

INTERNATIONAL GAME TECHNOLOGY  
Form 10-K  
December 01, 2010

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United States Securities and Exchange Commission  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the Fiscal Year Ended October 2, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE  
ACT OF 1934

For the transition period from \_\_\_\_ to \_\_\_\_

Commission File Number 001-10684

International Game Technology

Nevada  
(State or other jurisdiction of  
Incorporation or Organization)

88-0173041  
(I.R.S. Employer  
Identification No.)

9295 Prototype Drive, Reno, Nevada 89521  
(Address of Principal Executive Offices)(Zip Code)

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 \$.00015625	New York Stock Exchange

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

Indicate by check mark if the registrant is a well known seasoned issuer (as defined in Rule 405 of the Securities Act).  
Yes  No

Indicate by check mark if registrant is not required to file reports pursuant to Section 13 or 15(d) of Securities  
Exchange Act of 1934  
Yes  No

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  No

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  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:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The aggregate market value of voting stock held by non-affiliates of the registrant on April 2, 2010: \$5.5 billion.

The number of shares outstanding of each of the registrant's classes of common stock, as of November 29, 2010:  
298.2 million shares of common stock at \$.00015625 par value.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of our Proxy Statement relating to the 2011 annual shareholders meeting are incorporated by reference in Part III. Such Proxy Statement will be filed with the Securities and Exchange Commission not later than 120 days after the conclusion of the registrant's fiscal year ended October 2, 2010.

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## GLOSSARY OF TERMS AND ABBREVIATIONS (as used in this document)

Abbreviation/term	Definition
Anchor	Anchor Gaming
ARS	auction rate securities
ASU	Accounting Standards Update
AVP®	Advanced Video Platform®
AWP	amusement with prize
5.5% Bonds	5.5% fixed rate notes due 2020
7.5% Bonds	7.5% fixed rate notes due 2019
bps	basis points
CAD	Canadian dollars
CCSC	Colorado Central Station Casino
CDS	central determination system
CEO	chief executive officer
CFO	chief financial officer
CLS	China LotSynergy Holdings, Ltd.
CRM	customer relationship marketing
Cyberview	Cyberview Technology, Inc.
DCF	discounted cash flow
Debentures	2.6% convertible debentures
DigiDeal	DigiDeal Corporation
EBIT	earnings before interest and taxes
EBITDA	earnings before interest, taxes, depreciation, and amortization
EPA	Environmental Protection Agency
EPS	earnings per share
ERISA	Employee Retirement Income Security Act
FASB	Financial Accounting Standards Board
GAAP	generally accepted accounting principles
GSA	Gaming Standards Association
IGT, we, our, the Company	International Game Technology and its consolidated entities
IP	intellectual property
IRS	Internal Revenue Service
LIBOR	London inter-bank offering rate
LVGI	Las Vegas Gaming International
JV	joint venture
M-2-1	Million-2-1
MDA	management's discussion and analysis of financial condition and results of operations
MLD®	Multi-layer display®
M-P	multi-player
Notes	3.25% convertible notes due 2014
NCI	noncontrolling interests
OSHA	Occupational Safety & Health Administration
pp	percentage points
PGIC	Progressive Gaming International Corporation
R&D	research and development
sbX™	IGT's complete server-based player experience management solution
SEC	Securities and Exchange Commission
SIP	Stock Incentive Plan

UK	United Kingdom
US	United States
VIE	variable interest entity
VSOE	vendor specific objective evidence
WAP	wide area progressive
WDG	Walker Digital Gaming, LLC
WMS	WMS Industries Inc.
*	not meaningful (in tables)

## FORWARD LOOKING STATEMENTS

This report contains statements that do not relate to historical or current facts, but are “forward looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to future events or trends, our future prospects and proposed new products, services, developments, or business strategies, among other things. These statements can generally (although not always) be identified by their use of terms and phrases such as anticipate, appear, believe, could, would, estimate, expect, indicate, intend, may, plan, predict, project, pursue, will, continue, and other similar terms and phrases, as well as the use of the future tense.

