

Along with a number of other public gaming corporations, IGT is a defendant in three class action lawsuits: one filed in the United States District Court of Nevada, Southern Division, entitled Larry Schreier v. Caesar's World, Inc., et al, and two filed in the United States District Court of Florida, Orlando Division, entitled Poulos v. Caesar's World, Inc., et al. and Ahern v. Caesar's World, Inc., et al., which have been consolidated into a single action. The Court granted the defendants' motion to transfer venue of the consolidated action to Las Vegas. The actions allege that the defendants have engaged in fraudulent and misleading conduct by inducing people to play video poker machines and electronic slot machines, based on false beliefs concerning how the machines operate and the extent to which there is an opportunity to win on a given play. The amended complaint alleges that the defendants' acts constitute violations of the Racketeer Influenced and Corrupt Organizations Act, and also give rise to claims for common law fraud and unjust enrichment, and seeks compensatory, special, consequential, incidental and punitive damages of several billion dollars. In December 1997, the Court denied the motions that would have dismissed the Consolidated Amended Complaint or that would have stayed the action pending Nevada gaming regulatory action. The defendants filed their consolidated answer to the Consolidated Amended Complaint on February 11, 1998. At this time, motions concerning class certification are pending before the Court.

Notes to Consolidated Financial Statements

WMS

Under a resolution of matters reached in December 1999, all previously initiated lawsuits involving the infringement of our Telnaes patent by WMS Gaming, Inc. (WMS) were dismissed. WMS agreed to refrain from making, using, selling or offering for sale any machine that infringes the Telnaes patent until February 24, 2002 when the Telnaes patent expires. IGT received \$27.0 million in the settlement that was included in other income in fiscal 2000, as well as \$1.7 million in fees related to certain WMS operations previously conducted under license from IGT.

On October 28, 1999, IGT filed a complaint in the United States District Court, District of Nevada (Las Vegas) against WMS and three other defendants, including Silicon, alleging infringement of a patent covering video gaming machines that use a combination of push buttons on a panel and touch screens to perform the same functions in the play of the game (the '397 Patent, entitled Gaming Machine and Method Using Touch Screen). Subsequently, IGT's complaint was amended to include only WMS and Silicon. In response, WMS filed its answer and counterclaim on February 15, 2000. The counterclaim alleged, among other things, that IGT engaged in unlawful conduct under the federal (the Sherman and Clayton Acts) and state (the Nevada Unfair Trade Practices Act) antitrust laws and that IGT tortuously interfered with WMS' contractual relationships and prospective business advantage. WMS sought damages, including punitive damages of at least \$100 million in connection with the tortuous interference claim, declaratory and injunctive relief. Silicon also filed a counterclaim asserting patent invalidity. IGT and WMS executed a settlement agreement resolving all outstanding claims in September 2000. The suit between IGT and Silicon is in the early stages of discovery and no trial date has been set.

15. Income Taxes

SFAS No. 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. We determine the net current and noncurrent deferred tax assets or liabilities separately for federal, state, and foreign jurisdictions.

The effective income tax rates differ from the statutory US federal income tax rates as follows for the years ended:

<TABLE>
<CAPTION>

	September 30, 2000		October 2, 1999		September 30, 1998	
(Dollars in thousands)	Amount	Rate	Amount	Rate	Amount	Rate
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Taxes at federal statutory rate	\$ 85,745	35.0 %	\$ 35,488	35.0 %	\$ 82,086	35.0 %
Foreign subsidiaries tax	2,410	0.9	3,657	3.6	591	0.3
State income tax, net	5,109	2.3	2,670	2.6	2,049	0.9
Research and development credits	(750)	(0.3)	(2,192)	(2.2)	(247)	(0.1)
Valuation allowance, IGT-Australia	2,063	0.7	6,067	6.0	-	0.0
Expiration of tax contingencies	(850)	(0.3)	(5,344)	(5.3)	(1,163)	(0.5)
Adjustment to estimated income tax accruals	(3,010)	(1.2)	(3,306)	(3.3)	272	0.1
Other, net	(2,522)	(1.1)	(959)	(0.8)	(1,502)	(0.7)
Provision for income taxes	\$ 88,195	36.0 %	\$ 36,081	35.6 %	\$ 82,086	35.0 %

</TABLE>

Notes to Consolidated Financial Statements

Components of our provision for income taxes were as follows for the years ended:

	September 30, 2000	October 2, 1999	September 30, 1998
(Dollars in thousands)			
Current			
Federal	\$ 80,893	\$ (11,602)	\$ 106,431
State	5,645	358	4,657
Foreign	4,478	9,118	2,922
Total current	91,016	(2,126)	114,010
Deferred			
Federal	(2,270)	30,761	(30,862)
State	222	1,566	(2,149)
Foreign	(773)	5,880	1,087
Total deferred	(2,821)	38,207	(31,924)
Provision for income taxes	\$ 88,195	\$ 36,081	\$ 82,086

Significant components of IGT's deferred tax assets and liabilities are as follows:

<TABLE>
<CAPTION>

	September 30, 2000	October 2, 1999
(Dollars in thousands)		
<S>	<C>	<C>
Current deferred tax assets		
Reserves not currently deductible	\$ 22,228	\$ 18,819
Unrealized loss on currency translation adjustments	4,582	-

Foreign subsidiaries	652	883
Unrealized loss on investment securities	327	542
Other	1,297	3,733
	-----	-----
Net current deferred tax asset	29,086	23,977
	-----	-----
Non-current deferred tax assets		
Reserves not currently deductible	566	824
Reserve differential for gaming activities	69,869	64,669
Foreign subsidiaries	8,268	6,161
State income taxes	4,932	3,349
Amortization of goodwill	30,157	28,380
Other	1,246	3,111
Non-current deferred tax liabilities		
Difference between book and tax basis of property	(4,036)	(7,027)
Amortization of goodwill	(2,137)	(1,599)
Other	(3,065)	(2,327)
	-----	-----
Total net non-current deferred tax asset	105,800	95,541
Valuation allowance (a)	(8,130)	(6,067)
	-----	-----
Net non-current deferred tax asset	97,670	89,474
	-----	-----
Net deferred tax asset	\$ 126,756	\$ 113,451
	=====	=====

</TABLE>

(a) Our valuation allowance relates to the uncertainty of the realization of certain deferred tax assets for IGT-Australia.

Notes to Consolidated Financial Statements

16. Other Comprehensive Income (Loss)

The components of IGT's other comprehensive income (loss) are as follows:

<TABLE>

<CAPTION>

	Before-Tax Amount	Tax (Expense) or Benefit	Net-of-Tax Amount
	-----	-----	-----
(Dollars in thousands)			
<S>	<C>	<C>	<C>
Year ended September 30, 2000			
Unrealized holding gains (losses) arising during period	\$ 1,651	\$ (578)	\$ 1,073
Reclassification adjustment to net income	(1,038)	364	(674)
	-----	-----	-----
Net unrealized gains (losses)	613	(214)	399
Foreign currency translation adjustments	(1,900)	665	(1,235)
	-----	-----	-----
Other comprehensive income (loss)	\$ (1,287)	\$ 451	\$ (836)
	=====	=====	=====
Year ended October 2, 1999			
Unrealized holding gains (losses) arising during period	\$ 1,989	\$ (696)	\$ 1,293
Reclassification adjustment to net income	(5,589)	1,956	(3,633)
	-----	-----	-----
Net unrealized gains (losses)	(3,600)	1,260	(2,340)
Foreign currency translation adjustments	897	(314)	583
	-----	-----	-----
Other comprehensive income (loss)	\$ (2,703)	\$ 946	\$ (1,757)
	=====	=====	=====
Year ended September 30, 1998			
Unrealized holding gains (losses) arising during period	\$ 1,747	\$ (612)	\$ 1,135
Reclassification adjustment to net income	(959)	336	(623)
	-----	-----	-----
Net unrealized gains (losses)	788	(276)	512

Foreign currency translation adjustments	(13,240)	4,634	(8,606)
	-----	-----	-----
Other comprehensive income (loss)	\$ (12,452)	\$ 4,358	\$ (8,094)
	=====	=====	=====

</TABLE>

The components of our accumulated other comprehensive income (loss) are as follows:

<TABLE>
<CAPTION>

	Unrealized Gains (Losses) on Securities	Foreign Currency Translation	Accumulated Other Comprehensive Loss

(Dollars in thousands)			
<S>	<C>	<C>	<C>
Balance at September 30, 1998	\$ 1,334	\$ (8,554)	\$ (7,220)
Current-period change	(2,340)	583	(1,757)
	-----	-----	-----
Balance at October 2, 1999	(1,006)	(7,971)	(8,977)
Current-period change	399	(1,235)	(836)
	-----	-----	-----
Balance at September 30, 2000	\$ (607)	\$ (9,206)	\$ (9,813)
	=====	=====	=====

</TABLE>

Notes to Consolidated Financial Statements

17. Employee Benefit Plans

Employee Incentive Plans

IGT provides the following employee incentive plans: profit sharing and 401(k) plan, cash sharing, management bonus, and non-qualified deferred compensation. Total annual contributions from operating profits for all plans were \$38.6 million in fiscal 2000, \$27.1 million in fiscal 1999 and \$26.5 million in fiscal 1998.

The profit sharing and 401(k) plan was adopted for IGT employees working in the US. IGT matches 75% of an employee's contributions up to \$1,000. This allows for maximum annual company matching contributions of \$750 to each employee's account. Participants are 100% vested in their contributions and IGT's matching contributions. Additionally, IGT shares a portion of its' profits with eligible employees. These profit sharing contributions vest over a seven year period of employment.

The cash sharing plan is distributed semi-annually in May and November to all non IGT-Australia and IGT-Japan employees. The management bonuses are paid out annually to key employees throughout the Company.

IGT implemented a non-qualified deferred compensation plan in September 1999 to provide an unfunded incentive compensation arrangement for eligible management and highly compensated employees. Participants may elect to defer up to 50% of their annual base salary, 50% of cash sharing, 50% of discretionary management bonus and 50% of commissions with a minimum deferral of \$2,000. Distributions can be paid out as short-term payments or at retirement. Retirement benefits can be paid out as a lump sum or in annual installments over a term of up to 15 years.

Stock-Based Compensation Plans

IGT has three stock-based compensation plans, which are described below.

Employee Stock Purchase Plan

In 1987, IGT 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 IGT's common stock. The term of each option is 12 months, and the exercise date is the last day of the option period. Employees who have completed

90 days of service with IGT are eligible. Highly compensated employees receiving more than \$80,000 in annual compensation were excluded from participating in the Plan in prior years. In March 1999, the shareholders approved an amendment to the Plan to allow highly compensated employees to participate in the Plan. Employees who are 5% or more shareholders and employees of certain subsidiaries are excluded.

An aggregate of 2.4 million shares may be made available under this plan. Employees may participate in this plan 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, 2000, there were 484,000 shares available under this plan.

In January 2000, 300,000 shares of common stock were made available to the Barcrest Savings Related Share Option Scheme (ShareSave). Each year employees may sign up for ShareSave and must elect a contract that will vest over three, five, or seven years. Employees may contribute up to (pound)3,000 annually. At September 30, 2000 there were 275,000 shares available under this plan.

Restricted Stock Awards

In March 1996, 600,000 shares were issued to six employees at a price of \$.01 per share. In February 1997, IGT amended the 1993 Stock Option Plan to permit the grant of restricted stock awards of a fixed number of shares to participants determined by IGT's Board of Directors. In May 1997, 200,000 shares were awarded to four employees. IGT has the option to repurchase the unvested shares issued to the employees at \$.01 per share if the employees terminate employment with IGT before the shares have vested. Restricted stock awarded to a participant may not be

Notes to Consolidated Financial Statements

voluntarily or involuntarily sold, assigned, transferred, pledged or encumbered during the restricted period. The shares vest in increments over a five year period.

No shares were awarded to participants in fiscal year 2000. Shares awarded to participants in fiscal 1999 and 1998 totaled 50,000 and 10,000, at a price of \$.01 per share. The compensation expense that has been charged against income for the restricted stock award plan totaled \$1.2 million, \$1.0 million and \$2.0 million for fiscal 2000, 1999 and 1998.

Stock Option Plans

In 1981, IGT adopted a Stock Option Plan where non-qualified and incentive stock options may be granted to domestic and foreign employees. Under this Plan, there were 27.1 million shares available for grant. The Plan expired in December 1996. In 1993, IGT adopted an additional Stock Option Plan which permits non-qualified and incentive stock option awards for up to 5.0 million shares and additional non-qualified stock option awards to non-employee directors for up to 250,000 shares. In March of 1999, shareholders approved an increase in the number of awards permitted under the 1993 plan to 8.5 million shares.

Options have been granted at fair market value on the date of grant and, except for non-employee director options, typically vest ratably over five years and expire 10 years subsequent to the grant.

At September 30, 2000, options to purchase 3.2 million shares were available for grant under the plans.

	Number of Shares	Weighted Average Exercise Price

Outstanding at September 30, 1997	5,556,737	\$ 14.56
Granted	809,617	\$ 23.30
Forfeited or expired	(170,984)	\$ 17.63
Exercised	(617,742)	\$ 10.27

Outstanding at September 30, 1998	5,577,628	\$ 16.19
Granted	500,499	\$ 17.83
Forfeited or expired	(280,822)	\$ 17.57
Exercised	(179,636)	\$ 20.09

Outstanding at October 2, 1999	5,617,669	\$ 16.43
Granted	456,208	\$ 21.98
Forfeited or expired	(236,767)	\$ 19.99
Exercised	(718,485)	\$ 15.76

Outstanding at September 30, 2000	5,118,625	\$ 16.85
=====		
Options exercisable at:		
September 30, 2000	3,341,790	\$ 15.44
October 2, 1999	3,217,047	\$ 15.14
September 30, 1998	2,540,732	\$ 14.25

Notes to Consolidated Financial Statements

The following table summarizes information for stock options outstanding and exercisable at September 30, 2000 in order to assess the number and timing of shares that may be issued and the cash that may be received as a result of options exercised:

<TABLE>
<CAPTION>

Range of Exercise Prices	Number Outstanding	Outstanding		Exercisable	
		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
<S> <C>	<C>	<C>	<C>	<C>	<C>
\$ 7.8750 - \$ 13.2500	1,969,119	5.2	\$ 12.97	1,832,264	\$ 12.99
13.6250 - 15.5000	619,540	6.1	15.26	518,204	15.37
15.6250 - 18.8750	1,218,283	7.4	17.90	388,186	17.73
19.0000 - 30.3125	1,311,683	7.3	22.47	603,136	21.46

7.8750 - 30.3125	5,118,625	6.4	16.85	3,341,790	15.44
=====					

</TABLE>

Valuation of Stock-Based Compensation Plans

IGT adopted SFAS No. 123, "Accounting for Stock-Based Compensation" on October 1, 1996. As permitted by SFAS No. 123, the Company continues to apply Accounting Principles Board Opinion No. 25 to its stock-based compensation. Accordingly, no compensation expense has been recognized for the stock option and employee stock purchase plans. SFAS No. 123 requires compensation expense to be measured based on the fair value of the equity instrument awarded.

If compensation expense for IGT's three stock-based compensation plans had been determined in accordance with SFAS No. 123, the Company's net income and earnings per share would have been reduced to the pro forma amounts shown below for the years ended:

<TABLE>
<CAPTION>

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands, except per share amounts)			
<S>	<C>	<C>	<C>
Net income			
As reported	\$ 156,792	\$ 62,058	\$ 152,446
Pro forma	153,495	57,793	146,948
Basic earnings per share			
As reported	\$ 2.05	\$ 0.62	\$ 1.35
Pro forma	2.00	0.58	1.30
Diluted earnings per share			

As reported	\$ 2.00	\$ 0.62	\$ 1.33
Pro forma	1.96	0.58	1.28
Weighted average fair value of options granted during the year	\$ 10.06	\$ 7.76	\$ 8.27
Weighted average fair value of restricted stock awards granted during the year	\$ -	\$ 17.82	\$ 23.75

</TABLE>

The fair value for stock-based compensation was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions for 2000, 1999 and 1998: interest rates (zero-coupon US government issues with an average remaining life of 1.90 years) of 6.5%, 5.5% and 5.6%; dividend yields of .0%, .14% and .47%; volatility factors of the expected market price of IGT's common stock of .43, .45 and .35; weighted-average expected life of stock options of 1.90 years and an expected life of 1.0 years for employee stock purchases.

Notes to Consolidated Financial Statements

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because IGT's employee stock based compensation has characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock based compensation.

18. Related Party Transactions

Joint Ventures

We operate certain MegaJackpots(TM) systems under joint venture agreements with various gaming or gaming related companies. Activities of these joint ventures include placement of progressive system and other participation games and pursuit of video lottery opportunities. At September 30, 2000 we had three active joint ventures of this nature. Additionally, IGT-UK designs games under a joint venture agreement with its main European distributor. We own a 50% share in each of these joint ventures.

The following is a table of our transactions with joint ventures as of and for the years ended:

<TABLE>

<CAPTION>

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
<S>	<C>	<C>	<C>
Net earnings of unconsolidated affiliates	\$ 105,991	\$ 75,556	\$ 65,181
Asset and expense transfers	68,273	27,253	45,390
Capital contributions	-	22,275	1,422
Accounts receivable balance	5,007	29,700	6,902
Largest amount of indebtedness outstanding at anytime during the year	9,615	29,700	25,513

</TABLE>

We apply the equity method of accounting to our joint ventures. The following is summarized financial information from our largest joint venture partner, the Spin for Cash Wide Area Progressive Joint Venture (Spin for Cash) with Anchor Gaming, as of and for the years ended:

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
Revenues	\$ 375,379	\$293,460	\$246,851
Costs and expenses	168,716	145,572	117,294

Operating Income	206,663	147,888	129,557
Net income	211,932	149,958	130,979
Current Assets	\$ 143,461	\$ 103,367	\$ 73,753
Non-Current Assets	109,603	96,576	97,989
Total Assets	253,064	199,943	171,742
Current Liabilities	\$ 30,736	\$ 56,936	\$ 20,863
Non-Current Liabilities	81,575	66,197	86,952
Total Liabilities	112,311	123,133	107,815

Notes to Consolidated Financial Statements

Other Related Parties

A member of our Board of Directors was also a director and officer of the parent company of additional Nevada gaming businesses. In Iowa, our progressive jackpot systems are administered by a trust that we manage from which net profits are transferred to IGT. We recorded the following transactions from these related parties as of and for the years ended:

<TABLE>

<CAPTION>

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
<S>	<C>	<C>	<C>
Revenues recognized	\$ 10,289	\$ 20,748	\$ 19,813
Contracts and accounts receivable balance	1,067	3,685	1,307
Largest amount of indebtedness outstanding at any time during the year	3,704	4,562	2,047

</TABLE>

19. Supplemental Statement of Cash Flows Information

Certain noncash investing and financing activities are not reflected in the consolidated statements of cash flows.

We manufacture gaming machines which are used on our proprietary systems and are leased to customers under operating leases. Transfers between inventory and fixed assets resulted in an increase to property, plant and equipment of \$15.6 million in fiscal 2000, \$32.9 million in fiscal 1999 and \$17.3 million in fiscal 1998.

Dividends declared, but not yet paid, totaled \$3.3 million at September 30, 1998.

The tax benefit of stock options and the employee stock purchase plan totaled \$2.4 million in fiscal 2000, \$570,000 in fiscal 1999 and \$ 3.2 million in fiscal 1998.

Payments of interest were \$99.3 million in fiscal 2000, \$42.6 million in fiscal 1999 and \$41.2 million in fiscal 1998. Payments for income taxes were \$107.2 million in fiscal 2000, \$28.0 million in fiscal 1999 and \$101.2 million in fiscal 1998.

In conjunction with acquisitions of businesses during fiscal 1999 (see Note 2), the fair value of assets acquired totaled \$130.9 million and the fair value of liabilities assumed totaled \$43.9 million. In conjunction with acquisitions of businesses during fiscal 1998, the fair value of assets acquired totaled \$100.1 million and the fair value of liabilities assumed totaled \$23.6 million.

20. Business Segments

IGT operates principally in two lines of business: the development, manufacturing, marketing and distribution of gaming products, referred to as "product sales", and the development, marketing and operation of wide-area progressive systems and gaming equipment leasing, referred to as "proprietary gaming". The proprietary gaming segment includes our wholly-owned gaming operations and our unconsolidated joint venture activities reported as earnings of unconsolidated affiliates. Gaming operations and joint venture activities are viewed as a single business segment because the nature of the products in the

joint ventures are the same as the products in our wholly-owned gaming operations. The same management group monitors all activities of the proprietary gaming segment. The joint venture is an integral part of our proprietary gaming segment.

Earnings of unconsolidated affiliates are recorded net of expenses using the equity method of accounting. Depreciation and amortization expenses are part of earnings of unconsolidated affiliates reported on our

Notes to Consolidated Financial Statements

income statement and represent our 50% share of these joint venture expenses. Assets of our unconsolidated affiliates presented below represent our investment in unconsolidated affiliates as recorded on our balance sheet. The additions to long-lived assets for the joint venture activities are recorded on the Spin for Cash financial statements. See Note 18.

