

BEFORE THE NEVADA GAMING COMMISSION
AND THE STATE GAMING CONTROL BOARD

In the Matter of

INTERNATIONAL GAME TECHNOLOGY AND IGT

(Waiver of NGC Regulation 5.115(3)(c) and related conditions)

ORDER

THIS MATTER came on regularly for hearing before the State Gaming Control Board ("Board") on September 9, 2004, and before the Nevada Gaming Commission ("Commission") on September 24, 2004, at Las Vegas, Nevada; and

THE BOARD AND COMMISSION having considered all information pertinent hereto;

IT IS HEREBY ORDERED BY THE NEVADA GAMING COMMISSION UPON THE RECOMMENDATION OF THE STATE GAMING CONTROL BOARD:

1. THAT the following applications, as amended and supplemented, have been filed:

a. The application of International Game Technology for a waiver of NGC Regulation 5.115 (3)(c) pursuant to NGC Regulation 5.115 (16); and

b. The application of IGT for a waiver of NGC Regulation 5.115 (3)(c) pursuant to NGC Regulation 5.115(16).

2. THAT International Game Technology and IGT are each granted a waiver of NGC Regulation 5.115(3)(c), pursuant to NGC Regulation 5.115(16), subject to the following conditions or limitations:

a. IGT must maintain sufficient reserves in restricted accounts as calculated pursuant to Regulation 5.115(2)(m) and reconciled on at least a monthly basis.

b. Either IGT or International Game Technology must satisfy the following financial requirements at all times:

1. A current ratio of not less than 2 to 1. "Current ratio" is defined as current assets divided by current liabilities.

or

Working Capital, defined as current assets minus current liabilities, in excess of \$100 million.

and

2. An interest coverage ratio of not less than 3 to 1. "Interest coverage ratio" is defined as earnings before interest and taxes (i.e., operating income), plus depreciation and amortization, divided by interest expense.

or

A debt to EBITDA ratio of not more than 4.75 to 1. "Debt to EBITDA" is defined as total debt (current and long-term debt plus capitalized leases) divided by earnings before interest and taxes (i.e. operating income) plus depreciation and amortization. For purposes of this calculation, EBITDA shall be computed for a rolling twelve month period.

3. THAT IGT or International Game Technology, as applicable, shall at all times comply with the following monitoring and reporting requirements:

a. IGT must send written notification to the Chairman identifying which of its gaming or promotional activities using periodic payments will be funded using the reserve method. Such notification shall be submitted by the chief financial officer, or equivalent thereof, at least 45 days prior to the commencement of such activity. The funding method shall be deemed approved unless IGT is otherwise informed in writing by the Chairman upon the expiration of such time. Once the activity is approved, IGT need not resubmit such notification for continuing gaming or promotional activity where a prize has been awarded and such activity is immediately begun again or continuously operated. IGT must also send written notification to the Chairman identifying the single entity that will meet the ratio or working capital requirements (International Game Technology or

IGT) and must submit to the Chairman written notification of any change thereto at least 45 days prior to the end of the quarter or year end, as appropriate. The Chairman may, for any cause deemed reasonable, require the ratios to be met by either IGT or International Game Technology.

- b. Within 10 days of funding the periodic payments for prizes won or awarded and where U.S. Treasury securities are used as the approved funding source, IGT shall submit written notification to the Chairman that identifies the name(s) of the financial institution or brokerage firm which were selected to maintain the securities. Such securities shall not be released or redeemed by the financial institution or brokerage firm, except at maturity, without the prior written approval of the Chairman. In addition, prior to maturity, such securities shall not be sold, assigned, transferred, pledged, hypothecated, or disposed of in any manner without the prior written approval of the Chairman. Executed agreements between IGT and such entities setting forth these restrictions must be provided to the Chairman in conjunction with the notification discussed herein. Amendments to such agreements must be approved in the same manner.
- c. To demonstrate compliance with the financial requirements, the ratios and working capital figures for both IGT and International Game Technology, including copies of the appropriate financial statements, shall be provided to the Board for the quarter or fiscal year, as appropriate.
- d. IGT must engage at its sole expense an independent certified public accountant ("accountant") licensed in the State of Nevada to examine on a fiscal year basis, and IGT's chief financial officer or equivalent thereof must examine on a fiscal quarter basis, the pertinent records and information relating to the aforementioned financial requirements and IGT's or International Game Technology's compliance for each such fiscal year or quarter, respectively.
- e. IGT and International Game Technology must make available to the accountant all books, records and information which may be necessary to enable him to make the determinations specified in letter (d) above. The accountant and chief financial officer shall report and certify to the Chairman in writing, in a format acceptable to the Chairman, their findings with regard to each respective period under review. The reports and certifications by the accountant and chief financial officer must be submitted to the Chairman no later than 90 days after the end of IGT's fiscal year and 30 days after the end of the quarter, respectively. Such reports must demonstrate IGT's or International Game Technology's compliance with the financial requirements of this letter and identify the names of the independent financial institutions or brokerage firms responsible for maintaining the funds or securities, and/or remitting payments to patrons along with the amount of the approved funding sources held by such entities.
- f. If the accountant or chief financial officer reports and certifies to the Chairman that IGT or International Game Technology was not in full compliance with all of the aforementioned financial and reporting

requirements for the period under review, the Chairman may require IGT to obtain a 1 year letter of credit. The letter of credit shall be in the name of the Gaming Control Board for an amount sufficient to fund the present value of the then outstanding obligations to be paid to patrons of the affected Nevada gaming or promotional activity, including progressive systems, of IGT, and to fund any payments due upon validation of prizes on public display. The Chairman may also impose additional monitoring or reporting requirements.

If by the end of the quarter preceding the expiration date of the letter of credit IGT or International Game Technology continues to be in a state of noncompliance and IGT has not provided documentation satisfactory to the Chairman conclusively demonstrating that the letter of credit shall be renewed or replaced or has filed an application for and received a waiver thereof from the Commission, the Chairman may require draw down(s) on the letter of credit and distribute to any such unpaid patrons, cash equal to the present value of such unpaid prizes.

- g. If the letter of credit described in letter (f) above is not obtained within 15 days after the Chairman directs IGT to obtain such letter and an administrative extension has not been granted by the Chairman, IGT shall immediately notify the Chairman in writing of such circumstances. Such notification shall also include a written plan that addresses IGT's arrangements to make payments to unpaid patrons in amounts equal to the present value of any unpaid Nevada obligations. Pursuant to Regulation 5.115(14), the Chairman may also require that IGT immediately cease offering any Nevada gaming or promotional activity, including any of its progressive systems, for which periodic payments are utilized.
- h. IGT's chief financial officer must immediately notify the Chairman of any nonpayment of a periodic payment to a winning patron through any Nevada gaming or promotional activity, or any event or circumstance which may cause IGT to not be able to fulfill, or which may otherwise impair its ability to satisfy, its payment obligations to any such unpaid patrons. Upon such notification, the Chairman may invoke or take any additional remedies or corrective action pursuant to Regulation 5.115(15).

4. THAT the Commission hereby expressly finds that the waivers hereby granted are consistent with the public policy set forth in NRS 463.0129.

ENTERED at Las Vegas, Nevada, this 24th day of September 2004.