Examples of forward looking statements in this report include, but are not limited to, the following categories of expectations about:

- ♣ our ability to successfully introduce new products and their impact on replacement demand
- ♣ the timing, features, benefits, and expected continued or future success of new product introductions and ongoing product and marketing initiatives
  - ♣ our leadership position in the gaming industry
  - ♣ the advantages offered to customers by our anticipated products and product features
    - ♣ gaming growth, expansion, and new market opportunities
    - ♣ fluctuations in future gross margins and tax rates
    - ♣ increasing product sales or machine placements
  - ♣ legislative or regulatory developments and related market opportunities
- ♣ available capital resources to fund future operating requirements, capital expenditures, payment obligations, and share repurchases
  - ♣ expectations related to the timing and cost associated with restructuring efforts and deconsolidations
    - ♣ losses from off-balance sheet arrangements
    - ♣ financial returns to shareholders related to management of our costs
    - ♣ the impact of recently adopted accounting pronouncements
    - ♣ the outcome and expense of litigation
  - ♣ anticipated increased revenue yields and operating margin if general economic conditions improve

Actual results could differ materially from those expressed or implied in our forward looking statements. Our future financial condition and results of operations, as well as any forward looking statements, are subject to change and to inherent known and unknown risks and uncertainties. See Part 1 Item 1A, Risk Factors, in this report for a discussion of these and other risks and uncertainties. You should not assume at any point in the future that the forward looking

statements in this report are still valid. We do not intend, and undertake no obligation, to update our forward looking statements to reflect future events or circumstances.



## PART I

## Item 1. Business

International Game Technology is a global gaming company specializing in the design, manufacture, and marketing of electronic gaming equipment and systems. IGT maintains a wide array of entertainment-inspired gaming product lines and targets gaming markets in all legal jurisdictions worldwide.

International Game Technology was incorporated in Nevada in December 1980 to acquire the gaming licensee and operating entity, IGT, and to facilitate our initial public offering. Principally serving the US gaming markets when founded, we expanded into jurisdictions outside the US in 1986. Unless the context indicates otherwise, International Game Technology, IGT, we, our, or the Company refers to International Game Technology and its consolidated entities. Italicized text in this document with an attached superscript trademark or copyright notation indicates trademarks of IGT or its licensors. Information about IGT trademarks and copyrights is available on our website at [www.IGT.com](http://www.IGT.com).

Our fiscal year is reported on a 52/53-week period that ends on the Saturday nearest to September 30. For simplicity, this report presents all fiscal years using the calendar month end as outlined in the table below.

Fiscal Year	Ended		Weeks
	Actual	Presented as	
2010	October 2, 2010	September 30, 2010	52
2009	October 3, 2009	September 30, 2009	53
2008	September 27, 2008	September 30, 2008	52
2007	September 29, 2007	September 30, 2007	52
2006	September 30, 2006	September 30, 2006	52

## BUSINESS SEGMENTS

We derive our revenues from the distribution of electronic gaming equipment, systems, services and licensing. Operating results reviewed by our chief operating decision maker encompass all revenue sources within each geographical customer region. We currently view our business in two operating segments as stated below, each incorporating all types of revenues. Unless otherwise noted, prior year amounts throughout this report have been adjusted for Japan and DigiDeal operations discontinued during fiscal 2010, as further described in Note 7 of our Consolidated Financial Statements.

- ♣ North America consists of our operations in the US and Canada, comprising 72% of consolidated revenues from continuing operations in fiscal 2010, 78% in 2009, and 76% in 2008.
- ♣ International consists of our operations in all other jurisdictions worldwide, comprising 28% of consolidated revenues from continuing operations in fiscal 2010, 22% in 2009, and 24% in 2008.

We measure segment profit on the basis of operating income. Certain income and expenses related to company-wide initiatives are managed at the corporate level and not allocated to an operating segment. Other segment and financial information contained in BUSINESS SEGMENT RESULTS of our MDA and Note 21 of our Consolidated Financial Statements is incorporated here by this reference.