The table below presents information as to our operations by our two business segments as of and for the years ended:

<TABLE>

<CAPTION>

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
<S>	<C>	<C>	<C>
Revenues			
Product sales	\$ 603,381	\$ 576,598	\$ 477,024
Proprietary gaming			
Gaming operations	295,023	277,508	281,918
Earnings of unconsolidated affiliates	105,991	75,556	65,181
	-----	-----	-----
Total proprietary gaming	401,014	353,064	347,099
	-----	-----	-----
Total	1,004,395	929,662	824,123
Less earnings of unconsolidated affiliates	(105,991)	(75,556)	(65,181)
	-----	-----	-----
Total revenues	\$ 898,404	\$ 854,106	\$ 758,942
	=====	=====	=====
Operating Profit (Loss)			
Product sales	\$ 95,549	\$ (2,495)	\$ 121,192
Proprietary gaming			
Gaming operations	106,521	83,024	80,152
Earnings of unconsolidated affiliates	84,331	61,360	53,791
	-----	-----	-----
Total proprietary gaming	190,852	144,384	133,943
	-----	-----	-----
Total	286,401	141,889	255,135
Other non-allocated expense	(41,414)	(40,496)	(20,603)
	-----	-----	-----
Income Before Income Taxes and Extraordinary Item	\$ 244,987	\$ 101,393	\$ 234,532
	=====	=====	=====
Depreciation and Amortization			
Product sales	\$ 5,294	\$ 5,681	\$ 4,816
Proprietary gaming			
Gaming operations	28,196	31,812	21,043
Earnings of unconsolidated affiliates	12,640	10,351	7,513
Corporate	20,897	23,955	18,635
	-----	-----	-----
Total	67,027	71,799	52,007
Less earnings of unconsolidated affiliates	(12,640)	(10,351)	(7,513)
	-----	-----	-----
Total depreciation and amortization	\$ 54,387	\$ 61,448	\$ 44,494
	=====	=====	=====

</TABLE>

Notes to Consolidated Financial Statements

<TABLE>
<CAPTION>

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
<S>	<C>	<C>	<C>
Assets			
Product sales	\$ 690,219	\$ 700,684	\$ 638,618
Proprietary gaming			
Gaming operations	580,469	544,968	722,834
Earnings of unconsolidated affiliates	70,601	49,996	32,015
Corporate	282,427	469,412	150,161
	-----	-----	-----
Total assets	\$ 1,623,716	\$ 1,765,060	\$ 1,543,628
	=====	=====	=====
Additions to Long-Lived Assets			
Product sales	\$ 6,670	\$ 6,591	\$ 4,013
Proprietary gaming			
Gaming operations	34,765	48,641	35,789
Earnings of unconsolidated affiliates	-	-	-
Corporate	10,009	10,367	11,084
	-----	-----	-----
Total additions to long-lived assets	\$ 51,444	\$ 65,599	\$ 50,886
	=====	=====	=====

</TABLE>

The table below presents information as to our operations by geographical regions as of and for the years ended:

<TABLE>
<CAPTION>

	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
<S>	<C>	<C>	<C>
Revenues			
Domestic			
Unaffiliated customers	\$ 764,035	\$ 666,685	\$ 634,695
Inter-area transfers	87,082	39,395	36,809
International			
Unaffiliated customers	240,360	262,977	189,428
Inter-area transfers	8,107	10,935	7,023
Eliminations	(95,189)	(50,330)	(43,832)
	-----	-----	-----
Total	1,004,395	929,662	824,123
Less earnings of unconsolidated affiliates	(105,991)	(75,556)	(65,181)
	-----	-----	-----
Total revenues	\$ 898,404	\$ 854,106	\$ 758,942
	=====	=====	=====
Identifiable Assets			
Domestic	\$ 1,324,787	\$ 1,420,827	\$ 1,234,768
International	155,191	192,197	177,308
	-----	-----	-----
Total identifiable assets	\$ 1,479,978	\$ 1,613,024	\$ 1,412,076
	=====	=====	=====
Additions to Long-Lived Assets			
Domestic	\$ 45,869	\$ 58,137	\$ 46,318
International	5,575	7,462	4,568
	-----	-----	-----
Total additions to long-lived assets	\$ 51,444	\$ 65,599	\$ 50,886
	=====	=====	=====

</TABLE>

Notes to Consolidated Financial Statements

On a consolidated basis we do not recognize inter-segment revenues or expenses upon the transfer of gaming products between subsidiaries. Operating profit is revenue, earnings of unconsolidated affiliates, and interest income related to investments to fund jackpot liabilities, less cost of sales and operating expenses, including related depreciation and amortization, provisions for bad debts, interest expense, and an allocated portion of selling, general and administrative and research and development expenses. Other expense not allocated to an operating segment includes interest expense, interest income and gain (loss) on sale of assets.

21. Selected Quarterly Financial Data (Unaudited)

<TABLE>

<CAPTION>

	First Qtr	Second Qtr	Third Qtr	Fourth Qtr

(Dollars in thousands, except per share amount and stock prices)				
<S>	<C>	<C>	<C>	<C>
2000				
Total revenues	\$ 185,651	\$ 193,284	\$ 236,030	\$ 283,439
Gross profit	84,140	85,140	104,288	124,280
Earnings of unconsolidated affiliates	20,866	24,769	27,640	32,716
Income from operations	49,636	54,163	72,167	91,562
Net income	42,404	24,760	37,627	52,001
Diluted earnings per share	\$ 0.49	\$ 0.33	\$ 0.51	\$ 0.70
Stock price				
High	\$ 20.6250	\$ 22.4375	\$ 28.5625	\$ 34.5000
Low	\$ 17.5625	\$ 17.4375	\$ 20.2500	\$ 26.8750
1999				
Total revenues	\$ 202,855	\$ 203,083	\$ 239,723	\$ 208,445
Gross profit	77,468	83,435	99,625	85,133
Earnings of unconsolidated affiliates	18,851	17,788	19,136	19,781
Income (loss) from operations	48,394	50,429	63,334	(45,839)
Net income (loss)	34,444	33,831	34,267	(40,484)
Diluted earnings (loss) per share	\$ 0.32	\$ 0.32	\$ 0.36	\$ (0.45)
Stock price				
High	\$ 24.5000	\$ 23.4375	\$ 19.5000	\$ 19.2500
Low	\$ 16.5000	\$ 14.3750	\$ 14.6875	\$ 16.1875

</TABLE>

Notes to Consolidated Financial Statements

<TABLE>

<CAPTION>

	First Qtr	Second Qtr	Third Qtr	Fourth Qtr

(Dollars in thousands, except per share amount and stock prices)				
<S>	<C>	<C>	<C>	<C>
1998				
Total revenues	\$ 153,238	\$ 166,362	\$ 204,390	\$ 234,952
Gross profit	64,027	73,670	88,362	95,018
Earnings of unconsolidated affiliates	11,773	15,728	18,592	19,088

Income from operations	42,786	53,223	60,210	62,658
Net income	29,665	35,492	45,595	41,694
Diluted earnings per share	\$ 0.26	\$ 0.31	\$ 0.40	\$ 0.37
Stock price				
High	\$ 26.8125	\$ 26.1875	\$ 28.5625	\$ 28.8750
Low	\$ 21.8750	\$ 23.1875	\$ 23.6250	\$ 18.5000

</TABLE>

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 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 Schedule 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 Schedule: Page

II Valuation and Qualifying Accounts 73

Other financial statement schedules are either not required or the required information is included in the Consolidated Financial Statements or Notes thereto.

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 (incorporated by reference to Exhibit 3.1 to Registrants Report on Form 10-K for the year ended September 30, 1995).
- 3.2 Second Restated Code of Bylaws of International Game Technology, dated November 11, 1987 (incorporated by reference to Exhibit 3.2 to Registrants Report on Form 10-K for the year ended September 30, 1995).
- 4.1 Note Agreement for the 7.84% Senior Notes due September 1, 2004 (incorporated by reference to Exhibit 4.1 to Registrant's Report on Form 10-K for the year ended September 30, 1995).
- 4.2 Indenture, dated as of May 19, 1999 by and between International Game

Technology and The Bank of New York (incorporated by reference to Exhibit 4.2 to Registration Statement No. 333-81257, Form S-4 filed by Registrant).

- 4.3 Registration Rights Agreement, dated as of May 11, 1999, by and among International Game Technology, Salomon Smith Barney Inc., BNY Capital Markets, Inc., Goldman, Sachs & Co., Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith, Incorporated (incorporated by reference to Exhibit 4.3 to Registration Statement No.333-81257, Form S-4 filed by Registrant).
- 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 Employee Stock Purchase Plan (incorporated by reference to Exhibit A to the Proxy Statement for the 1998 Annual Meeting of Shareholders).
- 10.3 Employment Agreement with Robert A. Bittman, Executive Vice President, Product Development dated March 12, 1996 (incorporated by reference to Exhibit 10.9 to Registrants Report on Form 10-K for the year ended September 30, 1996).
- 10.4 Form of officers and directors indemnification agreement (incorporated by reference to Exhibit 10.10 to Registrants Report on Form 10-K for the year ended September 30, 1996).
- 10.5 Credit Agreement by and among International Game Technology and the Bank of New York, Wells Fargo and other banks, dated May 22, 1997 (incorporated by reference to Exhibit 10.11 to Registrant's Report on Form 10-Q for the quarter ended June 30, 1997).
- 10.5A Amendment No. 1 to Credit Agreement by and among International Game Technology, The Bank of New York, Wells Fargo and other banks, dated August 19, 1997 (incorporated by reference to Exhibit 10.7A to Registration Statement No. 333-81257, Form S-4 filed by Registrant).
- 10.5B Amendment No. 2 to Credit Agreement by and among International Game Technology, The Bank of New York, Wells Fargo and other banks, dated January 16, 1998 (incorporated by reference to Exhibit 10.7B to Registration Statement No. 333-81257, Form S-4 filed by Registrant).
- 10.5C Amendment No. 3 to Credit Agreement by and among International Game Technology, The Bank of New York, Wells Fargo and other banks, dated April 20, 1999 (incorporated by reference to Exhibit 10.7C to Registration Statement No. 333-81257, Form S-4 filed by Registrant).
- 10.5D Amendment and Restatement of Credit Agreement by and among International Game Technology, The Bank of New York, Wells Fargo and other banks, dated April 30, 1999 (incorporated by reference to Exhibit 10.7D to Registration Statement No. 333-81257, Form S-4 filed by Registrant).
- 10.6 Facility Agreement between I.G.T. (Australia) Pty. Limited and National Australia Bank Limited, dated March 18, 1998; guarantee from International Game Technology to National Australia Bank Limited, dated March 18, 1998 (incorporated by reference to Exhibit 10.9 to Registrant's Report on Form 10-Q for the quarter ended March 31, 1998).
- 10.7 Joint Venture Agreement, dated December 3, 1996 by and between International Game Technology and Anchor Games, a d.b.a. of Anchor Coin (incorporated by reference to Exhibit 10.10 to Registrant's Report on Form 10-K for the year ended September 30, 1998).
- 10.8 IGT Profit Sharing Plan (As Amended and Restated as of December 31, 1998) (incorporated by reference to Exhibit 10.11 to Registrant's Report on Form 10-Q for the quarter ended April 3, 1999).
- 10.9 Agreement and Plan of Merger, dated March 10, 1999, among International Game Technology, SAC, Inc. and Sodak Gaming, Inc. (incorporated by reference to Registrant's Report on Form 8-K dated March 12, 1999).
- 10.10 Amendment Notes between Silver Club and CMS-El Capitan and

International Game Technology dated November 5, 1999. (incorporated in reference to Exhibit 10.12 to Registrant's Report on Form 10-K for the year ended October 2, 1999)

- 10.11 Barcrest Savings Related Share Option Scheme (incorporated by reference to Registration Statement No. 333-94349, Form S-8 filed by Registrant on January 10, 2000).
- 10.12 IGT Deferred Compensation Plan
- 10.13 Employment Agreement with G. Thomas Baker, Chief Executive Officer, President, and Chief Operating Officer dated December 6, 2000.
- 10.14 International Game Technology 1993 Stock Option Plan (Amended and Restated Effective as of August 27, 1996) (Composite Plan Document Incorporating Amendments 1998-I and 1998-II)
- 21 Subsidiaries
- 23 Independent Auditors' Consent
- 24 Power of Attorney (see page 72 hereof)
- 27 Financial data schedule
- (b) Reports on Form 8-K

None
- 99.1 Financial statements of Spin for Cash Wide Area Progressive Joint Venture for the years ended September 30, 2000, 1999 and 1998.

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 amendment to report to be signed on its behalf by the undersigned, thereunto duly authorized, on the 3 day of August, 2001.

International Game Technology

By: /s/ G. Thomas Baker

G. Thomas Baker
President, Chief Executive Officer and
Chief Operating Officer

<TABLE>
<CAPTION>

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

<S>	<C>	
Signature	Title	Date
* ----- Charles N. Mathewson	Chairman of the Board of Directors	August 3, 2001
/s/ G. Thomas Baker ----- G. Thomas Baker	President, Chief Executive Officer, Chief Operating Officer, Treasurer and Director (Principal Executive Officer)	August 3, 2001
/s/ Maureen Mullarkey -----	Chief Financial Officer, and Sr. Vice President, Finance (Principal Financial Accounting Officer)	August 3, 2001
*	Director and Vice Chairman of the	August 3, 2001

----- Albert J. Crosson	Board of Directors	
* ----- Robert A. Bittman	Director	August 3, 2001
* ----- Wilbur K. Keating	Director	August 3, 2001
* ----- Robert Miller	Director	August 3, 2001
* ----- Frederick B. Rentschler	Director	August 3, 2001
* ----- Rockwell A. Schnabel	Director	August 3, 2001
* By: /s/ G. Thomas Baker		
----- G. Thomas Baker Attorney-in-Fact		

</TABLE>

SCHEDULE II - Consolidated Valuation and Qualifying Accounts

	Balance at Beginning of Period	Provisions	Increase (Decrease) in Unrealized Gains	Balance at End of Period

(Dollars in thousands)				
Valuation Allowance on Investment Securities:				
Year ended 09/30/98	\$ 1,265 =====	\$ - =====	\$ 788 =====	\$ 2,053 =====
Year ended 10/02/99	\$ 2,053 =====	\$ - =====	\$ (3,600) =====	\$ (1,547) =====
Year ended 09/30/00	\$ (1,547) =====	\$ - =====	\$ 613 =====	\$ (934) =====

<TABLE>
<CAPTION>

	Balance at Beginning of Period	Provisions	Recoveries and Reclassifications	Accounts Written Off	Balance at End of Period

(Dollars in thousands)					
<S>					
<C>					
Allowance for Doubtful Accounts:					
Year ended 09/30/98	\$ 5,899 =====	\$ 927 =====	\$ 351 =====	\$ 1,665 =====	\$ 5,512 =====
Year ended 10/02/99	\$ 5,512	\$ 3,959	\$ 6	\$ 573	\$ 8,904

Year ended 09/30/00	=====	=====	=====	=====	=====
	\$ 8,904	\$ 1,902	\$ 10,418	\$ 7,393	\$ 13,831
	=====	=====	=====	=====	=====

Allowance for
Doubtful Notes and
Contracts Receivable:

Year ended 09/30/98	\$ 18,229	\$ 3,808	\$ 246	\$ 5,555	\$ 16,728
	=====	=====	=====	=====	=====
Year ended 10/02/99	\$ 16,728	\$ 4,194	\$ 291	\$ 1,559	\$ 19,654
	=====	=====	=====	=====	=====
Year ended 09/30/00	\$ 19,654	\$ 8,251	\$ (5,605)	\$ 4,267	\$ 18,033
	=====	=====	=====	=====	=====

</TABLE>

Balance at Beginning of Period	Provisions	Disposed of and Written Off	Balance at End of Period
--------------------------------------	------------	-----------------------------------	--------------------------------

(Dollars in thousands)
Obsolete Inventory Reserve:

Year ended 09/30/98	\$ 14,881	\$ 9,173	\$ 5,480	\$ 18,574
	=====	=====	=====	=====
Year ended 10/02/99	\$ 18,574	\$ 19,185	\$ 13,858	\$ 23,901
	=====	=====	=====	=====
Year ended 09/30/00	\$ 23,901	\$ 16,001	\$ 15,598	\$ 24,304
	=====	=====	=====	=====

International Game Technology
Deferred Compensation Plan
Master Plan Document

Effective September 1, 1999

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International Game Technology
Deferred Compensation Plan

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INTERNATIONAL GAME TECHNOLOGY
DEFERRED COMPENSATION PLAN
Effective September 1, 1999

Purpose

The purpose of this Plan is to provide specified benefits to a select group of management and highly compensated Employees who contribute materially

to the continued growth, development and future business success of International Game Technology, a Nevada corporation, and its subsidiaries, if any, that sponsor this Plan. This Plan shall be unfunded for tax purposes and for purposes of Title I of ERISA.

ARTICLE 1
Definitions

For purposes of this Plan, unless otherwise clearly apparent from the context, the following phrases or terms shall have the following indicated meanings:

- 1.1 "Account Balance" shall mean, with respect to a Participant, a credit on the records of the Employer equal to the sum of (i) the Deferral Account balance, (ii) the vested Company Contribution Account balance, and (iii) the vested Profit Sharing Restoration Contribution Account balance. The Account Balance, and each other specified account balance, shall be a bookkeeping entry only and shall be utilized solely as a device for the measurement and determination of the amounts to be paid to a Participant, or his or her designated Beneficiary, pursuant to this Plan.
- 1.2 "Annual Cash Sharing" shall mean any compensation based upon Company profitability and payable to a Participant as an Employee in May and November under the Company's cash sharing plan.
- 1.3 "Annual Commissions" shall mean any compensation payable to a Participant as an Employee based upon his or her sales, excluding Base Annual Salary, Annual Discretionary Cash Bonus and Annual Cash Sharing.
- 1.4 "Annual Company Contribution Amount" shall mean, for any one Plan Year, the amount determined in accordance with Section 3.5.
- 1.5 "Annual Deferral Amount" shall mean that portion of a Participant's Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing and/or Annual Commissions that a Participant elects to have, and is deferred, in accordance with Article 3, for any one Plan Year. In the event of a Participant's Retirement, Disability (if deferrals cease in accordance with Section 8.1), death or a Termination of Employment prior to the end of a Plan Year, such year's Annual Deferral Amount shall be the actual amount withheld prior to such event.
- 1.6 "Annual Discretionary Cash Bonus" shall mean any compensation, in addition to Base Annual Salary relating to services performed during any calendar year, whether or not paid in such calendar year, payable to a Participant as an Employee under any Employer's annual cash bonus and cash incentive plans, excluding stock options.
- 1.7 "Annual Installment Method" shall be an annual installment payment over

the number of years selected by the Participant in accordance with this Plan, calculated as follows: The Account Balance of the Participant shall be calculated as of the close of business on the last business day of the year. The annual installment shall be calculated by multiplying this balance by a fraction, the numerator of which is one, and the denominator of which is the remaining number of annual payments due the Participant. By way of example, if the Participant elects a 10-year Annual Installment Method, the first payment shall be 1/10 of the Account Balance, calculated as described in this definition. The following year, the payment shall be 1/9 of the Account Balance, calculated as described in this definition. Each annual installment shall be paid on or as soon as practicable after the last business day of the applicable year.

- 1.8 "Annual Profit Sharing Restoration Contribution Amount" for any one Plan Year shall be the amount determined in accordance with Section 3.6.
- 1.9 "Base Annual Salary" shall mean the annual cash compensation relating to services performed during any calendar year, whether or not paid in such calendar year, excluding bonuses, cash sharing, commissions, overtime, fringe benefits, stock options, relocation expenses, incentive payments, non-monetary awards, and other fees, automobile and other allowances paid to a Participant for employment services rendered (whether or not such allowances are included in the Employee's gross income). Base Annual Salary shall be calculated before reduction for compensation voluntarily deferred or contributed by the Participant pursuant to all qualified or non-qualified plans of any Employer and shall be calculated to include amounts not otherwise included in the Participant's gross income under Code Sections 125, 402(e)(3), 402(h), or 403(b) pursuant to plans established by any Employer; provided, however, that all such amounts will be included in compensation only to the extent that, had there been no such plan, the amount would have been payable in cash to the Employee.
- 1.10 "Beneficiary" shall mean one or more persons, trusts, estates or other entities, designated in accordance with Article 9, that are entitled to receive benefits under this Plan upon the death of a Participant.
- 1.11 "Beneficiary Designation Form" shall mean the form established from time to time by the Committee that a Participant completes, signs and returns to the Committee to designate one or more Beneficiaries.
- 1.12 "Board" shall mean the board of directors of the Company.
- 1.13 "Change in Control" shall mean the first to occur of any of the following events:
- (a) Any "person" (as that term is used in Section 13 and 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act")) becomes the beneficial owner (as that term is used in Section

13(d) of the Exchange Act), directly or indirectly, of fifty percent (50%) or more of the Company's capital stock entitled to vote in the election of directors;

(b) During any period of not more than two consecutive years, not including any period prior to the adoption of this Plan, individuals who, at the beginning of such period constitute the board of directors of the Company, and any new director other than a director designated by a person who has entered into an agreement with the Company to effect a

transaction described in clause (a), (c), (d) or (e) of this Section 1.10) whose election by the board of directors or nomination for election by the Company's stockholders was approved by a vote of at least three-fourths (3/4ths) of the directors then still in office, who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute at least a majority thereof;

(c) The shareholders of the Company approve any consolidation or merger of the Company, other than a consolidation or merger of the Company in which the holders of the common stock of the Company immediately prior to the consolidation or merger hold more than fifty percent (50%) of the common stock of the surviving corporation immediately after the consolidation or merger;

(d) The shareholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; or

(e) The shareholders of the Company approve the sale or transfer of all or substantially all of the assets of the Company to parties that are not within a "controlled group of corporations" (as defined in Code Section 1563) in which the Company is a member.