## REVENUE STREAMS

We have two revenue streams within each business segment -- gaming operations and product sales.

### Gaming Operations

Comprising 55% of consolidated revenues in fiscal 2010, 56% in 2009, and 53% in 2008, gaming operations generates recurring revenues by providing our customers with proprietary gaming equipment, systems and services. Our gaming operations pricing arrangements are largely variable where casinos pay service fees to IGT based on a percentage of amounts wagered or net win. Variable fee units comprised 82% of our gaming operations installed base at September 30, 2010. Fixed fee pricing arrangements are typically based on a daily or monthly fee. A portion of WAP fees paid to IGT is used for the funding and administration of progressive jackpots. The cost of funding progressive jackpots is subject to interest rate volatility as further described in Note 1 of our Consolidated Financial Statements and the MDA—CRITICAL ACCOUNTING ESTIMATES.

Gaming operations revenues are affected by variations in the number and type of machines in service, levels of player wagers, and pricing arrangement terms. Levels of play are dependent on game popularity, casino seasonality trends, economic conditions, and other player preferences. Seasonal trends generally show higher play levels in the spring and summer months and lower in the fall and winter months. We monitor the productive life cycles of our gaming operations machines and systematically replace units experiencing declining play levels with newer games.

The IGT installed base of gaming devices includes both variable fee and fixed fee machines, which are recorded on our balance sheet as part of our property, plant and equipment. Casino-owned units are machines sold that also provide a recurring royalty fee. Gaming operations revenues are generated from the units reflected in the table below, as well as service fees for internet gaming, systems access, game content, and other gaming equipment rentals and leasing.

September 30,	2010	2009	2008
IGT owned units - variable fee	47,000	52,000	44,800
IGT owned units - fixed fee	10,000	9,300	15,700
IGT installed base	57,000	61,300	60,500
Casino-owned units	17,900	18,200	17,600
Total Gaming Operations Units	74,900	79,500	78,100

#### Product Sales

Comprising 45% of consolidated revenues in 2010, 44% in 2009, and 47% in 2008, product sales includes gaming equipment, systems, services, licensing, and component parts. Non-machine sales are comprised of gaming systems, licensing fees, parts, conversions, and miscellaneous royalty fees and services.

Product Sales Composition	Fiscal Years					
	2010		2009		2008	
Video & spinning reel machines	59	%	59	%	62	%
AWP machines	4	%	4	%	4	%
Total machine sales	63	%	63	%	66	%
Gaming systems	21	%	21	%	18	%
Parts & conversions	13	%	14	%	14	%
Other fees & services	3	%	2	%	2	%
Total non-machine sales	37	%	37	%	34	%

#### STRATEGIC BUSINESS ARRANGEMENTS

We complement our internal resources through strategic alliances, investments, and business acquisitions that:

- ♣ diversify our geographic reach
- ♣ expand our product lines and customer base
- ♣ leverage our technological and manufacturing infrastructure to increase our rates of return

Our most recent acquisitions and affiliate investments are discussed in Notes 3 and 7 of our Consolidated Financial Statements.

During fiscal 2010, we continued to evaluate and assess whether certain investments fit into our core business strategy. A discussion of the resulting recognition of material losses or impairment and discontinued operations during the current periods is contained in the OVERVIEW and CONSOLIDATED RESULTS of our MDA and Notes 2 and 7 of our Consolidated Financial Statements.

## PRODUCTS

We provide a broad range of electronic gaming equipment and systems, as well as licensing, services, and component parts that may be sold or placed under recurring revenue arrangements.

### Gaming Equipment

We offer our customers a wide variety of video and physical reel slot machines that may be tailored to meet specific needs. Customers can choose from an extensive library of games combined with several new machine cabinet models designed to maximize functionality, flexibility, and player comfort. Additionally, IGT's AVP® machines are designed to support server-based gaming networks. Machine configurations vary by jurisdiction and may include:

- ♣ Stand-alone casino-style slot machines that determine the game play outcome at the machine, known as Class III in tribal jurisdictions
  - ♣ WAP jackpot systems with linked machines across several casinos
- ♣ CDS machines connected to a central server that determines the game outcome, encompassing VLT's (video lottery terminals) used primarily in government-sponsored applications and electronic or video bingo machines, known as Class II in tribal jurisdictions

We also offer multi-player community-style configurations with a common display, especially useful in jurisdictions where live table games are not allowed. Our electronic table games include live dealer hosted configurations with virtual chips/electronic credits, as well as a fully virtual platform that can be approved as a slot game, providing table-like gaming for slot only or limited table jurisdictions.