1.14 "Claimant" shall have the meaning set forth in Section 14.1.

1.15 "Code" shall mean the Internal Revenue Code of 1986, as it may be amended from time to time.

1.16 "Committee" shall mean the Profit Sharing Plan committee.

1.17 "Company" shall mean International Game Technology, a Nevada corporation, and any successor.

1.18 "Company Contribution Account" shall mean (i) the sum of the

Participant's Annual Company Contribution Amounts, plus (ii) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Company Contribution Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Company Contribution Account.

1.19 "Deduction Limitation" shall mean the following described limitation on a benefit that may otherwise be distributable pursuant to the provisions of this Plan. Except as otherwise provided, this limitation shall be applied to all distributions that are "subject to the Deduction Limitation" under this Plan. If an Employer determines in good faith prior to a Change in Control that there is a reasonable likelihood that any compensation otherwise payable to a Participant for a taxable year of the Employer would not be deductible by the Employer solely by reason of the limitation under Code Section 162(m), then, to the extent deemed necessary by the Employer in its discretion to ensure that the entire amount of any distribution to the Participant pursuant to this Plan prior to the Change in Control is deductible, the Employer may defer all or any portion of a distribution otherwise payable under this Plan. Any amounts deferred pursuant to this limitation shall continue to be credited/debited with additional amounts in accordance with Section 3.9 below, even if such amount is being paid out in installments. The amounts so deferred and amounts credited thereon shall be distributed to the Participant or his or her Beneficiary (in the event of the Participant's death) at the earliest possible date, as

determined by the Employer in good faith, on which the deductibility of compensation paid or payable to the Participant for the taxable year of the Employer during which the distribution is made will not be limited by Section 162(m), or if earlier, the effective date of a Change in Control. Notwithstanding anything to the contrary in this Plan, the Deduction Limitation shall not apply after a Change in Control.

1.20 "Deferral Account" shall mean (i) the sum of all of a Participant's Annual Deferral Amounts, plus (ii) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Deferral Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to his or her Deferral Account.

1.21 "Disability" shall mean a period of disability during which a Participant qualifies for permanent disability benefits under the Participant's Employer's long-term disability plan, or, if a Participant does not participate in such a plan, a period of disability during which the Participant would have qualified for permanent disability benefits under such a plan had the Participant been a participant in such a plan, as determined in the sole discretion of the Committee. If the Participant's Employer does not sponsor such a plan,

or discontinues to sponsor such a plan, Disability shall be determined by the Committee in its sole discretion.

- 1.22 "Disability Benefit" shall mean the benefit set forth in Article 8.
- 1.23 "Election Form" shall mean a written form established from time to time by the Committee that a Participant must complete, sign and return to the Committee to make an election under the Plan.
- 1.24 "Employee" shall mean a person who is an employee of any Employer.
- 1.25 "Employer(s)" shall mean the Company and/or any of its subsidiaries (now in existence or hereafter formed or acquired) that have been selected by the Board to participate in the Plan and have adopted the Plan as a sponsor.
- 1.26 "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as it may be amended from time to time.
- 1.27 "First Plan Year" shall mean the period beginning September 1, 1999 and ending December 31, 1999.
- 1.28 "Participant" shall mean any Employee (i) who is selected to participate in the Plan, (ii) who elects to participate in the Plan, (iii) who signs a Plan Agreement, an Election Form and a Beneficiary Designation Form, (iv) whose signed Plan Agreement, Election Form and Beneficiary Designation Form are accepted by the Committee, (v) who commences participation in the Plan, and (vi) whose Plan Agreement has not terminated. A spouse or former spouse of a Participant shall not be treated as a Participant in the Plan or have an account balance under the Plan, even if he or she has an interest in the Participant's benefits under the Plan as a result of applicable law or property settlements resulting from legal separation or divorce.
- 1.29 "Plan" shall mean the Company's Deferred Compensation Plan, which shall be evidenced by this instrument and by each Plan Agreement, as they may be amended from time to time.
- 1.30 "Plan Agreement" shall mean a written agreement, in a form approved by the Committee and as it may be amended from time to time, which is entered into by and between an Employer and a Participant. Each Plan Agreement executed by a Participant and the Participant's Employer shall provide for the entire benefit to which such Participant is entitled under the Plan; should there be more than one Plan Agreement, the Plan Agreement bearing the latest date of acceptance by the Employer shall supersede all previous Plan Agreements in their entirety and shall govern such entitlement. The terms of any Plan Agreement may be different for any Participant, and any Plan Agreement may provide additional benefits not set forth in the Plan or limit the benefits

otherwise provided under the Plan; provided, however, that any such additional benefits or benefit limitations must be agreed to by both the Employer and the Participant.

- 1.31 "Plan Year" shall, except for the First Plan Year, mean a period beginning on January 1 of each calendar year and continuing through December 31 of such calendar year.
- 1.32 "Pre-Retirement Survivor Benefit" shall mean the benefit set forth in Article 6.
- 1.33 "Profit Sharing Plan" shall be that certain IGT Profit Sharing Plan, as amended from time to time.
- 1.34 "Profit Sharing Restoration Contribution Account" shall mean (i) the sum of all of a Participant's Annual Profit Sharing Restoration Contribution Amounts, plus (ii) amounts credited in accordance with all the applicable crediting provisions of this Plan that relate to the Participant's Profit Sharing Restoration Contribution Account, less (iii) all distributions made to the Participant or his or her Beneficiary pursuant to this Plan that relate to the Participant's Profit Sharing Restoration Contribution Account.
- 1.35 "Retirement", "Retire(s)" or "Retired" shall mean, with respect to an Employee, severance from employment from all Employers for any reason other than a leave of absence, death or Disability on or after the attainment of age fifty-five (55).
- 1.36 "Retirement Benefit" shall mean the benefit set forth in Article 5.
- 1.37 "Short-Term Payout" shall mean the payout set forth in Section 4.1.
- 1.38 "Termination Benefit" shall mean the benefit set forth in Article 7.
- 1.39 "Termination of Employment" shall mean the severing of employment with all Employers, voluntarily or involuntarily, for any reason other than Retirement, Disability, death or an authorized leave of absence.
- 1.40 "Trust" shall mean one or more trusts established pursuant to that certain Master Trust Agreement, dated as of _____, 199_ between the Company and the trustee named therein, as amended from time to time.
- 1.41 "Years of Vesting Service" shall mean, with respect to a Participant, his or her total years of vesting service as defined in and for purposes of the Profit Sharing Plan.

ARTICLE 2

Selection, Enrollment, Eligibility

- 2.1 Selection by Committee. Participation in the Plan shall be limited to a select group of management and highly compensated Employees of the

Employers, as determined by the Committee in its sole discretion. From that group, the Committee shall select, in its sole discretion, those Employees who may actually elect to participate in the Plan.

- 2.2 Enrollment Requirements. As a condition to participation, each selected Employee who wishes to participate in the Plan shall complete, execute and return to the Committee a Plan Agreement, an Election Form and a Beneficiary Designation Form, all within 30 days after he or she is selected to participate in the Plan. In addition, the Committee shall establish from time to time such other enrollment requirements as it determines in its sole discretion are necessary. A selected Employee whose Plan Agreement, Election Form and Beneficiary Designation are not received by the Committee within such 30 day period shall not be eligible to participate in the Plan unless he or she is again selected by the Committee and timely files such documents.
- 2.3 Eligibility; Commencement of Participation. Provided an Employee selected to participate in the Plan has met all enrollment requirements set forth in this Plan and required by the Committee, including returning all required documents to the Committee within the specified time period, that Employee shall commence participation in the Plan on the first day of the Plan Year following the date on which the Employee completes all enrollment requirements. The Committee may allow an Employee who is first employed by an Employer to commence participation in the Plan during a Plan Year; provided that the Employee is selected in accordance with Section 2.1 and satisfies the requirements of Section 2.3 no later than 30 days after the date he or she is first employed and provided that no amount of compensation earned prior to the date of the Committee's receipt of his or her Plan Agreement and Election Form may be deferred.
- 2.4 Termination of Participation and/or Deferrals. If the Committee determines in good faith that a Participant no longer qualifies as a member of a select group of management or highly compensated employees, as membership in such group is determined in accordance with Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, the Committee shall have the right, in its sole discretion, to (i) terminate any deferral election the Participant has made for the remainder of the Plan Year in which the Participant's membership status changes, (ii) prevent the Participant from making future deferral elections and/or (iii) immediately distribute the Participant's then Account Balance as a Termination Benefit and terminate the Participant's participation in the Plan.

ARTICLE 3

Deferral Commitments/Profit Sharing Restoration Contribution/Crediting/Taxes

- 3.1 Minimum Deferrals.

(a) Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing, and Annual Commissions . For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing, and/or Annual Commissions in an aggregate minimum of \$2,000.

If an election is made for less than \$2,000, if no election is made or if no election can be made because the maximum amount that the Participant may defer under Section 3.2 is less than \$2,000, the amount deferred shall be zero.

(b) Short Plan Year. Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of

a Plan Year, or in the case of the first Plan Year of the Plan itself, the minimum Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing and Annual Commissions deferral shall be an amount equal to the minimums set forth above, respectively, multiplied by a fraction, the numerator of which is the number of complete months remaining in the Plan Year and the denominator of which is 12.

3.2 Maximum Deferral.

(a) Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing and Annual Commissions. For each Plan Year, a Participant may elect to defer, as his or her Annual Deferral Amount, Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing and/or Annual Commissions up to the following maximum percentages for each deferral elected:

Deferral	Maximum Amount
Base Annual Salary	50%
Annual Discretionary Cash Bonus	50%
Annual Cash Sharing	50%
Annual Commissions	50%

Notwithstanding the foregoing, if a Participant first becomes a Participant after the first day of a Plan Year, or in the case of the first Plan Year of the Plan itself, the maximum Annual Deferral Amount, with respect to Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing and/or Annual Commissions shall be limited to 50% of the amount of such form of compensation not yet earned by the Participant as of the date the Participant submits a Plan Agreement and Election Form to the Committee for acceptance. The Committee, in its discretion, may adopt other deferral limits that are more restrictive on Participants than the foregoing limits, and the Committee may provide that such limits, and the Committee may provide that such other limits shall apply to Participants generally or only to certain specified Participants.

3.3 Election to Defer; Effect of Election Form.

(a) First Plan Year. In connection with a Participant's commencement of participation in the Plan, the Participant shall make an irrevocable deferral election for the Plan Year in which the Participant commences participation in the Plan, along with such other elections as the Committee deems necessary or desirable under the Plan. For these elections to be valid, the Election Form must be completed and signed by the Participant, timely delivered to the Committee (in accordance with Section 2.2 above) and accepted by the Committee.

(b) Subsequent Plan Years. For each succeeding Plan Year, an irrevocable deferral election for that Plan Year, and such other elections as the Committee deems necessary or desirable under the Plan, shall be made by timely delivering to the

Committee, in accordance with its rules and procedures, before the end of the Plan Year preceding the Plan Year for which the election is made, a new Election Form. If no such Election Form is timely delivered for a Plan Year, the Annual Deferral Amount shall be zero for that Plan Year.

3.4 Withholding of Annual Deferral Amounts. For each Plan Year, the Base Annual Salary portion of the Annual Deferral Amount shall be withheld from each regularly scheduled Base Annual Salary payroll in equal amounts, as adjusted from time to time for increases and decreases in Base Annual Salary. The Annual Discretionary Cash Bonus, Annual Cash Sharing and Annual Commissions portion of the Annual Deferral Amount shall be withheld at the time the Annual Discretionary Cash Bonus, Annual Cash Sharing or Annual Commissions, as the case may be, are or

otherwise would be paid to the Participant, whether or not this occurs during the Plan Year itself.

3.5 Annual Company Contribution Amount. For each Plan Year, an Employer, in its sole discretion, may, but is not required to, credit any amount it desires to any Participant's Company Contribution Account under this Plan, which amount shall be for that Participant the Annual Company Contribution Amount for that Plan Year. The amount so credited to a Participant may be smaller or larger than the amount credited to any other Participant, and the amount credited to any Participant for a Plan Year may be zero, even though one or more other Participants receive an Annual Company Contribution Amount for that Plan Year. The Annual Company Contribution Amount, if any, shall be credited as of the last day of the Plan Year. If a Participant is not employed by an Employer as of the last day of a Plan Year other than by reason of his or her Retirement or death while employed, the Annual Company Contribution Amount for that Plan Year shall be zero.

3.6 Annual Profit Sharing Restoration Contribution Amount. A Participant's Annual Profit Sharing Restoration Contribution Amount for any Plan Year shall be equal to the difference between (i) the amount of employer matching contributions the Participant would have received under section 3.3 of the Profit Sharing Plan for the period under the Profit Sharing Plan that corresponds to the Plan Year, but for the Participant's deferral election under this Plan, and (ii) the amount of employer matching contributions the Participant actually received under section 3.3 of the Profit Sharing Plan for the period under the Profit Sharing Plan that corresponds to the Plan Year. If a Participant is not employed by an Employer as of the last day of a Plan Year other than by reason of his or her Retirement or death, the Annual Profit Sharing Restoration Contribution Amount for such Plan Year shall be zero. In the event of Retirement or death, a Participant shall be credited with the Annual Profit Sharing Restoration Contribution Amount for the Plan Year in which he or she Retires or dies. Any Annual Company Profit Sharing Restoration Amount, and amounts debited or credited thereon in accordance with Section 3.9, which has been forfeited under Section 3.8 during a Plan Year shall be allocated as of the last day of the Plan Year to the Company Profit Sharing Restoration Accounts of the other eligible Participants in the Plan during that Plan Year in accordance with the methodology set forth in Section 3.10 of the Profit Sharing Plan as interpreted by the Committee in its sole and absolute discretion.

3.7 Vesting.

(a) A Participant shall at all times be 100% vested in his or her Deferral Account.

(b) A Participant shall be vested in his or her Company

Contribution Account and Profit Sharing Restoration
Contribution Account in accordance with the following
schedule:

Years of Vesting Service on Date of Termination of Employment	Vested Percentage of Company Contribution Account
Less than 1 year	0%
More than 1 but less than 2 years	10%
More than 2 but less than 3 years	20%
More than 3 but less than 4 years	30%
More than 4 but less than 5 years	45%
More than 5 but less than 6 years	60%
More than 6 but less than 7 years	80%
7 years or more	100%

- (c) Notwithstanding anything to the contrary contained in this Section 3.8, in the event of the Participant's death, or a Change in Control, a Participant's Company Contribution Account and Profit Sharing Restoration Contribution Account shall immediately become 100% vested (if it is not already vested in accordance with the above vesting schedules).
- (d) Notwithstanding subsection (c), the vesting schedule for a Participant's Company Contribution Account and Profit Sharing Restoration Contribution Account shall not be accelerated to the extent that the Committee determines that such acceleration would cause the deduction limitations of Section 280G of the Code to become effective. In the event that all of a Participant's Company Contribution Account or Profit Sharing Restoration Contribution Account is not vested pursuant to such a determination, the Participant may request, no later than 60 days after the date the Committee notifies the Participant in writing that his or her vesting

will not be fully accelerated in accordance with the foregoing sentence, independent verification of the Committee's calculations with respect to the application of Section 280G. Such request must be made in writing to the Committee. In such case, the Committee must provide to the Participant within 30 business days of its receipt of such a request an opinion from a nationally recognized accounting firm selected by the Participant (the "Accounting Firm"). The opinion shall state the Accounting Firm's opinion that any limitation in the vested percentage hereunder is necessary to avoid the limits of Section 280G and contain supporting calculations, and the Participant's vesting (to the extent not previously accelerated) shall be accelerated to the maximum extent possible (within the determination made by the Accounting Firm) such that the limitations of Section 280G of the Code will not be triggered. The cost of such opinion shall be paid for by the Company.

3.8 Crediting/Debiting of Account Balances. In accordance with, and subject to, the rules and procedures that are established from time to time by

the Committee, in its sole discretion, amounts shall be credited or debited to a Participant's Account Balance in accordance with the following rules:

- (a) Election of Measurement Funds. A Participant, in connection with his or her initial deferral election in accordance with Section 3.3(a) above, shall elect, on the Election Form, one or more Measurement Fund(s) (as described in Section 3.9(c) below) to be used to determine the additional amounts to be credited (or, in the event of losses, debited) to his or her Account Balance for the first calendar month or portion thereof in which the Participant commences participation in the Plan and continuing thereafter for each subsequent calendar month in which the Participant participates in the Plan, unless changed in accordance with the next sentence. Commencing with the first business day that follows the Participant's commencement of participation in the Plan and continuing thereafter for each subsequent business day in which the Participant participates in the Plan, the Participant may (but is not required to) elect, by submitting an Election Form to the Committee that is accepted by the Committee, to add or delete one or more Measurement Fund(s) to be used to determine the additional amounts to be credited (or, in the event of losses, debited) to his or her Account Balance, or to change the portion of his or her Account Balance allocated to each previously or newly elected Measurement Fund. If an election is made in accordance with the previous sentence, it shall

apply to the next business day and continue thereafter for each subsequent day in which the Participant participates in the Plan, unless changed in accordance with the previous sentence.

- (b) Proportionate Allocation. In making any election described in Section 3.9(a) above, the Participant shall specify on the Election Form, in increments of five percentage points (5%), the percentage of his or her Account Balance to be deemed to be invested in a particular Measurement Fund for purposes of crediting deemed earnings (or losses) with respect to his or her Account Balance. A Participant's elections shall total 100%.
- (c) Measurement Funds. The Participant may elect one (1) or more of the measurement funds, based on certain mutual funds approved from time to time by the Committee (the "Measurement Funds"), for the purpose of crediting additional amounts to his or her Account Balance. As necessary, the Committee may, in its sole discretion, discontinue, substitute or add a Measurement Fund. Each such action will take effect as of the first business day that follows by thirty (30) days the day on which the Committee gives Participants advance written notice of such change.
- (d) Crediting or Debiting Method. The performance of each elected Measurement Fund (either positive or negative) will be determined by the Committee, in its reasonable discretion, based on the actual performance of the selected mutual funds corresponding to the Measurement Funds. A Participant's Account Balance shall be credited or debited on a daily basis based on the performance of each Measurement Fund selected by the Participant, as determined by the Committee in its sole discretion, as though (i) a Participant's Account Balance were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to such calendar month, as of the close of usiness on the first business day of such calendar month, at the closing price on such date; (ii) the portion of the Annual Deferral Amount that was actually deferred during any calendar month were invested in the Measurement Fund(s) selected by the Participant, in the percentages applicable to such calendar month, no later than the close of business on the first business day after the day on which such amounts are actually deferred from the Participant's Base Annual Salary through reductions in his or her payroll, at the closing price on such date;

and (iii) any distribution made to a Participant that decreases such Participant's Account Balance ceased being invested in the Measurement Fund(s), in the percentages applicable to such calendar month, no earlier than one business day prior to the distribution, at the closing price on such date. The Participant's Annual Company Contribution Amount and Annual Profit Sharing Restoration Contribution Amount shall be credited to his or her Company Contribution Account or Profit Sharing Restoration Contribution Account, as the case may be, for purposes of this Section 3.9(d) as of the close of business on the last business day of the Plan Year to which it relates.

- (e) No Actual Investment. Notwithstanding any other provision of this Plan that may be interpreted to the contrary, the Measurement Funds are to be used for measurement purposes only and a Participant's election of any such Measurement Fund, the deemed allocation to his or her Account Balance thereto, the calculation of additional amounts and the crediting or debiting of such amounts to a Participant's Account Balance shall not be considered or construed in any manner as an actual investment of his or her Account Balance in any such Measurement Fund. In the event that the Company or the Trustee (as that term is defined in the Trust), in its own discretion, decides to invest funds in any or all of the Measurement Funds, no Participant shall have any rights in or to such investments. Without limiting the foregoing, a Participant's Account Balance shall at all times be a bookkeeping entry only and shall not represent any investment made on his or her behalf by the Company or the Trust; the Participant shall at all times remain an unsecured general creditor of the Company.

3.9 FICA and Other Taxes.

- (a) Annual Deferral Amounts. For each Plan Year in which an Annual Deferral Amount is being withheld from a Participant, the Participant's Employer(s) shall withhold from that portion of the Participant's Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing and Annual Commissions that is not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other employment taxes on such Annual Deferral Amount. If necessary, the Committee may reduce the Annual Deferral Amount otherwise elected by a Participant in order to comply with this Section 3.10.
- (b) Annual Company Contribution Amounts and Annual Profit Sharing Restoration Contribution Amounts. For each Plan Year in which an Annual Company Contribution Amount or Profit Sharing Restoration Contribution Amount vests, the

Participant's Employer(s) shall withhold from that portion of the Participant's Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing and Annual Commissions that is not being deferred, in a manner determined by the Employer(s), the Participant's share of FICA and other

employment taxes on such Annual Company Contribution Amount and Annual Profit Sharing Restoration Contribution Amount and all earnings thereon. If necessary, the Committee may reduce a Participant's Annual Company Contribution Amount or Annual Profit Sharing Restoration Contribution Amount or both in order to comply with this Section 3.10.

- (c) Distributions. The Participant's Employer(s), or the trustee of the Trust, shall withhold from any amount otherwise payable to a Participant under this Plan all federal, state and local income, employment and other taxes required to be withheld by the Employer(s), or the trustee of the Trust, in connection with such payments, in amounts and in a manner to be determined in the sole discretion of the Employer(s) and the trustee of the Trust.

ARTICLE 4

Short-Term Payout; Withdrawal Election

- 4.1 Short-Term Payout. In connection with each election to defer an Annual Deferral Amount, a Participant may irrevocably elect to receive a future "Short-Term Payout" from the Plan with respect to such Annual Deferral Amount. Subject to the Deduction Limitation, the Short-Term Payout shall be a lump sum payment in an amount that is equal to the Annual Deferral Amount plus amounts credited or debited in the manner provided in Section 3.9 above on that amount, determined at the time that the Short-Term Payout becomes payable (rather than the date of a Termination of Employment). Subject to the Deduction Limitation and the other terms and conditions of this Plan, each Short-Term Payout elected shall be paid out during a 45 day period commencing immediately after the last day of any Plan Year designated by the Participant that is at least three Plan Years after the Plan Year in which the Annual Deferral Amount is actually deferred. By way of example, if a three year Short-Term Payout is elected for Annual Deferral Amounts that are deferred in the Plan Year commencing March 1, 2000, the three year Short-Term Payout would become payable during the 45 day period commencing December 1, 2004.

- 4.2 Other Benefits Take Precedence Over Short-Term. Should an event occur that triggers a benefit under Article 5, 6, 7 or 8, any Annual Deferral Amount, plus amounts credited or debited thereon, that is subject to a

Short-Term Payout election under Section 4.1 shall not be paid in accordance with Section 4.1 but shall be paid in accordance with the other applicable Article.

4.3 Withdrawal Election. A Participant (or, after a Participant's death, his or her Beneficiary) may elect, at any time, to withdraw all of his or her Account Balance, calculated as if there had occurred a Termination of Employment as of the day of the election, less a withdrawal penalty equal to 10% of such amount (the net amount shall be referred to as the "Withdrawal Amount"). This election can be made at any time, before or after Retirement, Disability, death or Termination of Employment, and whether or not the Participant (or Beneficiary) is in the process of being paid pursuant to an installment payment schedule. If made before Retirement, Disability or death, a Participant's Withdrawal Amount shall be his or her Account Balance calculated as if there had occurred a Termination of Employment as of the day of the election. No partial withdrawals of a Participant's Account Balance shall be allowed. The Participant (or his or her Beneficiary) shall make this election by giving the Committee advance written notice of the election in a form determined from time to time by the Committee. The Participant (or his or her Beneficiary) shall be

paid the Withdrawal Amount within 45 days of his or her election. Once the Withdrawal Amount is paid, the Participant's participation in the Plan shall terminate and the Participant shall not be eligible to participate in the Plan for the remainder of the Plan Year in which the withdrawal election is made and the next full Plan Year. The payment of this Withdrawal Amount shall not be subject to the Deduction Limitation. The amount of the withdrawal penalty shall be permanently and irrevocably forfeited by the Participant.

ARTICLE 5

Retirement Benefit

5.1 Retirement Benefit. Subject to the Deduction Limitation, a Participant who Retires shall receive, as a Retirement Benefit, his or her Account Balance.

5.2 Payment of Retirement Benefit. A Participant, in connection with his or her commencement of participation in the Plan, shall elect on an Election Form to receive the Retirement Benefit in a lump sum or pursuant to an Annual Installment Method of 5, 10 or 15 years. The Participant may annually change his or her election to an allowable alternative payout period by submitting a new Election Form to the Committee, provided that an Election Form must be received and accepted by the Committee at least 1 year prior to the Participant's Retirement in order to be effective with respect to a change of the Participant's

alternative payout period. The Election Form most recently accepted by the Committee shall govern the payout of the Retirement Benefit. If a Participant does not make any election with respect to the payment of the Retirement Benefit, then such benefit shall be payable in a lump sum. The lump sum payment shall be made, or installment payments shall commence, no later than 45 days after the last day of the Plan Year in which the Participant Retires. Any payment made shall be subject to the Deduction Limitation.

- 5.3 Death Prior to Completion of Retirement Benefit. If a Participant dies after Retirement but before the Retirement Benefit is paid in full, the Participant's unpaid Retirement Benefit payments shall continue and shall be paid to the Participant's Beneficiary in a lump sum that is equal to the Participant's unpaid remaining Account Balance.

ARTICLE 6

Pre-Retirement Survivor Benefit

- 6.1 Pre-Retirement Survivor Benefit. Subject to the Deduction Limitation, the Participant's Beneficiary shall receive a Pre-Retirement Survivor Benefit equal to the Participant's Account Balance if the Participant dies before he or she Retires, experiences a Termination of Employment or suffers a Disability.
- 6.2 Payment of Pre-Retirement Survivor Benefit. The Pre-Retirement Survivor Benefit shall be paid in a lump sum. The lump sum payment shall be made no later than 45 days after the last day of the Plan Year in which the Committee is provided with proof that is satisfactory to the Committee of the Participant's death. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 7

Termination Benefit

- 7.1 Termination Benefit. Subject to the Deduction Limitation, the Participant shall receive a Termination Benefit, which shall be equal to the Participant's Account Balance if a Participant experiences a Termination of Employment prior to his or her Retirement, death or Disability.
- 7.2 Payment of Termination Benefit. The Termination Benefit shall be paid in a lump sum. The lump sum payment shall be made no later than 45 days after the date on which the Participant experiences the Termination of Employment. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 8

Disability Waiver and Benefit

8.1 Disability Waiver.

- (a) Waiver of Deferral. A Participant who is determined by the Committee to be suffering from a Disability shall be excused from fulfilling that portion of the Annual Deferral Amount commitment that would otherwise have been withheld from a Participant's Base Annual Salary, Annual Discretionary Cash Bonus, Annual Cash Sharing and/or Annual Commissions for the Plan Year during which the Participant first suffers a Disability. During the period of Disability, the Participant shall not be allowed to make any additional deferral elections, but will continue to be considered a Participant for all other purposes of this Plan.
- (b) Return to Work. If a Participant returns to employment with an Employer, after a Disability ceases, the Participant may elect to defer an Annual Deferral Amount for the Plan Year following his or her return to employment or service and for every Plan Year thereafter while a Participant in the Plan; provided such deferral elections are otherwise allowed and an Election Form is timely delivered to and accepted by the Committee for each such election in accordance with Section 3.3 above.

8.2 Continued Eligibility; Disability Benefit. A Participant suffering a Disability shall, solely for benefit purposes under this Plan, continue to be considered to be employed, and shall be eligible for the benefits provided for in Articles 4, 5, 6 or 7 in accordance with the provisions of those Articles. Notwithstanding the above, the Committee shall have the right to, in its sole and absolute discretion and for purposes of this Plan only, and must in the case of a Participant who is otherwise eligible to Retire, deem the Participant to have experienced a Termination of Employment, or in the case of a Participant who is eligible to Retire, to have Retired, at any time (or in the case of a Participant who is eligible to Retire, as soon as practicable) after such Participant is determined to be suffering a Disability, in which case the Participant shall receive a Disability Benefit equal to his or her Account Balance at the time of the Committee's determination; provided, however, that should the Participant otherwise have been eligible to Retire, he or she shall be paid in accordance with Article 5. The Disability Benefit shall be paid in a lump sum within 45 days of the Committee's exercise of such right. Any payment made shall be subject to the Deduction Limitation.

ARTICLE 9 Beneficiary Designation

- 9.1 Beneficiary. Each Participant shall have the right, at any time, to designate his or her Beneficiary(ies) (both primary as well as contingent) to receive any benefits payable under the Plan to a beneficiary upon the death of a Participant. The Beneficiary designated under this Plan may be the same as or different from the Beneficiary designation under any other plan of an Employer in which the Participant participates.
- 9.2 Beneficiary Designation; Change; Spousal Consent. A Participant shall designate his or her Beneficiary by completing and signing the Beneficiary Designation Form, and returning it to the Committee or its designated agent. A Participant shall have the right to change a Beneficiary by completing, signing and otherwise complying with the terms of the Beneficiary Designation Form and the Committee's rules and procedures, as in effect from time to time. If the Participant names someone other than his or her spouse as his or her sole primary Beneficiary, a spousal consent, in the form designated by the Committee, must be signed by that Participant's spouse and returned to the Committee. Upon the acceptance by the Committee of a new Beneficiary Designation Form, all Beneficiary designations previously filed shall be canceled. The Committee shall be entitled to rely on the last Beneficiary Designation Form filed by the Participant and accepted by the Committee prior to his or her death.
- 9.3 Acknowledgment. No designation or change in designation of a Beneficiary shall be effective until received and acknowledged in writing by the Committee or its designated agent.
- 9.4 No Beneficiary Designation. If a Participant fails to designate a Beneficiary as provided in Sections 9.1, 9.2 and 9.3 above or, if all designated Beneficiaries predecease the Participant or die prior to complete distribution of the Participant's benefits, then the Participant's designated Beneficiary shall be deemed to be his or her surviving spouse. If the Participant has no surviving spouse, the benefits remaining under the Plan to be paid to a Beneficiary shall be payable to the executor or personal representative of the Participant's estate.
- 9.5 Doubt as to Beneficiary. If the Committee has any doubt as to the proper Beneficiary to receive payments pursuant to this Plan, the Committee shall have the right, exercisable in its discretion, to cause the Participant's Employer to withhold such payments until this matter is resolved to the Committee's satisfaction.
- 9.6 Discharge of Obligations. The payment of benefits under the Plan to a Beneficiary shall fully and completely discharge all Employers and the Committee from all further obligations under this Plan with respect to the Participant, and that Participant's Plan Agreement shall terminate upon such full payment of benefits.

ARTICLE 10
Leave of Absence

- 10.1 Paid Leave of Absence. If a Participant is authorized by the Participant's Employer for any reason to take a paid leave of absence from the employment of the Employer, the Participant shall continue to be considered employed by the Employer and the Annual Deferral Amount shall continue to be withheld during such paid leave of absence in accordance with Section 3.3.
- 10.2 Unpaid Leave of Absence. If a Participant is authorized by the Participant's Employer for any reason to take an unpaid leave of absence from the employment of the Employer, the Participant will continue to be considered employed by the Employer and the Participant shall be excused from making deferrals until the earlier of the date the leave of absence expires or the Participant returns to a paid employment status. Upon such expiration or return, deferrals shall resume for the remaining portion of the Plan Year in which the expiration or return occurs, based on the deferral election, if any, made for that Plan Year. If no election was made for that Plan Year, no deferral shall be withheld. A Participant shall be deemed to have terminated employment if he or she fails to timely return to the employ of the Employer.

ARTICLE 11
Termination, Amendment or Modification

- 11.1 Termination. Although each Employer anticipates that it will continue the Plan for an indefinite period of time, there is no guarantee that any Employer will continue the Plan or will not terminate the Plan at any time in the future. Accordingly, each Employer reserves the right to discontinue its sponsorship of the Plan and/or to terminate the Plan at any time with respect to any or all of its participating Employees by action of its board of directors. Upon the termination of the Plan with respect to any Employer, the Plan Agreements of the affected Participants who are employed by that Employer shall terminate and their Account Balances, determined as if they had experienced a Termination of Employment on the date of Plan termination or, if Plan termination occurs after the date upon which a Participant was eligible to Retire, then with respect to that Participant as if he or she had Retired on the date of Plan termination, shall be paid to the Participants as follows: Prior to a Change in Control, if the Plan is terminated with respect to all of its Participants, an Employer shall have the right, in its sole discretion, and notwithstanding any elections made by the Participant, to pay such benefits in a lump sum or pursuant to an Annual Installment Method of up to 15 years, with amounts credited and debited during the installment period as provided herein. If the Plan is terminated with respect to less than all of its Participants, an Employer shall be required to pay such benefits in a lump sum. After a Change in Control, the Employer shall be required to

pay such benefits in a lump sum. The termination of the Plan shall not adversely affect any Participant or Beneficiary who has become entitled to the payment of any benefits under the Plan as of the date of termination; provided however, that the Employer shall have the right to accelerate installment payments without a premium or prepayment penalty by paying the Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

11.2 Amendment. Any Employer may, at any time, amend or modify the Plan in whole or in part with respect to that Employer by the action of its board of directors; provided, however, that: (i) subject to Section 11.9, no amendment or modification shall be effective to decrease or restrict the value of a Participant's Account Balance in existence at the time the amendment or modification is made, calculated as if the Participant had experienced a Termination of Employment as of the effective date of the amendment or modification or, if the amendment or modification occurs after the date upon which the Participant was eligible to Retire, the Participant had Retired as of the effective date of the amendment or modification, and (ii) no amendment or modification of this Section 11.2 or Section 12.2 of the Plan shall be effective. The amendment or modification of the Plan shall not affect any Participant or Beneficiary who has become entitled to the payment of benefits under the Plan as of the date of the amendment or modification; provided, however, that the Employer shall have the right to accelerate installment payments by paying the Account Balance in a lump sum or pursuant to an Annual Installment Method using fewer years (provided that the present value of all payments that will have been received by a Participant at any given point of time under the different payment schedule shall equal or exceed the present value of all payments that would have been received at that point in time under the original payment schedule).

11.3 Plan Agreement. Despite the provisions of Sections 11.1 and 11.2 above, if a Participant's Plan Agreement contains benefits or limitations that are not in this Plan document, the Employer may only amend or terminate such provisions as to the Participant with his or her consent.

11.4 Effect of Payment. The full payment of the applicable benefit under Articles 4, 5, 6, 7 or 8 of the Plan shall completely discharge all obligations to a Participant and his or her designated Beneficiaries under this Plan and the Participant's Plan Agreement shall terminate.

ARTICLE 12

12.1 Committee Duties. Except as otherwise provided in this Article 12, this Plan shall be administered by a Committee, which shall consist of the Board, or such committee as the Board shall appoint. Members of the Committee may be Participants under this Plan. In addition to any powers otherwise conferred under this Plan, the Committee shall have the discretion and authority to (i) make, amend, interpret, and enforce all appropriate rules and regulations for the administration of this Plan and (ii) decide or resolve any and all questions including interpretations of this Plan, as may arise in connection with the Plan. Any individual serving on the Committee who is a Participant shall not vote or act on any matter relating solely to himself or herself. When making a determination or calculation, the Committee shall be entitled to rely on information furnished by a Participant or the Company.

12.2 Administration Upon Change In Control. For purposes of this Plan, the Company shall be the "Administrator" at all times prior to the occurrence of a Change in Control. Upon and after the occurrence of a Change in Control, the "Administrator" shall be an independent third party selected by the Trustee and approved by the individual who, immediately prior to such event, was the Company's Chief Executive Officer or, if not so identified, the Company's highest ranking officer (the "Ex-CEO"). The Administrator shall have the discretionary power to determine all questions arising in connection with the administration of the Plan and the interpretation of the Plan and Trust including, but not limited to benefit entitlement determinations; provided, however,

upon and after the occurrence of a Change in Control, the Administrator shall have no power to direct the investment of Plan or Trust assets or select any investment manager or custodial firm for the Plan or Trust. Upon and after the occurrence of a Change in Control, the Company must: (1) pay all reasonable administrative expenses and fees of the Administrator; (2) indemnify the Administrator against any costs, expenses and liabilities including, without limitation, attorney's fees and expenses arising in connection with the performance of the Administrator hereunder, except with respect to matters resulting from the gross negligence or willful misconduct of the Administrator or its employees or agents; and (3) supply full and timely information to the Administrator or all matters relating to the Plan, the Trust, the Participants and their Beneficiaries, the Account Balances of the Participants, the date of circumstances of the Retirement, Disability, death or Termination of Employment of the Participants, and such other pertinent information as the Administrator may reasonably require. Upon and after a Change in Control, the Administrator may be terminated (and a replacement appointed) by the Trustee only with the approval of the Ex-CEO. Upon and after a Change in Control, the Administrator may not be terminated by the Company.

- 12.3 Agents. In the administration of this Plan, the Committee may, from time to time, employ agents and delegate to them such administrative duties as it sees fit (including acting through a duly appointed representative) and may from time to time consult with counsel who may be counsel to any Employer.
- 12.4 Binding Effect of Decisions. The decision or action of the Administrator with respect to any question arising out of or in connection with the administration, interpretation and application of the Plan and the rules and regulations promulgated hereunder shall be final and conclusive and binding upon all persons having any interest in the Plan.
- 12.5 Indemnity of Committee. All Employers shall indemnify and hold harmless the members of the Committee, any Employee to whom the duties of the Committee may be delegated, and the Administrator against any and all claims, losses, damages, expenses or liabilities arising from any action or failure to act with respect to this Plan, except in the case of willful misconduct by the Committee, any of its members, any such Employee or the Administrator.
- 12.6 Employer Information. To enable the Committee and/or Administrator to perform its functions, the Company and each Employer shall supply full and timely information to the Committee and/or Administrator, as the case may be, on all matters relating to the compensation of its Participants, the date and circumstances of the Retirement, Disability, death or circumstances of the Retirement, Disability, death or Termination of Employment of its Participants, and such other pertinent information as the Committee or Administrator may reasonably require.

ARTICLE 13

Other Benefits and Agreements

- 13.1 Coordination with Other Benefits. The benefits provided for a Participant and Participant's Beneficiary under the Plan are in addition to any other benefits available to such Participant under any other plan or program for employees of the Participant's Employer. The Plan shall supplement and shall not supersede, modify or amend any other such plan or program except as may otherwise be expressly provided.

ARTICLE 14

Claims Procedures

- 14.1 Presentation of Claim. Any Participant or Beneficiary of a deceased Participant (such Participant or Beneficiary being referred to below as a "Claimant") may deliver to the Committee a written claim for a determination with respect to the amounts distributable to such

Claimant from the Plan. If such a claim relates to the contents of a notice received by the Claimant, the claim must be made within 60 days after such notice was received by the Claimant. All other claims must be made within 180 days of the date on which the event that caused the claim to arise occurred. The claim must state with particularity the determination desired by the Claimant.

14.2 Notification of Decision. The Committee shall consider a Claimant's claim within a reasonable time, and shall notify the Claimant in writing:

- (a) that the Claimant's requested determination has been made, and that the claim has been allowed in full; or
- (b) that the Committee has reached a conclusion contrary, in whole or in part, to the Claimant's requested determination, and such notice must set forth in a manner calculated to be understood by the Claimant:
 - (i) the specific reason(s) for the denial of the claim, or any part of it;
 - (ii) specific reference(s) to pertinent provisions of the Plan upon which such denial was based;
 - (iii) a description of any additional material or information necessary for the Claimant to perfect the claim, and an explanation of why such material or information is necessary; and
 - (iv) an explanation of the claim review procedure set forth in Section 14.3 below.

14.3 Review of a Denied Claim. Within 60 days after receiving a notice from the Committee that a claim has been denied, in whole or in part, a Claimant (or the Claimant's duly authorized representative) may file with the Committee a written request for a review of the denial of the claim. Thereafter, but not later than 30 days after the review procedure began, the Claimant (or the Claimant's duly authorized representative):

- (a) may review pertinent documents;
- (b) may submit written comments or other documents; and/or
- (c) may request a hearing, which the Committee, in its sole discretion, may grant.

14.4 Decision on Review. The Committee shall render its decision on review promptly, and not later than 60 days after the filing of a written request for review of the denial, unless a hearing is held or other special circumstances require additional time, in which case the Committee's decision must be rendered within 120 days after such date.

Such decision must be written in a manner calculated to be understood by the Claimant, and it must contain:

- (a) specific reasons for the decision;
- (b) specific reference(s) to the pertinent Plan provisions upon which the decision was based; and
- (c) such other matters as the Committee deems relevant.

14.5 Legal Action. A Claimant's compliance with the foregoing provisions of this Article 14 is a mandatory prerequisite to a Claimant's right to commence any legal action with respect to any claim for benefits under this Plan.

ARTICLE 15 Trust

15.1 Establishment of the Trust. The Company shall establish the Trust, and each Employer shall at least annually transfer over to the Trust such assets as the Employer determines, in its sole discretion, are necessary to provide, on a present value basis, for its respective future liabilities created with respect to the Annual Deferral Amounts, Annual Company Contribution Amounts, and for such Employer's Participants for all periods prior to the transfer, as well as any debits and credits to the Participants' Account Balances for all periods prior to the transfer, taking into consideration the value of the assets in the trust at the time of the transfer.

15.2 Interrelationship of the Plan and the Trust. The provisions of the Plan and the Plan Agreement shall govern the rights of a Participant to receive distributions pursuant to the Plan. The provisions of the Trust shall govern the rights of the Employers, Participants and the creditors of the Employers to the assets transferred to the Trust. Each Employer shall at all times remain liable to carry out its obligations under the Plan.

15.3 Distributions From the Trust. Each Employer's obligations under the Plan may be satisfied with Trust assets distributed pursuant to the terms of the Trust, and any such distribution shall reduce the Employer's obligations under this Plan.

ARTICLE 16 Miscellaneous

16.1 Status of Plan. The Plan is intended to be a plan that is not qualified within the meaning of Code Section 401(a) and that "is unfunded and is maintained by an employer primarily for the purpose of providing deferred compensation for a select group of management or highly

compensated employee" within the meaning of ERISA Sections 201(2), 301(a)(3) and 401(a)(1). The Plan shall be administered and interpreted to the extent possible in a manner consistent with that intent.

- 16.2 Unsecured General Creditor. Participants and their Beneficiaries, heirs, successors and assigns shall have no legal or equitable rights, interests or claims in any property or assets of an Employer. For purposes of the payment of benefits under this Plan, any and all of an Employer's assets shall be, and remain, the general, unpledged unrestricted assets of the Employer. An Employer's obligation under the Plan shall be merely that of an unfunded and unsecured promise to pay money in the future.
- 16.3 Employer's Liability. An Employer's liability for the payment of benefits shall be defined only by the Plan and the Plan Agreement, as entered into between the Employer and a Participant. An Employer shall have no obligation to a Participant under the Plan except as expressly provided in the Plan and his or her Plan Agreement.
- 16.4 Nonassignability. Neither a Participant nor any other person shall have any right to commute, sell, assign, transfer, pledge, anticipate, mortgage or otherwise encumber, transfer, hypothecate, alienate or convey in advance of actual receipt, the amounts, if any, payable hereunder, or any part thereof, which are, and all rights to which are expressly declared to be, unassignable and non-transferable. No part of the amounts payable shall, prior to actual payment, be subject to seizure, attachment, garnishment or sequestration for the payment of any debts, judgments, alimony or separate maintenance owed by a Participant or any other person, be transferable by operation of law in the event of a Participant's or any other person's bankruptcy or insolvency or be transferable to a spouse as a result of a property settlement or otherwise.
- 16.5 Not a Contract of Employment. The terms and conditions of this Plan shall not be deemed to constitute a contract of employment between any Employer and the Participant. Such employment is hereby acknowledged to be an "at will" employment relationship that can be terminated at any time for any reason, or no reason, with or without cause, and with or without notice, unless expressly provided in a written employment agreement. Nothing in this Plan shall be deemed to give a Participant the right to be retained in the service of any Employer as an Employee, or to interfere with the right of any Employer to discipline or discharge the Participant at any time.
- 16.6 Furnishing Information. A Participant or his or her Beneficiary will cooperate with the Committee by furnishing any and all information requested by the Committee and take such other actions as may be requested in order to facilitate the administration of the Plan and the payments of benefits hereunder, including but not limited to taking such physical examinations as the Committee may deem necessary.

- 16.7 Terms. Whenever any words are used herein in the masculine, they shall be construed as though they were in the feminine in all cases where they would so apply; and whenever any words are used herein in the singular or in the plural, they shall be construed as though they were used in the plural or the singular, as the case may be, in all cases where they would so apply.
- 16.8 Captions. The captions of the articles, sections and paragraphs of this Plan are for convenience only and shall not control or affect the meaning or construction of any of its provisions.
- 16.9 Governing Law. Subject to ERISA, the provisions of this Plan shall be construed and interpreted according to the internal laws of the State of Nevada without regard to its conflicts of laws principles.
- 16.10 Notice. Any notice or filing required or permitted to be given to the Committee under this Plan shall be sufficient if in writing and hand-delivered, or sent by registered or certified mail, to the address below:

Deferred Compensation Plan
 Administrative Committee

International Game Technology

9295 Prototype Drive
 Reno, Nevada 89511-8986

Such notice shall be deemed given as of the date of delivery or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

Any notice or filing required or permitted to be given to a Participant under this Plan shall be sufficient if in writing and hand-delivered, or sent by mail, to the last known address of the Participant.

- 16.11 Successors. The provisions of this Plan shall bind and inure to the benefit of the Participant's Employer and its successors and assigns and the Participant and the Participant's designated Beneficiaries.
- 16.12 Spouse's Interest. The interest in the benefits hereunder of a spouse of a Participant who has predeceased the Participant shall automatically pass to the Participant and shall not be transferable by such spouse in any manner, including but not limited to such spouse's will, nor shall such interest pass under the laws of intestate

succession.

- 16.13 Validity. In case any provision of this Plan shall be illegal or invalid for any reason, said illegality or invalidity shall not affect the remaining parts hereof, but this Plan shall be construed and enforced as if such illegal or invalid provision had never been inserted herein.
- 16.14 Incompetent. If the Committee determines in its discretion that a benefit under this Plan is to be paid to a minor, a person declared incompetent or to a person incapable of handling the disposition of that person's property, the Committee may direct payment of such benefit to the guardian, legal representative or person having the care and custody of such minor, incompetent or incapable person. The Committee may require proof of minority, incompetence, incapacity or guardianship, as it may deem appropriate prior to distribution of the benefit. Any payment of a benefit shall be a payment for the account of the Participant and the Participant's Beneficiary, as the case may be, and shall be a complete discharge of any liability under the Plan for such payment amount.
- 16.15 Court Order. The Committee is authorized to make any payments directed by court order in any action in which the Plan or the Committee has been named as a party. In addition, if a court determines that a spouse or former spouse of a Participant has an interest in the Participant's benefits under the Plan in connection with a property settlement or otherwise, the Committee, in its sole discretion, shall have the right, notwithstanding any election made by a Participant, to immediately distribute the spouse's or former spouse's interest in the Participant's benefits under the Plan to that spouse or former spouse.
- 16.16 Distribution in the Event of Taxation.
- (a) In General. If, for any reason, all or any portion of a Participant's benefits under this Plan becomes taxable to the Participant prior to receipt, a Participant may petition the Committee before a Change in Control, or the trustee of the Trust after a Change in Control, for a distribution of that portion of his or her benefit that has become taxable. Upon the grant of such a petition, by the Committee in its sole discretion, a Participant's Employer shall distribute to the Participant immediately available funds in an amount equal to the taxable portion of his or her benefit (which amount shall not exceed a Participant's unpaid Account Balance under the Plan). If the petition is granted, the tax liability distribution shall be made within 90 days of the date when the Participant's petition is granted. Such a distribution shall affect and reduce the benefits to be paid under this Plan.

(b) Trust. If the Trust terminates in accordance with Section 3.6(e) of the Trust and benefits are distributed from the Trust to a Participant in accordance with that Section, the Participant's benefits under this Plan shall be reduced to the extent of such distributions.

16.17 Insurance. The Employers, on their own behalf or on behalf of the trustee of the Trust, and, in their sole discretion, may apply for and procure insurance on the life of the Participant, in such amounts and in such forms as the Trust may choose. The Employers or the trustee of the Trust, as the case may be, shall be the sole owner and beneficiary of any such insurance. The Participant shall have no interest whatsoever in any such policy or policies, and at the request of the Employers shall submit to medical examinations and supply such information and execute such documents as may be required by the insurance company or companies to whom the Employers have applied for insurance.

16.18 Legal Fees To Enforce Rights After Change in Control. The Company and each Employer is aware that upon the occurrence of a Change in Control, the Board or the board of directors of a Participant's Employer (which might then be composed of new members) or a shareholder of the Company or the Participant's Employer, or of any successor corporation might then cause or attempt to cause the Company, the Participant's Employer or such successor to refuse to comply with its obligations under the Plan and might cause or attempt to cause the Company or the Participant's Employer to institute, or may institute, litigation seeking to deny Participants the benefits intended under the Plan. In these circumstances, the purpose of the Plan could be frustrated. Accordingly, if, following a Change in Control, it should appear to any Participant that the Company, the Participant's Employer or any successor corporation has failed to comply with any of its obligations under the Plan or any agreement thereunder or, if the Company, such Employer or any other person takes any action to declare the Plan void or unenforceable or institutes any litigation or other legal action designed to deny, diminish or to recover from any Participant the benefits intended to be provided, then the Company and the Participant's Employer irrevocably authorize such Participant to retain counsel of his or her choice at the expense of the Company and the Participant's Employer (who shall be jointly and severally liable) to represent such Participant in connection with the initiation or defense of any litigation or other legal action, whether by or against the Company, the Participant's Employer or any director, officer, shareholder or other person affiliated with the Company, the Participant's Employer or any successor thereto in any jurisdiction.

IN WITNESS WHEREOF, the Company has signed this Plan document as of _____, 1999.

"Company"

International Game Technology, a Nevada corporation

By: _____

Title: _____

EMPLOYMENT AGREEMENT

THIS AGREEMENT ("Agreement") is dated as of December 6, 2000, and is by and between IGT (the "Company"), and G. Thomas Baker ("Executive").

WHEREAS, Executive is currently employed by Company; and

WHEREAS, the Company considers it important and in its best interest to foster the employment of key management personnel and desires to retain the services of Executive on the terms and subject to the conditions in this Agreement; and

WHEREAS, the Executive desires to continue employment by the Company to render services to the Company on the terms and subject to the conditions in this Agreement.

NOW, THEREFORE, in consideration of the premises and the respective undertakings of the Company and Executive set forth below, the Company and Executive agree as follows:

1. Employment. The Company hereby employs Executive in the position of President and Chief Executive Officer, and Executive accepts such employment and agrees to perform services for the Company, for the period and upon the other terms and conditions set forth in this Agreement.

2. Term. The term of Executive's employment pursuant to this contract shall be for a period of three (3) years, commencing on December 6, 2000 (Commencement Date) to and including December 5, 2003, unless earlier terminated as provided in this Agreement (the "Term").

3. Compensation.

3.1 Base Salary. As compensation in full for the services to be rendered by the Executive under this Agreement during the Term, the Company shall pay to Executive a base salary of \$650,000 for year one, \$700,000 during year two and \$750,000 during year three (the "Base Salary"), which Base Salary shall be paid in accordance with the Company's normal payroll procedures and policies.

3.2 Bonus For each one percent increase in operating profits before incentives over the previous fiscal year, Executive will receive 10 percent of his base salary. Executive shall receive 20 percent of his base salary for any increase over prior year in excess of 10 percent. The bonus calculation shall have a maximum of 300 percent of the base salary. In year one of the Term, the bonus shall be paid based on the full 2000-2001 fiscal year without proration. The bonus will also be payable based upon various management

objectives set by the Board of Directors in consultation with Executive. If the bonuses earned in year one and year two of the Term exceeds 200 percent of base pay, the amount over 200 percent will be accrued and payment deferred (the "Deferred Bonus") to year three of the Term if Executive remains with the Company through the Term. Deferred Bonus for years one and two, if any, will be paid in conjunction with the bonus earned in year three.

3.3 Participation in Benefit Plans. Executive shall also be entitled to participate in all employee benefit plans or programs of the Company to the extent that his position, title, tenure, salary, age, health and other qualifications make him eligible to participate. The Company does not guarantee the adoption or continuance of any particular employee benefit plan or program during the Term, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto.

3.4 Stock Option. Concurrent with the date of this Agreement, the Company shall grant to Executive an option to purchase 500,000 shares of common stock of the Company, in accordance with the provisions of the Company's 1993 Stock Option Plan (the "Stock Option") except that the Stock Option shall vest one third at the Commencement Date of each year beginning on December 5, 2001. Therefore 166,667 options shall vest on December 5, 2001; 166,667 options shall vest on December 5, 2002 and 166,666 options shall vest on December 5, 2002. The strike price shall be set as of December 5, 2000.

3.5 Withholding Taxes. The Company may withhold from any benefits payable under this Agreement, all federal, state, city or other taxes as shall be required to be withheld pursuant to any law or governmental regulation or ruling.

4. Confidential Information. Except as permitted or directed by the Company's Board of Directors or required by an order of a court having jurisdiction or under subpoena from an appropriate government agency, during the Term or at any time thereafter Executive shall not divulge, furnish or make accessible to anyone or use in any way (other than in the ordinary course of the business the Company or any of its respective affiliates) any confidential or secret knowledge or information of the Company which Executive has acquired or become acquainted with or will acquire or become acquainted with prior to the termination of the period of his employment by the Company (including employment by the Company or any affiliated or predecessor companies prior to the date of this Agreement), whether developed by himself or by others, concerning any trade secrets, confidential or secret designs, processes, formulae, plans, devices or material (whether or not patented or patentable) directly or indirectly useful in any aspect of the business of the Company, any customer or supplier lists of the Company, any confidential or secret development or research work of the Company, or any other confidential information or secret aspects of the business of the Company. Executive acknowledges that the above-described knowledge or information constitutes a unique and valuable asset of the Company and represents a substantial investment of time and expense by the Company, and that any disclosure or other use of such knowledge or information other than for the

sole benefit of the Company and its affiliates would be wrongful and would cause irreparable harm to the Company. Both during and after the Term, Executive shall refrain from any acts or omissions that would reduce the value of such knowledge or information to the Company. The foregoing obligations of confidentiality, however, shall not apply to any knowledge or information which is now published or which subsequently becomes generally publicly known, other than as a direct or indirect result of the breach of this Agreement by Executive.

5. Ventures. If, during the Term, Executive is engaged in or associated with the planning or implementing of any project, program or venture involving the Company and a third party or parties, all rights with respect to such project, program or venture shall belong to the Company. Except as approved by the Company's Board of Directors, Executive shall not be entitled to any interest in such project, program or venture or to any commission, finder's fee or other compensation in connection therewith other than the salary to be paid to Executive as provided in this Agreement.

6. Noncompetition Covenant.

6.1 Agreement not to Compete. Executive agrees that during the Term of this Agreement, Executive shall not, without the written consent of the Company's Board of Directors, directly or indirectly, engage in competition with the Company in any manner or capacity (e.g., as an advisor, principal, agent, partner, officer, director, stockholder, employee, member of any association, or otherwise) in any phase of the business which the Company is conducting during the Term, including the design, development, manufacture, distribution, marketing, leasing, financing or selling of accessories, devices, or systems related to the products or services being sold by the Company.

6.2 Geographic Extent of Covenant. The obligations of Executive under Section 6.1 shall apply to any geographic area in which the Company has engaged in business during the Term.

6.3 Non-Solicitation. Executive agrees that during the Term and for a period of 12 months thereafter, he will not, without the prior written approval of the Company's Board of Directors, hire, solicit or endeavor to entice away from the Company or, following termination of Executive's employment, otherwise interfere with the relationship of the Company with any management employee of the Company, or any person or entity who was, within the then most recent prior 12-month period, a customer, supplier or contractor of the Company or any of its affiliates.

7. Termination. This vAgreement shall terminate in accordance with the following provisions:

7.1 Expiration of the Term. Unless earlier terminated in accordance with the provisions hereof, this Agreement shall terminate upon

expiration of the three year Term as provided in Section 2. After the expiration of the Term, the Board of Directors may continue the employment of Executive and Executive may accept the employment on an at will basis. Company also agrees to provide Executive with medical coverage for Executive only (excluding family members) through the Company or through some other mutually agreed upon provider for the remainder of his life. If such health insurance is provided by a provider other than the Company's, the insurance shall provide for similar coverage as is received by Executives of the Company.

7.2 Death. If the Executive dies during the Term, this Agreement shall terminate, with the Termination Date being the date of the Executive's death.

7.3 Disability. If the Executive has been absent from service to the Company as required in this Agreement for a period of ninety (90) days or more during any one-hundred eighty (180) day period during the Term as a result of any physical or mental disability, the Company has the right to terminate this Agreement, the Termination Date being ten (1) days after notice thereof is given to Executive. Upon such disability during the Term, the severance provided for in

paragraph 7.5 below shall be paid to Executive's estate or as he shall direct.

7.4 Termination by Company for Cause. The Company has the right to terminate this Agreement for Cause as defined herein, such termination to be effective immediately upon notice thereof from the Company to Executive. For purposes of this Agreement, "Cause" shall mean:

- |X| The willful and material failure of Executive to perform his duties hereunder (other than any such failure due to Executive's physical or mental illness), or the willful and material breach by Executive of his obligations hereunder;
- |X| Executive engaging in willful and serious misconduct that has caused or is reasonably expected to result in material injury to the Company;
- |X| Executive is convicted of, or enters a plea of guilty or nolo contendere, to a crime that constitutes a felony;
- |X| The failure or inability of Executive to obtain or retain any license required to be obtained or retained by him in any jurisdiction in which the Company does or proposes to do business.

7.5 Termination by Company Without Cause. If at any time the Board of Directors of the Company decide terminate this Agreement during the Term, it may do so under the following terms and conditions:

- o Company shall pay Executive two years of Executive's base salary and the Deferred

Bonus. Such payment will be based upon the base salary in existence at the time of termination.

o In the event of death of Executive during the Term of the Agreement, the two years of base salary and Deferred Bonus shall be paid to the estate of Executive or as he shall direct.

o Executive's stock options granted under Paragraph 3.3 above, shall have their vesting accelerated in full so as to become one hundred percent vested as of the date of termination.

7.6 Termination due to Change of Control. If at any time during the Term a third party acquires a Controlling Interest in the Company, Executive may at his discretion, elect to sever his relationship with the Company. In this instance, the provisions of paragraph 7.5 above shall apply. A Controlling Interest shall be defined as a transfer of ownership of 40 percent or more of the outstanding shares of Company. In the event of a Change of Control of Company occurring while Executive is employed by Company, Executive's stock options granted under Paragraph 3.3 above, shall have their vesting accelerated in full so as to become one hundred percent vested as of the date of the Change of Control.

8. Miscellaneous.

8.1 Governing Law. This Agreement and all rights and obligations hereunder, including, without limitation, matters of construction, validity and performance, is made under and shall be governed by and construed in accordance with the internal laws of the State of Nevada, without regard to principles of conflict of laws.

8.2 Amendments. No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by all of the parties hereto.

8.3 No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provisions of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

8.4 Severability. To the extent any provision of this Agreement shall be invalid or unenforceable, it shall be considered deleted herefrom and the remainder of such provision and of this Agreement shall be unaffected and shall continue in full force and effect. In furtherance and not in limitation of the foregoing, should the duration or geographical extent of, or business activities covered by, any provision of this Agreement be in excess of that which is valid and enforceable under applicable law, then such provision shall be construed to cover only that duration, extent or activities which may validly and enforceably be covered. Executive acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement be given the construction which renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

8.5 Assignment. This Agreement shall not be assignable, in whole or in part, by either party without the written consent of the other party.

8.6 Injunctive Relief. Executive agrees that it would be difficult to compensate the Company fully for damages for any violation of the provisions of this Agreement, especially the provisions of Sections 4 and 6. Accordingly, Executive specifically agrees that the Company shall be entitled to temporary and permanent injunctive relief to enforce the provisions of this Agreement and that such relief may be granted without the necessity of proving actual damages. This provision with respect to injunctive relief shall not, however, diminish the right of the Company to claim and recover damages in addition to injunctive relief.

8.7 Arbitration. Any controversy or claim arising out of or relating to this Agreement or breach thereof, except for claims for injunctive relief set out in paragraph 8.6 above, shall be settled by arbitration in accordance the rules of the American Arbitration Association relating to employment and judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. In reaching his or her decision, the arbitrator shall have no authority to change or modify any provision of this Agreement.

IN WITNESS WHEREOF, Executive and the Company have executed this Agreement as of the date set forth in the first paragraph.

IGT

By: _____

Charles N. Mathewson
Chairman of the Board

EXECUTIVE

By: _____
G. Thomas Baker

INTERNATIONAL GAME TECHNOLOGY
1993 STOCK OPTION PLAN

(Amended and Restated Effective as of August 27, 1996)
(Composite Plan Document Incorporating Amendments 1998-I and 1998-II)

I. THE PLAN

.1 Purpose

The purpose of this Plan is to promote the success of the Company by providing an additional means through the grant of Awards to attract, motivate, retain and reward key employees, including officers, whether or not directors, of the Company with Awards and incentives for high levels of individual performance and improved financial performance of the Company and to attract, motivate and retain experienced and knowledgeable independent directors through the benefits provided under Article VII. "Corporation" means International Game Technology, a Nevada corporation, and "Company" means the Corporation and its Subsidiaries, collectively. These terms and other capitalized terms are defined in Article VIII.

.2 Administration and Authorization; Power and Procedure

(a) Committee. This Plan shall be administered by and all Awards to Eligible Employees shall be authorized by the Committee. Action of the Committee with respect to the administration of this Plan shall be taken pursuant to a majority vote or by written consent of its members.

(b) Plan Awards; Interpretation; Powers of Committee. Subject to the express provisions of this Plan, the Committee shall have the authority:

- (i) to determine from among those persons eligible the particular Eligible Employees who will receive any Awards;
- (ii) to grant Awards to Eligible Employees, determine the price at which securities will be offered or awarded and the amount of securities to be offered or awarded to any of such individuals, and determine the other specific terms and conditions of such Awards consistent with the express limits of this Plan, and establish the installments (if any) in which such Awards shall become exercisable or shall vest, or determine that no delayed exercisability or vesting is required, and establish the events of termination or reversion of such Awards;
- (iii) to approve the forms of Award Agreements (which need not be identical either as to type of Award or as among Participants);
- (iv) to construe and interpret this Plan and any agreements defining the rights and obligations of the Company and Participants under this Plan,

further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan;

- (v) to cancel, modify, or waive the Corporation's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Awards held by Eligible Employees, subject to any required consent under Section 6.6;
- (vi) to accelerate or extend the exercisability or extend the term of any or all such outstanding Awards within the maximum ten-year term of Awards under Section 1.6; and
- (vii) to make all other determinations and take such other action as contemplated by this Plan or as may be necessary or advisable for the administration of this Plan and the effectuation of its purposes.

Notwithstanding the foregoing, the provisions of Article VII relating to Non-Employee Director Options shall be automatic and, to the maximum extent possible, self-effectuating.

(c) Binding Determinations. Any action taken by, or inaction of, the Corporation, any Subsidiary, the Board or the Committee relating or pursuant to this Plan shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. No member of the Board or Committee, or officer of the Corporation or any Subsidiary, shall be liable for any such action or inaction of the entity or body, of another person or, except in circumstances involving bad faith of himself or herself. Subject only to compliance with the express provisions hereof, the Board and Committee may act in their absolute discretion in matters within their authority related to this Plan.

(d) Reliance on Experts. In making any determination or in taking or not taking any action under this Plan, the Committee or the Board, as the case may be, may obtain and may rely upon the advice of experts, including professional advisors to the Corporation. No director, officer or agent of the Company shall be liable for any such action or determination taken or made or omitted in good faith.

(e) Delegation. The Committee may delegate ministerial, non-discretionary functions to a third-party administrator or to individuals who are officers or employees of the Company.

.3 Participation

Awards may be granted by the Committee only to those persons that the Committee determines to be Eligible Employees. An Eligible Employee who has been granted an Award may, if otherwise eligible, be granted additional Awards if the Committee shall so determine. Non-Employee Directors shall not be eligible to receive any Options except for Nonqualified Stock Options granted automatically

without action of the Committee under the provisions of Article VII.

.4 Shares Available for Awards; Share Limits

Subject to the provisions of Section 6.2, the capital stock that may be delivered under this Plan shall be shares of the Corporation's authorized but unissued Common Stock and any shares of its Common Stock held as treasury shares. The shares may be delivered for any lawful consideration.

(a) Share Limits. The maximum number of shares of Common Stock that may be delivered pursuant to all Awards, including Incentive Stock Options, granted to Eligible Employees under this Plan shall not exceed 8,000,000 shares. The maximum number of shares of Common Stock that may be delivered to Non-Employee Directors in respect of Options granted under the provisions of Article VII shall not exceed 500,000 shares. The maximum number of shares of Common Stock subject to Options and Stock Appreciation Rights that are granted during any calendar year to any individual shall not exceed 1,000,000 shares. The maximum number of shares of Common Stock that may be delivered to Participants in respect of time-based Restricted Stock Awards and Stock Bonuses granted, for nominal or no consideration other than the amount of the par value thereof, under the provisions of Article IV and Section 5.3, respectively, shall not exceed 500,000 shares in the aggregate. The limit in the foregoing sentence shall not apply to shares delivered in respect of compensation earned but deferred. Each of the foregoing numerical limits shall be subject to adjustment as contemplated by Section 6.2.

(b) Share Reservation; Replenishment and Reissue of Unvested Awards. No Award may be granted under this Plan unless, on the date of grant, the sum of (i) the maximum number of shares issuable at any time pursuant to such Award, plus (ii) the number of shares that have previously been issued pursuant to Awards granted under this Plan, other than reacquired shares available for reissue consistent with any applicable legal limitations, plus (iii) the maximum number of shares that may be issued at any time after such date of grant pursuant to Awards that are outstanding on such date, does not exceed the applicable share limit(s) under Section 1.4(a). Shares that are subject to or underlie Awards which expire or for any reason are cancelled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under this Plan, as well as reacquired shares, shall again, except to the extent prohibited by law, be available for subsequent Awards under the Plan. Except as limited by law, if an Award is or may be settled only in cash, such Award need not be counted against any of the limits under this Section 1.4.

.5 Grant of Awards

Subject to the express provisions of this Plan, the Committee shall determine the number of shares of Common Stock subject to each Award, the price (if any) to be paid for the shares or the Award and, in the case of Performance Share Awards, in addition to matters addressed in Section 1.2(b), the specific objectives, goals and performance criteria (such as an increase in sales, market

value, earnings or book value over a base period, the years of service before vesting, the relevant job classification or level of responsibility or other factors) that further define the terms of the Performance Share Award. Each Award shall be evidenced by an Award Agreement signed by the Corporation and, if required by the Committee, by the Participant. The Award Agreement shall set forth the material terms and conditions of the Award established by the Committee consistent with the specific provisions of this Plan.

.6 Award Period

Each Award and all executory rights or obligations under the related Award Agreement shall expire on such date (if any) as shall be determined by the Committee, but in the case of Options or other rights to acquire Common Stock not later than ten (10) years after the Award Date.

.7 Limitations on Exercise and Vesting of Awards

(a) Exercise. Unless the Committee expressly provides otherwise, no Award shall be exercisable or shall vest until at least six months after the initial Award Date, and once exercisable an Award shall remain exercisable until the expiration or earlier termination of the Award.

(b) Procedure. Any exercisable Award shall be deemed to be exercised when the Secretary of the Corporation receives written notice of such exercise from the Participant, together with the required any payment made in accordance with Section 2.2(b) or 7.3, as the case may be.

(c) Fractional Shares/Minimum Issue. Fractional share interests shall be disregarded, but may be accumulated. The Committee, however, may determine in the case of Eligible Employees that cash, other securities or other property will be paid or transferred in lieu of any fractional share interests. No fewer than 100 shares may be purchased on exercise of any Award at one time unless the number purchased is the total number at the time available for purchase under the Award.

.8 Acceptance of Notes to Finance Exercise

The Corporation may, with the Committee's approval, accept one or more notes from any Eligible Employee in connection with the exercise or receipt of any outstanding Award; provided that any such note shall be subject to the following terms and conditions:

(a) The principal of the note shall not exceed the amount required to be paid to the Corporation upon the exercise or receipt of one or more Awards under the Plan and the note shall be delivered directly to the Corporation in consideration of such exercise or receipt.

(b) The initial term of the note shall be determined by the Committee; provided that the term of the note, including extensions, shall not exceed a period of 10

years.

(c) The note shall provide for full recourse to the Participant and shall bear interest at a rate determined by the Committee but not less than the applicable imputed interest rate specified by the Code.

(d) If the employment of the Participant terminates, the unpaid principal balance of the note shall become due and payable on the 10th business day after such termination; provided, however, that if a sale of such shares would cause such Employee Participant to incur liability under Section 16(b) of the Exchange Act, the unpaid balance shall become due and payable on the 10th business day after the first day on which a sale of such shares could have been made without incurring such liability assuming for these purposes that there are no other transactions by the Employee Participant subsequent to such termination.

(e) If required by the Committee or by applicable law, the note shall be secured by a pledge of any shares or rights financed thereby in compliance with applicable law.

(f) The terms, repayment provisions, and collateral release provisions of the note and the pledge securing the note shall conform with applicable rules and regulations of the Federal Reserve Board as then in effect.

.9 No Transferability

(a) Limit On Exercise and Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 1.9, by applicable law and by the Award Agreement, as the same may be amended, (i) all Awards are non-transferable and shall not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge; Awards shall be exercised only by the Participant; and (ii) shares issuable pursuant to an Award shall be delivered only to (or for the account of) the Participant.

(b) Exceptions. The Committee may permit Awards to be exercised by certain persons or entities related to the Participant, including but not limited to members of the Participant's family, charitable institutions, or trusts or other entities whose beneficiaries or beneficial owners are members of the Participant's family and/or charitable institutions, or to such other persons or entities as may be approved by the Committee, pursuant to such conditions and procedures as the Committee may establish. Any permitted transfer shall be subject to the condition that the Committee receive evidence satisfactory to it that the transfer is being made for estate and/or tax planning purposes on a gratuitous or donative basis and without consideration (other than nominal consideration).

(c) Further Exceptions to Limits On Transfer. The exercise and transfer restrictions in Section 1.9(a) shall not apply to:

(i) transfers to the Corporation,

- (ii) the designation of a beneficiary to receive benefits in the event of the Participant's death or, if the Participant has died, transfers to or exercise by the Participant's beneficiary, or, in the absence of a validly designated beneficiary, transfers by will or the laws of descent and distribution,
- (iii) transfers pursuant to a QDRO if approved or ratified by the Committee,
- (iv) if the Participant has suffered a Total Disability, permitted transfers or exercises on behalf of the Participant by his or her legal representative, or
- (v) the authorization by the Committee of "cashless exercise" procedures with third parties who provide financing for the purpose of (or who otherwise facilitate) the exercise of Awards consistent with applicable laws and the express authorization of the Committee.

(d) Limitations on Incentive Stock Options and Restricted Stock Awards. Notwithstanding the foregoing, Incentive Stock Options and Restricted Stock Awards shall be subject to any and all applicable transfer restrictions under the Code.

II. EMPLOYEE OPTIONS

.1 Grants

One or more Options may be granted under this Article to any Eligible Employee. Each Option granted may be either an Option intended to be an Incentive Stock Option, or an Option not so intended, and such intent shall be indicated in the applicable Option Agreement.

.2 Option Price

(a) Pricing Limits. The purchase price per share of the Common Stock covered by each Option shall be determined by the Committee at the time of the Option is granted, but in the case of Incentive Stock Options shall not be less than 100% (110% in the case of a Participant who owns or is deemed to own under Section 424(d) of the Code more than 10% of the total combined voting power of all classes of stock of the Corporation) of the Fair Market Value of the Common Stock on the Award Date.

(b) Payment Provisions. The purchase price of any shares purchased on exercise of an Option granted under this Article shall be paid in full at the time of each purchase in one or a combination of the following methods: (i) in cash or by electronic funds transfer; (ii) by check payable to the order of the Corporation; (iii) if authorized by the Committee or specified in the applicable Option Agreement, by a promissory note of the Participant consistent with the requirements of Section 1.8; (iv) by notice and third party payment in such

manner as may be authorized by the Committee; or (v) by the delivery of shares of Common Stock of the Corporation already owned by the Participant, provided, however, that the Committee may in its absolute discretion limit the Participant's ability to exercise an Option by delivering such shares. Shares of Common Stock used to satisfy the exercise price of an Option shall be valued at their Fair Market Value on the date of exercise.

.3 Limitations on Grant and Terms of Incentive Stock Options

(a) \$100,000 Limit. To the extent that the aggregate "Fair Market Value" of stock with respect to which Incentive Stock Options first become exercisable by a Participant in any calendar year exceeds \$100,000, taking into account both Common Stock subject to Incentive Stock Options under this Plan and stock subject to Incentive Stock Options under all other plans of the Company or any parent corporation, such options shall be treated as nonqualified stock options. For this purpose, the "Fair Market Value" of the stock subject to options shall be determined as of the date the options were optioned. In reducing the number of options treated as Incentive Stock Options to meet the \$100,000 limit, the most recently granted options shall be reduced first. To the extent a reduction of simultaneously granted options is necessary to meet the \$100,000 limit, the Committee may, in the manner and to the extent permitted by law, designate which shares of Common Stock are to be treated as shares acquired pursuant to the exercise of an Incentive Stock Option.

(b) Option Period. Each Incentive Stock Option and all rights thereunder shall expire no later than ten years after the Award Date.

(c) Other Code Limits. There shall be imposed in any Award Agreement relating to Incentive Stock Options such terms and conditions as from time to time are required in order that the Option be an "incentive stock option" as that term is defined in Section 422 of the Code.

.4 Limits on 10% Holders

No Incentive Stock Option may be granted to any person who, at the time the Option is granted, owns (or is deemed to own under Section 424(d) of the Code) shares of outstanding Common Stock possessing more than 10% of the total combined voting power of all classes of stock of the Corporation, unless the exercise price of such Option is at least 110% of the Fair Market Value of the stock subject to the Option and such Option by its terms is not exercisable after the expiration of five years from the date such Option is granted.

.5 Cancellation and Regrant/Waiver of Restrictions

Subject to Section 1.4 and Section 6.6 and the specific limitations on Options contained in this Plan, the Committee from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Employee, any adjustment in the exercise price, the number of shares subject to or the term of, an Option granted under this Article by cancellation of an outstanding

Option and a subsequent regranting of an Option, by amendment, by substitution of an outstanding Option, by waiver or by other legally valid means. Such amendment or other action may result among other changes in an exercise price which is higher or lower than the exercise or purchase price of the original or prior Option, provide for a greater or lesser number of shares subject to the Option, or provide for a longer or shorter vesting or exercise period.

III. STOCK APPRECIATION RIGHTS

.1 Grants

In its discretion, the Committee may grant a Stock Appreciation Right to any Eligible Employee either concurrently with the grant of another Award or in respect of an outstanding Award, in whole or in part, or independently of any other Award. Any Stock Appreciation Right granted in connection with an Incentive Stock Option shall contain such terms as may be required to comply with the provisions of Section 422 of the Code and the regulations promulgated thereunder, unless the holder otherwise agrees.

.2 Exercise of Stock Appreciation Rights

(a) **Exercisability.** Unless the Award Agreement or the Committee otherwise provides, a Stock Appreciation Right related to another Award shall be exercisable at such time or times, and to the extent, that the related Award shall be exercisable.

(b) **Effect on Available Shares.** To the extent that a Stock Appreciation Right is exercised, the number of underlying shares of Common Stock therefore subject to a related Award shall be charged against the maximum amount of Common Stock that may be delivered pursuant to Awards under this Plan. The number of shares subject to the Stock Appreciation Right and the related Option of the Participant shall be reduced by the number of underlying shares as to which the exercise related, unless the Award Agreement otherwise provides.

(c) **Stand-Alone SARs.** A Stock Appreciation Right granted independently of any other Award shall be exercisable pursuant to the terms of the Award Agreement but in no event earlier than six months after the Award Date, except in the case of death or Total Disability.

.3 Payment

(a) **Amount.** Unless the Committee otherwise provides, upon exercise of a Stock Appreciation Right and the attendant surrender of an exercisable portion of any related Award, the Participant shall be entitled to receive payment of an amount determined by multiplying

- (i) the difference obtained by subtracting the exercise price per share of Common Stock under the related Award (if applicable) or the initial share value specified in the Award from the Fair Market Value of a

share of Common Stock on the date of exercise of the Stock Appreciation Right, by

- (ii) the number of shares with respect to which the Stock Appreciation Right shall have been exercised.

(b) Form of Payment. The Committee, in its sole discretion, shall determine the form in which payment shall be made of the amount determined under paragraph (a) above, either solely in cash, solely in shares of Common Stock (valued at Fair Market Value on the date of exercise of the Stock Appreciation Right), or partly in such shares and partly in cash, provided that the Committee shall have determined that such exercise and payment are consistent with applicable law. If the Committee permits the Participant to elect to receive cash or shares (or a combination thereof) on such exercise, any such election shall be subject to such conditions as the Committee may impose.

IV. RESTRICTED STOCK AWARDS

.1 Grants

The Committee may, in its discretion, grant one or more Restricted Stock Awards to any Eligible Employee. Each Restricted Stock Award Agreement shall specify the number of shares of Common Stock to be issued to the Participant, the date of such issuance, the consideration for such shares (but not less than the minimum lawful consideration under applicable state law) by the Participant, the extent to which the Participant shall be entitled to dividends, voting and other rights in respect of the shares prior to vesting and the restrictions imposed on such shares and the conditions of release or lapse of such restrictions. Such restrictions shall not lapse earlier than 12 months after the Award Date, except to the extent the Committee may otherwise provide. Stock certificates evidencing shares of Restricted Stock pending the lapse of the restrictions ("restricted shares") shall bear a legend making appropriate reference to the restrictions imposed hereunder and shall be held by the Corporation or by a third party designated by the Committee until the restrictions on such shares shall have lapsed and the shares shall have vested in accordance with the provisions of the Award and Section 1.7. Upon issuance of the Restricted Stock Award, the Participant may be required to provide such further assurance and documents as the Committee may require to enforce the restrictions.

.2 Restrictions

(a) Pre-Vesting Restraints. Except as provided in Section 4.1 and 1.9, restricted shares comprising any Restricted Stock Award may not be sold, assigned, transferred, pledged or otherwise disposed of or encumbered, either voluntarily or involuntarily, until the restrictions on such shares have lapsed and the shares have become vested.

(b) Dividend and Voting Rights. Unless otherwise provided in the applicable

Award Agreement, a Participant receiving a Restricted Stock Award shall be entitled to cash dividend and voting rights for all shares issued even though they are not vested, provided that such rights shall terminate immediately as to any restricted shares which cease to be eligible for vesting.

(c) Cash Payments. If the Participant shall have paid or received cash (including any dividends) in connection with the Restricted Stock Award, the Award Agreement shall specify whether and to what extent such cash shall be returned (with or without an earnings factor) as to any restricted shares which cease to be eligible for vesting.

.3 Return to the Corporation

Unless the Committee otherwise expressly provides, restricted shares that remain subject to restrictions at the time of termination of employment or are subject to other conditions to vesting that have not been satisfied by the time specified in the applicable Award Agreement shall not vest and shall be returned to the Corporation in such manner and on such terms as the Committee shall therein provide.

V. PERFORMANCE SHARE AWARDS AND STOCK BONUSES

.1 Grants of Performance Share Awards.

The Committee may, in its discretion, grant Performance Share Awards to Eligible Employees based upon such factors as the Committee shall deem relevant in light of the specific type and terms of the award. An Award Agreement shall specify the maximum number of shares of Common Stock (if any) subject to the Performance Share Award, the consideration (but not less than the minimum lawful consideration) to be paid for any such shares as may be issuable to the Participant, the duration of the Award and the conditions upon which delivery of any shares or cash to the Participant shall be based. The amount of cash or shares or other property that may be deliverable pursuant to such Award shall be based upon the degree of attainment over a specified period (a "performance cycle") as may be established by the Committee of such measure(s) of the performance of the Company (or any part thereof) or the Participant as may be established by the Committee. The Committee may provide for full or partial credit, prior to completion of such performance cycle or the attainment of the performance achievement specified in the Award, in the event of the Participant's death, or Total Disability, a Change in Control Event or in such other circumstances as the Committee consistent with Section 6.10(c)(2), if applicable, may determine.

.2 Special Performance-Based Share Awards.

Without limiting the generality of the foregoing, and in addition to Options and Stock Appreciation Rights granted under other provisions of this Plan which are intended to satisfy the exception for "performance-based compensation" under Section 162(m) of the Code (with such Awards hereinafter referred to as a "Qualifying Option" or a "Qualifying Stock Appreciation Right,"

respectively), other performance-based awards within the meaning of Section 162(m) of the Code ("Performance-Based Awards"), whether in the form of restricted stock, performance stock, phantom stock, Cash-Based Awards, or other rights, the grant, vesting, exercisability or payment of which depends on the degree of achievement of the Performance Goals relative to preestablished targeted levels for the Corporation or the Corporation and one or more of its Subsidiaries, may be granted under this Plan. Any Qualifying Option or Qualifying Stock Appreciation Right shall be subject only to the requirements of subsections (a) and (c) below in order for such Awards to satisfy the requirements for Performance-Based Awards under this Section 5.2. With the exception of any Qualifying Option or Qualifying Stock Appreciation Right, an Award that is intended to satisfy the requirements of this Section 5.2 shall be designated as a Performance-Based Award at the time of grant.

(a) Eligible Class. The eligible class of persons for Performance-Based Awards under this Section shall be the executive officers of the Corporation.

(b) Performance Goal Alternatives. The specific performance goals for Performance-Based Awards granted under this Section (other than Qualifying Options and Qualifying Stock Appreciation Rights) shall be, on an absolute or relative basis, one or more of the Performance Goals, as selected by the Committee in its sole discretion. The Committee shall establish in the applicable Award Agreement the specific performance target(s) relative to the

Performance Goal(s) which must be attained before the compensation under the Performance-Based Award becomes payable. The specific targets shall be determined within the time period permitted under Section 162(m) of the Code (and any regulations issued thereunder) so that such targets are considered to be preestablished and so that the attainment of such targets is substantially uncertain at the time of their establishment. The applicable performance measurement period may not be less than one nor more than 10 years.

(c) Maximum Performance-Based Award. Notwithstanding any other provision of the Plan to the contrary, the maximum number of shares of Common Stock which may be delivered pursuant to options, stock appreciation rights, restricted stock or other share-based awards that are granted as Performance-Based Awards to any Participant in any calendar year shall not exceed 1,000,000 shares, either individually or in the aggregate, subject to adjustment as provided in Section 6.2. Awards that are cancelled during the year shall be counted against this limit to the extent required by Section 162(m) of the Code. In addition, the aggregate amount of compensation to be paid to any Participant in respect of any Cash-Based Awards that are granted during any calendar year as Performance-Based Awards shall not exceed \$1,000,000.

(d) Committee Certification. Before any Performance-Based Award under this Section 5.2 (other than Qualifying Options or Qualifying Stock Appreciation Rights) is paid, the Committee must certify in writing that the Performance Goal(s) and any other material terms of the Performance-Based Award were satisfied; provided, however, that a Performance-Based Award may be paid without

regard to the satisfaction of the applicable Performance Goal in the event of a Change in Control Event in accordance with Section 6.2(d).

(e) Terms and Conditions of Awards. The Committee will have the discretion to determine the restrictions or other limitations of the individual Awards granted under this Section 5.2 including the authority to reduce Awards, payouts or vesting or to pay no Awards, in its sole discretion, if the Committee preserves such authority at the time of grant by language to this effect in its authorizing resolutions or otherwise.

(f) Adjustments for Changes in Capitalization and other Material Changes. In the event of a change in corporate capitalization, such as a stock split or stock dividend, or a corporate transaction, such as a merger, consolidation, spinoff, reorganization or similar event, or any partial or complete liquidation of the Corporation, or any similar event consistent with regulations issued under Section 162(m) of the Code including, without limitation, any material change in accounting policies or practices affecting the Corporation and/or the Performance Goals or targets, then the Committee may make adjustments to the Performance Goals and targets relating to outstanding Performance-Based Awards to the extent such adjustments are made to reflect the occurrence of such an event; provided, however, that adjustments described in this subsection may be made only to the extent that the occurrence of an event described herein was unforeseen at the time the targets for a Performance-Based Award were established by the Committee.

.3 Grants of Stock Bonuses.

The Committee may grant a Stock Bonus to any Eligible Employee to reward exceptional or special services, contributions or achievements in the manner and on such terms and conditions (including any restrictions on such shares) as determined from time to time by the Committee. The number of shares so awarded shall be determined by the Committee. The Award may be granted independently or in lieu of a cash bonus.

.4 Deferred Payments.

The Committee may authorize for the benefit of any Eligible Person the deferral of any payment of cash or shares that may become due or of cash otherwise payable under this Plan, and provide for accredited benefits thereon based upon such deferment, at the election or at the request of such Participant, subject to the other terms of this Plan. Such deferral shall be subject to such further conditions, restrictions or requirements as the Committee may impose, subject to any then vested rights of Participants.

VI. OTHER PROVISIONS

.1 Rights of Eligible Employees, Participants and Beneficiaries

(a) Employment Status. Status as an Eligible Employee shall not be construed as

a commitment that any Award will be granted under this Plan to an Eligible Employee or to Eligible Employees generally.

(b) No Employment Contract. Nothing contained in this Plan (or in any other documents related to this Plan or to any Award) shall confer upon any Eligible Employee or other Participant any right to continue in the employ or other service of the Company or constitute any contract or agreement of employment or other service, nor shall interfere in any way with the right of the Company to change such person's compensation or other benefits or to terminate the employment of such person, with or without cause, but nothing contained in this Plan or any document related hereto shall adversely affect any independent contractual right of such person without his or her consent thereto.

(c) Plan Not Funded. Awards payable under this Plan shall be payable in shares or from the general assets of the Corporation, and no special or separate reserve, fund or deposit shall be made to assure payment of such Awards. No Participant, Beneficiary or other person shall have any right, title or interest in any fund or in any specific asset (including shares of Common Stock, except as expressly otherwise provided) of the Company by reason of any Award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan shall create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company and any Participant, Beneficiary or other person. To the extent that a Participant, Beneficiary or other person acquires a right to receive payment pursuant to any Award hereunder, such right shall be no greater than the right of any unsecured general creditor of the Company.

.2 Adjustments; Acceleration

(a) Adjustments. If there shall occur any extraordinary dividend or other extraordinary distribution in respect of the Common Stock (whether in the form of cash, Common Stock, other securities, or other property), or any reclassification, recapitalization, stock split (including a stock split in the form of a stock dividend), reverse stock split, reorganization, merger, combination, consolidation, split-up, spin-off, combination, repurchase, or exchange of Common Stock or other securities of the Corporation, or there shall occur any other like corporate transaction or event in respect of the Common Stock on a sale of substantially all the assets of the Corporation as an entirety, then the Committee shall, in such manner and to such extent (if any) as it deems appropriate and equitable (1) proportionately adjust any or all of (i) the number and type of shares of Common Stock (or other securities) which thereafter may be made the subject of Awards (including the specific maxima and numbers of shares set forth elsewhere in this Plan), (ii) the number, amount and type of shares of Common Stock (or other securities or property) subject to any or all outstanding Awards, (iii) the grant, purchase, or exercise price of any or all outstanding Awards, (iv) the securities, cash or other property deliverable upon exercise of any outstanding Awards, or (v) the performance standards appropriate to any outstanding Awards, or (2) in the case of an

extraordinary dividend or other distribution, recapitalization, reclassification, merger, reorganization, consolidation, combination, sale of assets, split up, exchange, or spin off, make provision for a cash payment or for the substitution or exchange of any or all outstanding Awards or the cash, securities or property deliverable to the holder of any or all outstanding Options based upon the distribution or consideration payable to holders of the Common Stock of the Corporation upon or in respect of such event; provided, however, in each case, that with respect to Incentive Stock Options, no such adjustment shall be made which would cause the Plan to violate Section 424(a) of the Code or any successor provisions thereto.

(b) Acceleration of Awards Upon Change in Control. As to any Eligible Employee Participant, unless prior to a Change in Control Event the Committee determines that, upon its occurrence, there shall be no acceleration of benefits under Awards or determines that only certain or limited benefits under Options shall be accelerated and the extent to which they shall be accelerated, and/or establishes a different time in respect of such Change in Control Event for such acceleration, then upon the occurrence of a Change in Control Event (i) each Option and Stock Appreciation Right shall become immediately exercisable, (ii) Restricted Stock shall immediately vest free of restrictions, and (iii) each Performance Share Award shall become payable to the Participant; provided, however, that in no event shall any Award be accelerated as to any Section 16 Person to a date less than six months after the Award Date of such Award. The Committee may override the limitations on acceleration in this Section 3.2(b) by express provision in the Award Agreement and may accord any Eligible Employee a right to refuse any acceleration, whether pursuant to the Award Agreement or otherwise, in such circumstances as the Committee may approve. Any acceleration of Awards shall comply with applicable regulatory requirements, including, without limitation, Section 422 of the Code.

(c) Possible Early Termination of Accelerated Awards. If any Option or other right to acquire Common Stock under this Plan (other than under Article VII) has been fully accelerated as permitted by Section 6.2(b) but is not exercised prior to (i) a dissolution of the Corporation, or (ii) a reorganization event described in Section 6.2(a) that the Corporation does not survive, or (iii) the consummation of an event described in Section 6.2(a) that results in a Change in Control Event approved by the Board, such Option or right shall thereupon terminate, subject to any provision that has been expressly made by the Committee for the survival, substitution, exchange or other settlement of such Option or right.

.3 Effect of Termination of Employment

The Committee shall establish in respect of each Award granted to an Eligible Employee the effect of a termination of employment on the rights and benefits thereunder and in so doing may make distinctions based upon the cause of termination. In addition, in the event of, or in anticipation of, a termination of employment with the Company for any reason, other than discharge for cause, the Committee may, in its discretion, increase the portion of the

Participant's Award available to the Participant, or Participant's Beneficiary or Personal Representative, as the case may be, or, subject to the provisions of Section 1.6, extend the exercisability period upon such terms as the Committee shall determine and expressly set forth in or by amendment to the Award Agreement.

.4 Compliance with Laws

This Plan, the granting and vesting of Awards under this Plan and the offer, issuance and delivery of shares of Common Stock and/or the payment of money under this Plan or under Awards granted hereunder are subject to compliance with all applicable federal and state laws, rules and regulations (including, but not limited to, state and federal securities laws and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Corporation, be necessary or advisable in connection therewith. Any securities delivered under this Plan shall be subject to such restrictions, and the person acquiring such securities shall, if requested by the Corporation, provide such assurances and representations to the Corporation as the Corporation may deem necessary or desirable to assure compliance with all applicable legal requirements.

.5 Tax Withholding

(a) Cash or Shares. Upon any exercise, vesting or payment of any Award or upon the disposition of shares of Common Stock acquired pursuant to the exercise of an Incentive Stock Option prior to satisfaction of the holding period requirements of Section 422 of the Code, the Company shall have the right at its option to (i) require the Participant (or Personal Representative or Beneficiary, as the case may be) to pay or provide for payment of the amount of any taxes which the Company may be required to withhold with respect to such Award event or payment or (ii) deduct from any amount payable in cash the amount of any taxes which the Company may be required to withhold with respect to such cash payment. In any case where a tax is required to be withheld in connection with the delivery of shares of Common Stock under this Plan, the Committee may in its sole discretion grant (either at the time of the Award is granted or thereafter) to the Participant the right to elect, pursuant to such rules and subject to such conditions as the Committee may establish, to have the Corporation reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares valued at their then Fair Market Value, to satisfy such withholding obligation.

(b) Tax Loans. The Committee may, in its discretion, authorize a loan to an Eligible Employee in the amount of any taxes which the Company may be required to withhold with respect to shares of Common Stock received (or disposed of, as the case may be) pursuant to a transaction described in subsection (a) above. Such a loan shall be for a term, at a rate of interest and pursuant to such other terms and conditions as the Committee, under applicable law, may establish and such loan need not comply with the provisions of Section 1.8.

.6 Plan Amendment, Termination and Suspension

(a) Board Authorization. The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No Awards may be granted during any suspension of this Plan or after termination of this Plan, but the Committee shall retain jurisdiction as to Awards then outstanding in accordance with the terms of this Plan.

(b) Stockholder Approval. Any amendment that would (i) materially increase the benefits accruing to Participants under this Plan, (ii) materially increase the aggregate number of securities that may be issued under this Plan, or (iii) materially modify the requirements as to eligibility for participation in this Plan, shall be subject to stockholder approval only to the extent then required by Section 422 of the Code or any other applicable law, or deemed necessary or advisable by the Board.

(c) Amendment to Awards. Without limiting any other express authority of the Committee under but subject to the express limits of this Plan, the Committee by agreement or resolution may waive conditions of or limitations on Awards to Eligible Employees that the Committee in the prior exercise of its discretion has imposed, without the consent of a Participant, and may make other changes to the terms and conditions of Awards that do not affect in any manner materially adverse to the Employee Participant, his or her rights and benefits under an Award.

(d) Limitations on Amendments to Plan and Awards. No amendment, suspension or termination of the Plan or change of or affecting any outstanding Award shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Corporation under any Award granted under this Plan prior to the effective date of such change. Changes contemplated by Section 6.2 shall not be deemed to constitute changes or amendments for purposes of this Section 6.6.

.7 Privileges of Stock Ownership

Except as otherwise expressly authorized by the Committee or this Plan, a Participant shall not be entitled to any privilege of stock ownership as to any shares of Common Stock not actually delivered to and held of record by him or her. No adjustment will be made for dividends or other rights as a stockholders for which a record date is prior to such date of delivery.

.8 Effective Date of the Plan

This Plan was originally effective as of September 22, 1992 ("Effective Date"), the date of Board approval, and was subject to stockholder approval within 12 months thereafter. The Plan is hereby amended and restated in its entirety, effective as of August 27, 1996.

.9 Term of the Plan

No Award shall be granted more than ten years after the Effective Date of this Plan (the "termination date"). Unless otherwise expressly provided in this Plan or in an applicable Award Agreement, any Award granted prior to the termination date may extend beyond such date, and all authority of the Committee with respect to Awards hereunder, including the authority to amend an Award, shall continue during any suspension of this Plan and in respect of outstanding Awards on such termination date.

.10 Governing Law; Construction; Severability

(a) Choice of Law. This Plan, the Awards, all documents evidencing Awards and all other related documents shall be governed by, and construed in accordance with the laws of the State of Nevada.

(b) Severability. If any provision shall be held by a court of competent jurisdiction to be invalid and unenforceable, the remaining provisions of this Plan shall continue in effect.

(c) Plan Construction.

(1) Rule 16b-3. It is the intent of the Corporation that transactions in and affecting Awards in the case of Participants who are or may be subject to Section 16 of the Exchange Act satisfy any then applicable requirements of Rule 16b-3 so that such persons will be entitled to the benefits of Rule 16b-3 or other exemptive rules under Section 16 of the Exchange Act in respect of these transactions and will not be subjected to avoidable liability thereunder. If any provision of this Plan or of any Award would otherwise frustrate or conflict with the intent expressed above, that provision to the extent possible shall be interpreted and deemed amended so as to avoid such conflict, but to the extent of any remaining irreconcilable conflict with such intent as to such persons in the circumstances, such provision shall be deemed void.

(2) Section 162(m). It is the further intent of the Company that Options and Stock Appreciation Rights with an exercise or base price not less than Fair Market Value on the date of grant and Performance Share Awards under Section 5.2 of the Plan that are granted to or held by a Section 16 Person shall qualify as performance-based compensation under Section 162(m) of the Code, and this Plan shall be interpreted consistent with such intent.

.11 Captions

Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

.12 Effect of Change of Subsidiary Status

For purposes of this Plan and any Award hereunder, if an entity ceases to be a Subsidiary a termination of employment shall be deemed to have occurred with respect to each employee of such Subsidiary who does not continue as an employee of another entity within the Company.

.13 Non-Exclusivity of Plan

Nothing in this Plan shall limit or be deemed to limit the authority of the Board or the Committee to grant awards or authorize any other compensation, with or without reference to the Common Stock, under any other plan or authority.

VII. NON-EMPLOYEE DIRECTOR OPTIONS

.1 Participation

Options under this Article VII shall be made only to Non-Employee Directors.

.2 Annual Option Grants

(a) Time of Initial Grant. After approval of this Plan by the stockholders of the Corporation, if any person who is not then an officer or employee of the Company shall become a director of the Corporation, there shall be granted automatically to such person (without any action by the Board of Committee) a Nonqualified Stock Option (the Award Date of which shall be the date such person takes office) to purchase 10,000 shares.

(b) Subsequent Annual Options. In each calendar year during the term of the Plan, commencing in 1994, there shall be granted automatically (without any action by the Committee or the Board) a Nonqualified Stock Option to purchase 4,000 shares of Common Stock to each Non-Employee Director who is re-elected as a director of the Corporation (the Award Date of which shall be the date of such re-election). In addition, subject to stockholder approval at the 1997 Annual Stockholders Meeting, each person who is a Non-Employee Director on August 27, 1996 shall be granted on a one-time basis without further action on Option to purchase 2,000 shares of Common Stock (the Award Date of which shall be August 27, 1996, the date of Board approval of this amendment). Furthermore, notwithstanding the first sentence of this subsection (b), but subject to stockholder approval at the 1997 Annual Stockholders Meeting, in each calendar year during the remaining term of the Plan, (commencing in 1997), the grant described in the first sentence of this subsection shall not be made and instead there shall be granted automatically (without any action by the Committee or the Board) a Nonqualified Stock Option to purchase 6,000 shares of Common Stock to each Non-Employee Director who is re-elected as a director of the Corporation (the Award Date of which shall be the date of such re-election).

(c) Maximum Number of Shares. Annual grants that would otherwise exceed the maximum number of shares under Section 1.4(a) shall be prorated within such limitation. A Non-Employee Director shall not receive more than 50,000 shares on exercise of all Options optioned under this Section 7.2.

.3 Option Price

The purchase price per share of the Common Stock covered by each Option granted pursuant to Section 7.2 hereof shall be 100% of the Fair Market Value of the Common Stock on the Award Date. The exercise price of any Option granted under this Article shall be paid in full at the time of each purchase in cash or by check or in shares of Common Stock valued at their Fair Market Value on the date of exercise of the Option, or partly in such shares and partly in cash, provided that any such shares used in payment shall have been owned by the Participant at least six months prior to the date of exercise.

.4 Option Period and Exercisability

Each Option granted under this Article VII and all rights or obligations thereunder shall commence on the Award Date and expire ten years thereafter and shall be subject to earlier termination as provided below. Each Option granted under Section 7.2 shall become exercisable at the rate of 33-1/3% per year, on the first, second and third anniversaries of the Award Date.

.5 Termination of Directorship

If a Non-Employee Director's services as a member of the Board of Directors terminate by reason of death, Disability or Retirement, an Option granted pursuant to this Article held by such Participant shall immediately become and shall remain exercisable for two years after the date of such termination or until the expiration of the stated term of such Option, whichever first occurs. If a Non-Employee Director's services as a member of the Board of Directors terminate for any other reason, any portion of an Option granted pursuant to this Article which is not then exercisable shall terminate and any portion of such Option which is then exercisable may be exercised within a period of thirty (30) days after the date of such termination or until the expiration of the stated term, whichever first occurs.

.6 Adjustments

Options granted under this Article VII shall be subject to adjustment as provided in Section 6.2, but only to the extent that (a) such adjustment and the Committee's action in respect thereof satisfy applicable law, (b) such adjustment in the case of a Change in Control Event is effected pursuant to the terms of a reorganization agreement approved by stockholders of the Corporation, and (c) such adjustment is consistent with adjustments to Options held by persons other than executive officers or directors of the Corporation.

.7 Acceleration Upon a Change in Control Event

Upon the occurrence of a Change in Control Event, each Option granted under Section 7.2 hereof shall become immediately exercisable in full. To the extent that any Option granted under this Article VII is not exercised prior to (i) a dissolution of the Corporation or (ii) a merger or other corporate event that the Corporation does not survive, and no provision is (or consistent with the provisions of Section 7.6 can be) made for the assumption, conversion, substitution or exchange of the Option, the Option shall terminate upon the occurrence of such event.

VIII. DEFINITIONS

.1 Definitions

(a) "Award" shall mean an award of any Option, Stock Appreciation Right, Restricted Stock, Stock Bonus, Performance Share Award, Performance-Based Award, Cash-Based Award, dividend equivalent or deferred payment right or other right or security that would constitute a "derivative security" under Rule 16a-1(c) of the Exchange Act, or any combination thereof, whether alternative or cumulative, authorized by and granted under this Plan.

(b) "Award Agreement" shall mean any writing setting forth the terms of an Award that has been authorized by the Committee.

(c) "Award Date" shall mean the date upon which the Committee took the action granting an Award or such later date as the Committee designates as the Award Date at the time of the Award or, in the case of Awards under Article VII, the applicable dates set forth therein.

(d) "Award Period" shall mean the period beginning on an Award Date and ending on the expiration date of such Award.

(e) "Beneficiary" shall mean the person, persons, trust or trusts designated by a Participant or, in the absence of a designation, entitled by will or the laws of the descent and distribution to receive the benefits specified in the Award Agreement and under this Plan in the event of a Participant's death, and shall mean the Participant's executor or administrator if no other Beneficiary is designated and able to act under the circumstances.

(f) "Board" shall mean the Board of Directors of the Corporation.

(g) "Cash-Based Awards" shall mean Awards that, if paid, must be paid in cash and that are neither denominated in nor have a value derived from the value of, nor an exercise or conversion privilege at a price related to, shares of Common Stock.

(h) "Cash Flow" shall mean cash and cash equivalents derived from either (i) net cash flow from operations or (ii) net cash flow from operations, financings and investing activities, as determined by the Committee at the time an Award is

granted.

(i) "Change in Control Event" shall mean any of the following:

- (1) Approval by the stockholders of the Corporation of the dissolution or liquidation of the Corporation;
- (2) Approval by the stockholders of the Corporation of an agreement to merge or consolidate, or otherwise reorganize, with or into one or more entities that are not Subsidiaries, as a result of which less than 50% of the outstanding voting securities of the surviving or resulting entity immediately after the reorganization are, or will be, owned by stockholders of the Corporation immediately before such reorganization (assuming for purposes of such determination that there is no change in the record ownership of the Corporation's securities from the record date for such approval until such reorganization and that such record owners hold no securities of the other parties to such reorganization):
- (3) Approval by the stockholders of the Corporation of the sale of substantially all of the Corporation's business and/or assets to a person or entity which is not a Subsidiary;
- (4) Any "person (as such term is used in Section 13(d) and 14(d) of the Exchange Act) (other than a person having such ownership at the time of adoption of this Plan) becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Corporation representing more than 50% of the combined voting power of the Corporation's then outstanding securities entitled to then vote generally in the election of directors of the Corporation; or
- (5) During any period not longer than two consecutive years, individuals who at the beginning of such period constituted the Board cease to constitute at least a majority thereof, unless the election, or the nomination for election by the Corporation's stockholders, of each new Board member was approved by a vote of at least three-fourths of the Board members then still in office who were Board members at the beginning of such period (including for these purposes, new members whose election or nomination was so approved).

(j) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time.

(k) "Commission" shall mean the Securities and Exchange Commission.

(l) "Committee" shall mean the Board or a committee appointed by the Board to administer this Plan, which committee shall be comprised only of two or more directors or such greater number of directors as may be required under applicable law, each of whom (i) in respect of any decision at a time when the

Participant affected by the decision may be subject to Section 162(m) of the Code be an "outside director" within the meaning of Code Section 162(m) and (ii) in respect of any decision at a time when the Participant affected by the decision may be subject to Section 16 under the Exchange Act, shall be a "Non-Employee Director" within the meaning of Rule 16b-3(b) (3).

(m) "Common Stock" shall mean the Common Stock of the Corporation and such other securities or property as may become subject to Awards, or become subject to Awards, pursuant to an adjustment made under Section 6.2 of this Plan.

(n) "Company" shall mean, collectively, the Corporation and its domestic or foreign Subsidiaries or divisions.

(o) "Corporation" shall mean International Game Technology, a Nevada corporation, and its successors.

(p) "Eligible Employee" shall mean an officer (whether or not a director) or key executive, administrative, managerial, production, marketing or sales employee of the Company.

(q) "ERISA" shall mean the Employee Retirement Income Security Act of 1974, as amended.

(r) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(s) "Fair Market Value" or any date shall mean (i) if the stock is listed or admitted to trade on a national securities exchange, the closing price of the stock on the Composite Tape, as published in the Western Edition of The Wall Street Journal, of the principal national securities exchange on which the stock is so listed or admitted to trade, on such date, or, if there is no trading of the stock on such date, then the closing price of the stock as quoted on such Composite Tape on the next preceding date on which there was trading in such shares; (ii) if the stock is not listed or admitted to trade on a national securities exchange, the last price for the stock on such date, as furnished by the National Association of Securities Dealers, Inc. ("NASD") through the NASDAQ National Market Reporting System or a similar organization if the NASD is no longer reporting such information, (iii) if the stock is not listed or admitted to trade on a national securities exchange and is not reported on the National Market Reporting System, the mean between the bid and asked price for the stock on such date, as furnished by the NASD or a similar organization, or (iv) if the stock is not listed or admitted to trade on a national securities exchange, is not reported on the National Market Reporting System and if bid and asked prices for the stock are not furnished by the NASD or a similar organization, the value as established by the Committee at such time for purposes of this Plan.

(t) "Incentive Stock Option" shall mean an Option which is designated as an incentive stock option within the meaning of Section 422 of the Code, the award of which contains such provisions as are necessary to comply with that section.

(u) "Nonqualified Stock Option" shall mean an Option that is designated as a Nonqualified Stock Option and shall include any Option intended as an Incentive Stock Option that fails to meet the applicable legal requirements thereof. Any Option granted hereunder that is not designated as an Incentive Stock Option shall be deemed to be designated a Nonqualified Stock Option under this Plan and not an incentive stock option under the Code.

(v) "Non-Employee Director" shall mean a member of the Board of Directors of the Corporation who is not an officer or employee of the Company.

(w) "Non-Employee Director Participant" shall mean a Non-Employee Director who has been granted an Option under the provisions of Article VII.

(x) "Option" shall mean an option to purchase Common Stock granted under this Plan. The Committee shall designate any Option granted to an Eligible Employee as a Nonqualified Stock Option or an Incentive Stock Option. Options granted under Article VII shall be Nonqualified Stock Options.

(y) "Participant" shall mean an Eligible Employee who has been granted an Award under this Plan and a Non-Employee Director who has been received an Option under Article VII of this Plan.

(z) "Performance-Based Award" shall mean an Award of a right to receive shares of Common Stock or other compensation (including cash) under Section 5.2, the issuance or payment of which is contingent upon, among other conditions, the attainment of performance objectives specified by the Committee.

(aa) "Performance Goals" shall mean EPS or ROE or Cash Flow or Total Stockholder Return, and "Performance Goals" means any combination thereof.

(bb) "Performance Share Award" shall mean an Award of a right to receive shares of Common Stock made in accordance with Section 5.1, the issuance or payment of which is contingent upon, among other conditions, the attainment of performance objectives specified by the Committee.

(cc) "Personal Representative" shall mean the person or persons who, upon the disability or incompetence of a Participant, shall have acquired on behalf of the Participant, by legal proceeding or otherwise, the power to exercise the rights or receive benefits under this Plan and who shall have become the legal representative of the Participant.

(dd) "Plan" shall mean this 1993 Stock Option Plan, as amended and restated.

(ee) "QDRO" shall mean a qualified domestic relations order as defined in Section 414(p) of the Code or Title I, Section 206(d)(3) of ERISA (to the same extent as if this Plan were subject thereto), or the applicable rules thereunder.

(ff) "Restricted Stock Award" shall mean an award of a fixed number of shares of

Common Stock to the Participant subject, however, to payment of such consideration, if any, and such forfeiture provisions, as are set forth in the Award Agreement.

(gg) "Restricted Stock" shall mean shares of Common Stock awarded to a Participant under this Plan, subject to payment of such consideration, if any, and such conditions on vesting and such transfer and other restrictions as are established in or pursuant to this Plan, for so long as such shares remain unvested under the terms of the applicable Award Agreement.

(hh) "Retirement" shall mean retirement with the consent of the Company, or in the case of a Non-Employee Director, a retirement or resignation as a director after at least eight years service as a director.

(ii) "ROE" shall mean consolidated net income of the Corporation (less preferred dividends), divided by the average consolidated common shareholders equity.

(jj) "Rule 16b-3" shall mean Rule 16b-3 as promulgated by the Commission pursuant to the Exchange Act.

(kk) "Section 16 Person" shall mean a person subject to Section 16(a) of the Exchange Act.

(ll) "Securities Act" shall mean the Securities Act of 1933, as amended from time to time.

(mm) "Stock Appreciation Right" shall mean a right to receive a number of shares of Common Stock or an amount of cash, or a combination of shares and cash, the aggregate amount or value of which is determined by reference to a change in the Fair Market Value of the Common Stock that is authorized under this Plan.

(nn) "Stock Bonus" shall mean an Award of shares of Common Stock granted under this Plan for no consideration other than past services and without restriction other than such transfer or other restrictions as the Committee may deem advisable to assure compliance with law.

(oo) "Subsidiary" shall mean any corporation or other entity a majority of whose outstanding voting stock or voting power is beneficially owned directly or indirectly by the Corporation.

(pp) "Total Disability" shall mean a "permanent and total disability within the meaning of Section 22(e)(3) of the Code and (except in the case of a Non-Employee Director) such other disabilities, infirmities, afflictions or conditions as the Committee by rule may include.

(qq) "Total Stockholder Return" shall mean with respect to the Corporation or other entities (if measures on a relative basis), the (i) change in the market price of its common stock (as quoted in the principal market on which it is traded as of the beginning and ending of the period) plus dividends and other

distributions paid, divided by (ii) the beginning quoted market price, all of which is adjusted for any changes in equity structure, including but not limited to stock splits and stock dividends.

INTERNATIONAL GAME TECHNOLOGY
1993 STOCK OPTION PLAN

(Amended and Restated Effective as of August 27, 1996)
(Composite Plan Document Incorporating Amendments 1998-I and 1998-II)

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EXHIBIT 21
INTERNATIONAL GAME TECHNOLOGY SUBSIDIARIES

NAME (wholly-owned subsidiaries)	JURISDICTION OF INCORPORATION
International Game Technology	Nevada
IGT	Nevada
I.G.T. (Australia) Pty. Limited	New South Wales, Australia
International Game Technology (NZ) Ltd.	Wellington, New Zeland
IGT-Europe B.V. The Netherlands	
I.G.T. - Argentina S.A.	Argentina
IGT Japan, K.K. Japan	
IGT - Iceland Ltd.	Iceland
IGT do Brasil Ltda.	Brazil
International Game Technology - Africa (Proprietary) Limited	Johannesburg, South Africa
International Game Technology S.R. Ltda.	Peru
IGT-UK Limited England & Wales	
 Affiliates: (50% owned)	
 Spin for Cash Joint Ventures and Master License Agreement	 Nevada

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement Nos. 2-754843, 2-91475, 33-20308, 33-27657, 33-69400, 33-63608 and 33-24605 of International Game Technology on Form S-8 of our report dated November 6, 2000, appearing in this Annual Report on Form 10-K/A of International Game Technology for the year ended September 30, 2000.

DELOITTE & TOUCHE LLP

Reno, Nevada
August 3, 2001

Spin for Cash Wide Area Progressive Joint Venture
 Financial Statements for the years ended September 30, 2000, October 2, 1999
 and September 30, 1998 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Co-Venturers of the Spin for Cash Wide Area Progressive Joint Venture:

We have audited the accompanying balance sheets of the Spin for Cash Wide Area Progressive Joint Venture (the "Venture") as of September 30, 2000 and October 2, 1999, and the related statements of income, venturers' capital, and cash flows for the years ended September 30, 2000, October 2, 1999 and September 30, 1998. These financial statements are the responsibility of the Venture's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 financial statements present fairly, in all material respects, the financial position of the Venture as of September 30, 2000 and October 2, 1999, and the results of its operations and its cash flows for the years ended September 30, 2000, October 2, 1999 and September 30, 1998, in conformity with accounting principles generally accepted in the United States of America.

DELOITTE & TOUCHE LLP

Reno, Nevada
 November 6, 2000

SPIN FOR CASH WIDE AREA PROGRESSIVE JOINT VENTURE
 STATEMENTS OF INCOME
 <TABLE>
 <CAPTION>

	Years Ended		
	September 30, 2000	October 2, 1999	September 30, 1998

(Dollars in thousands)			
<S>	<C>	<C>	<C>
REVENUES:			
Gaming operations	\$375,379	\$293,460	\$246,851
	-----	-----	-----

COSTS AND EXPENSES:			
Cost of gaming operations	139,329	121,774	99,768
Depreciation	25,206	20,405	15,124
Research and development	3,853	3,216	2,088
Selling, general, and administrative	300	177	189
Provision for bad debts	28	-	125
	-----	-----	-----
Total expenses	168,716	145,572	117,294
	-----	-----	-----
INCOME FROM OPERATIONS	206,663	147,888	129,557
	-----	-----	-----
OTHER INCOME (EXPENSE):			
Interest income	9,778	6,307	3,745
Interest expense	(4,494)	(4,234)	(2,323)
Loss on investments	-	(3)	-
Foreign currency valuation	(15)	-	-
	-----	-----	-----
Total other income (expense), net	5,269	2,070	1,422
	-----	-----	-----
NET INCOME	\$211,932	\$149,958	\$130,979
	=====	=====	=====

</TABLE>

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

SPIN FOR CASH WIDE AREA PROGRESSIVE JOINT VENTURE
BALANCE SHEETS

September 30, October 2,
2000 1999

(Dollars in thousands)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$ 70,279	\$ 57,783
Accounts receivable, net of allowance for doubtful accounts of \$102 and \$74	35,785	24,674
Investments to fund liabilities to jackpot winners	6,558	4,741
Prepaid royalties	27,443	15,238

Prepaid expenses and other	3,396	931
	-----	-----
Total current assets	143,461	103,367
	-----	-----
FURNITURE, FIXTURES AND EQUIPMENT, at cost	91,208	51,688
Less accumulated depreciation	(49,879)	(29,309)
	-----	-----
Furniture, fixtures and equipment, net	41,329	22,379
	-----	-----
PREPAID ROYALTIES	-	24,164
	-----	-----
INVESTMENTS TO FUND LIABILITIES TO JACKPOT WINNERS	68,274	50,033
	-----	-----
TOTAL ASSETS	\$253,064	\$199,943
	=====	=====
LIABILITIES AND VENTURERS' CAPITAL		
CURRENT LIABILITIES:		
Accounts payable to IGT	\$ 3,260	\$ 27,997
Accounts payable to Anchor	18	715
Jackpot liabilities	26,592	26,529
Commissions and other payables	866	1,297
Capital lease payable to IGT	-	398
	-----	-----
Total current liabilities	30,736	56,936
LONG-TERM JACKPOT LIABILITIES	81,575	66,197
	-----	-----
Total liabilities	112,311	123,133
VENTURERS' CAPITAL	140,753	76,810
	-----	-----
TOTAL LIABILITIES AND VENTURERS' CAPITAL	\$253,064	\$199,943
	=====	=====

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

SPIN FOR CASH WIDE AREA PROGRESSIVE JOINT VENTURE
STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years Ended		
	September 30, 2000	October 2, 1999	September 30, 1998
	-----	-----	-----
(Dollars in thousands)			
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$211,932	\$149,958	\$130,979
	-----	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	25,206	20,405	15,124

Provision for bad debts	28	-	125
Increase in accounts receivable	(11,139)	(4,495)	(8,517)
(Increase) decrease in prepaid expenses and other	12,186	(38,494)	(1,725)
Increase (decrease) in accounts payable and accrued expenses	(26,263)	17,370	(13,526)
	-----	-----	-----
Total adjustments	18	(5,214)	(8,519)
	-----	-----	-----
Net cash provided by operating activities	211,950	144,744	122,460
	-----	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment in furniture, fixtures, and equipment	(46,552)	(10,749)	(31,802)
Proceeds from the sale of furniture, fixtures, and equipment	2,396	2,735	2,774
Proceeds from investments to fund liabilities to jackpot winners	4,684	35,449	5,892
Purchase of investments to fund liabilities to jackpot winners	(24,742)	(21,105)	(63,653)
	-----	-----	-----
Net cash provided by (used in) investing activities	(64,214)	6,330	(86,789)
	-----	-----	-----

</TABLE>

SPIN FOR CASH WIDE AREA PROGRESSIVE JOINT VENTURE
STATEMENTS OF CASH FLOWS

<TABLE>
<CAPTION>

	Years Ended		
	September 30, 2000	October 2, 1999	September 30, 1998
	-----	-----	-----
(Dollars in thousands)			
<S>	<C>	<C>	<C>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Payments on jackpot liabilities	\$ (79,823)	\$ (87,096)	\$ (5,892)
Collection from systems to fund jackpot liabilities	92,572	85,045	79,024
Capital contributions	22,275	22,275	-
Distributions	(170,264)	(159,350)	(102,143)
	-----	-----	-----
Net cash used in financing activities	(135,240)	(139,126)	(29,011)
	-----	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	12,496	11,948	6,660
CASH AND CASH EQUIVALENTS:			
Beginning of year	57,783	45,835	39,175
	-----	-----	-----
End of year	\$ 70,279	\$ 57,783	\$ 45,835
	=====	=====	=====

SUPPLEMENTAL DISCLOSURE OF CASH FLOWS

INFORMATION -

Cash paid for interest during the year

\$ 4,494

\$ 4,512

\$ 3,696

=====

=====

=====

SUPPLEMENTAL DISCLOSURE OF NONCASH
INVESTING AND FINANCING ACTIVITIES -

Capital lease additions

\$ -

\$ 201

\$ 2,128

=====

=====

=====

</TABLE>

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

SPIN FOR CASH WIDE AREA PROGRESSIVE JOINT VENTURE
STATEMENTS OF VENTURERS' CAPITAL

(Dollars in thousands)

	Anchor -----	IGT -----	Total -----
BALANCE, OCTOBER 1, 1997	\$ 17,674	\$ 17,417	\$ 35,091
Distributions	(51,200)	(50,943)	(102,143)
Net income	65,489	65,490	130,979
	-----	-----	-----
BALANCE, SEPTEMBER 30, 1998	31,963	31,964	63,927
Capital contributions	-	22,275	22,275
Distributions	(79,675)	(79,675)	(159,350)
Net income	74,979	74,979	149,958
	-----	-----	-----
BALANCE, OCTOBER 2, 1999	27,267	49,543	76,810
Capital contributions	22,275	-	22,275
Distributions	(85,132)	(85,132)	(170,264)
Net income	105,966	105,966	211,932
	-----	-----	-----
BALANCE, SEPTEMBER 30, 2000	\$ 70,376	\$ 70,377	\$ 140,753
	=====	=====	=====

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

SPIN FOR CASH WIDE AREA PROGRESSIVE JOINT VENTURE

NOTES TO FINANCIAL STATEMENTS

1. ORGANIZATION

The Spin for Cash Wide Area Progressive Joint Venture (the Venture) is owned equally by IGT, a wholly owned subsidiary of International Game Technology, and Anchor Gaming (Anchor). The Joint Venture Agreement was signed on December 3, 1996. The first machines operated by the Venture were placed into operation on December 12, 1996.

The primary purpose of the Venture is to develop and install innovative gaming machines which utilize shared expertise and knowledge. As of September 30, 2000, the Venture was operating in Canada, Colorado, Indiana, Louisiana, Michigan, Mississippi, Missouri, Native American markets, Nevada, New Jersey, South Dakota and cruise ship markets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation - The financial statements of the Venture are maintained in accordance with applicable accounting principles generally accepted in the United States of America.

Revenues - Substantially all of the revenues of the Venture are from the operation of linked progressive slot machines. In Colorado, Louisiana, Michigan, Mississippi, Missouri, Native American markets, Nevada, and South Dakota, the Venture provides the machines and operates the central monitoring system. The casinos pay a percentage of the play to the Venture.

In New Jersey, each progressive system is operated by an independent trust managed by representatives from participating casinos. The Venture receives revenues based upon a set annual fee per machine per system. Payments to the jackpot winners are made by the trust.

In Canada, Indiana, and the cruise ship markets, where machines are not linked, the Venture provides games for a set daily lease fee. In addition the Venture has stand alone machines in which the Venture participates in the revenue from the machine on a percentage or fee basis. Revenues are recognized as earned.

Operating Expenses - IGT and Anchor provide most of the services associated with the operation of the Venture. The cost of these operations are billed to the Venture using methodologies that best approximate the

actual cost of these services to the respective partner. Interest is accrued at an annual rate of approximately 8.53% and is billed monthly on balances payable to the partners that are greater than 30 days old and on inventories held for the Venture. Management believes that the methods used to allocate these costs are reasonable.

Third Party Expenses - IGT and Anchor receive and pay all invoices from third parties for the delivery of goods or services. The partners invoice the Venture for these costs which are recorded by the Venture.

Research and Development - IGT and Anchor perform substantially all of the engineering development work for the Venture and invoice the Venture for these services at cost. Research and development charges are expensed as incurred.

Cash and Cash Equivalents - Amounts include cash required for funding current progressive systems jackpot payments and purchasing investments to meet obligations for making payments to jackpot winners. Cash in excess of daily requirements is generally invested in various short-term marketable securities with maturities of 90 days or less. Such investments are stated at cost, which approximates market value.

Depreciation - Substantially all of the Venture's depreciable assets are used directly in gaming operations and are provided by the partners who invoice the Venture for these assets at their approximate cost. Depreciation is recorded on the straight-line method over the following estimated useful lives:

Gaming operations equipment	2 to 3 years
Furniture, fixtures, and equipment	5 years

Prepaid Royalties - Amounts include prepayments for registered trademarks used for various Venture products.

Estimates - The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications - Certain amounts in the 1999 and 1998 financial statements have been reclassified to be consistent with the presentation used in 2000.

3. INVESTMENTS TO FUND LIABILITIES TO JACKPOT WINNERS

These investments represent discounted US government treasury securities purchased to meet obligations for making payments to linked progressive systems jackpot winners. At September 30, 2000, the Venture had both the intent and ability to hold these investments to maturity and, therefore, classified them as held-to-maturity. Accordingly, these investments are stated at cost, adjusted for amortization of premiums and accretion of discounts over the term of the security, using the interest method. Securities in this portfolio have maturity dates through 2025.

Investments to fund liabilities to jackpot winners at September 30, 2000 and October 2, 1999 are as follows:

Amortized	Gross Unrealized		Market
Cost	Gains	Losses	Value

(Dollars in thousands)
September 30, 2000

US government obligations	\$74,832	\$1,240	\$ (1,237)	\$74,835
	=====	=====	=====	=====

October 2, 1999

US government obligations	\$54,774	\$ 679	\$ (2,382)	\$53,071
	=====	=====	=====	=====

Federal legislation passed in October 1998 permits jackpot winners to elect to receive the discounted value of progressive jackpots won in lieu of annual installments. For jackpots won after the date of the legislation, the winner was able to make this election after July 1, 1999. Upon a winner's election after July 1, 1999, investments held by the Venture to fund the winner's liability were sold to settle the

liability. The offer for these past winners to elect a single cash payment has now expired. Therefore, we do not anticipate additional sales of held-to-maturity investments.

Proceeds from the sale of these securities were paid to jackpot winners. Therefore, the net realized loss was offset by an equal gain on the settlement of winner liabilities. Below is a summary of sales of these securities:

	Fiscal 2000	Fiscal 1999

(Dollars in thousands)		
Proceeds from sale	\$898	\$32,798
Gross realized gains	-	107
Gross realized losses	108	1,215

4. CAPITAL LEASES

During fiscal 2000, the Venture discontinued leasing machines under capital leases. During fiscal 1999, the Venture leased machines for the operation of Louisiana and Missouri linked progressive systems. The machines were leased from IGT at a rate of 1/36 of the value of the assets each month. As of October 2, 1999, the assets had a net value of \$398,000.

5. LIABILITIES TO JACKPOT WINNERS

The Venture receives a percentage of the amount played or machine rental and service fees from the linked progressive systems to fund the related jackpot payments in Colorado, Louisiana, Michigan, Mississippi, Missouri, Native American, Nevada, and South Dakota systems. Winners may elect to receive a single payment of the discounted value of the jackpot won or annual installments. Equal annual installments are paid over 20 to 26 years without interest. Future gross payments due to jackpot winners under these systems at September 30, 2000 are as follows:

Fiscal Year Ending	Payment

(Dollars in thousands)	
2001	\$ 18,551
2002	6,558
2003	6,558
2004	6,558
2005	6,558
2006 and after	96,132

	\$140,915

Jackpot liabilities in the amount of the present value of the jackpots are recorded concurrently with the recognition of the related revenue. Jackpot liabilities include discounted payments due to winners for jackpots won and amounts accrued for jackpots not yet won that are contractual obligations of the Venture. Jackpot liabilities consist of the following:

	September 30, 2000	October 2, 1999

(Dollars in thousands)		
Gross payments due to jackpot winners	\$140,915	\$ 188,918
Unamortized discount on payments to jackpot winners	(60,227)	(138,608)
Accrual for jackpots not yet won	27,479	42,416
	-----	-----
Total jackpot liabilities	108,167	92,726
Less current liabilities	(26,592)	(26,529)
	-----	-----
Long-term jackpot liabilities	\$ 81,575	\$ 66,197
	=====	=====

The Venture amortizes the discount on the winner liabilities, recognizing it as interest expense. During fiscal years 2000, 1999, and 1998, the Venture recorded interest expense on jackpot liabilities of \$3.8 million, \$4.2 million, and \$2.3 million. The Venture is required to maintain cash and investments relating to systems liabilities in separate accounts. During fiscal years 2000, 1999, and 1998, the Venture recorded interest income on jackpot investments of \$3.8 million, \$4.2 million, and \$2.3 million.

6. INCOME TAXES

The Venture has not made any provision for federal income taxes due to its election to be taxed as a pass-through entity under Internal Revenue Code, Section 704A. Under this election, income of the Venture is taxable to the individual venturers.

7. RELATED-PARTY TRANSACTIONS

Substantially all of the goods and services recorded by the Venture are provided by or paid for by IGT and Anchor. These transactions are recorded by the Venture as a trade payable. At September 30, 2000 and October 2, 1999, the payable to IGT was \$3.3 million and \$28.0 million. As of September 30, 2000 and October 2, 1999, \$18,000 and \$715,000 was payable to Anchor. The Venture incurred interest expense to IGT of \$703,000 during fiscal 2000, \$50,000 in fiscal 1999 and \$31,000 in fiscal 1998.