Our international gaming machines also include AWP games, which generally incorporate lower payouts with features that allow players to exercise an element of skill and strategy.

### Systems

IGT systems products include applications for casino management, CRM, server-based games and player management. Our casino management solutions include integrated modules for machine accounting, patron management, cage and table accounting, ticket-in/ticket-out, bonusing (jackpots and promotions), and table game automation. Our CRM solution features integrated marketing and business intelligence modules that provide analytical, predictive, and management tools for maximizing casino operational effectiveness. Our server-based solutions enable game delivery to slot machines, computers, mobile phones, tablets and other networked devices, as well as providing casino operators with opportunities to increase profits by enhancing the players' experience, connecting with players interactively, and creating operational efficiencies.

## PRODUCT DEVELOPMENT

The focus of our product development is to enhance the player experience through interactive networked gaming, information technology, innovative game design, and customer relationship services, thereby maximizing the potential for casino operator profitability. The foundation of our product development is built on the creation and delivery of high quality game content through interoperable systems and client casino platforms. Our product innovation reflects the combination of customer research, design experience and engineering excellence.

Since 1986 with the introduction of microprocessor based S+ slots and Megabucks®, the world's first WAP slot machine, IGT's most significant product innovations have also included:

- ♠ Multi-denomination play
- ♠ Wheel of Fortune® ,the most popular game theme to date
  - ♠ EZ Pay® ticket-in / ticket-out
  - ♠ Internet gaming through WagerWorks™
- ♠ sbX® complete player experience management solution
  - ♠ MLD® 3-D multi-layer display

We support our product development efforts through a considerable emphasis and investment in the R&D of future technology, which we believe enables IGT to maintain a leadership position in the industry. We dedicate more than 1,600 employees worldwide to product development covering multiple engineering disciplines, including hardware, electrical, systems and software. We also specialize in creative development such as game design, game math, cutting edge graphics and audio development. Our investment in R&D from continuing operations totaled \$200.1 million in fiscal 2010, \$204.1 million in 2009, and \$216.5 million in 2008.

Our primary development facilities are located in Nevada (Reno and Las Vegas), California (San Francisco) and China (Beijing). Additionally, IGT global design centers provide local community presence, customized products, and regional production where beneficial or required.

During fiscal 2010, we initiated the use of our next-generation of game development tools aimed to increase velocity of production, reduce cost, improve quality and enhance new game innovation. We also continued our process improvements, enabling added efficiency by reducing the number of hardware and software platforms. Additionally, we increased our use of proven third-party technologies to improve the yield of our development investments and concentrate increased resources on differentiated engineering.

#### Games

We combine elements of math, play mechanics, sound, art, and technological advancements with our library of entertainment licenses and patented IP to provide gaming products with a high degree of player appeal. During fiscal 2010, we continued expanding our game libraries with rich content, compelling brands and engaging bonuses to address changing player preferences and other market trends.

Our games are created primarily by employee designers, engineers, and artists, augmented by third-party content creators. We develop video-reel and poker games, as well as enhancements for our classic spinning-reel games, such as multi-line, and multi-coin configurations. We build on our traditional game development with unique customization for video lottery, CDS, Class II, and international markets. We also continually upgrade and optimize our proprietary flagship themes, such as Wheel of Fortune® and Megabucks®, with game refreshers and innovative features to enhance play.

In today's gaming markets we face highly capable and aggressive competitors, demanding gaming patrons, and increasing game complexity. Today's market requires constant innovation and increased velocity in providing quality game content across all platforms, particularly in video slots, at attractive pricing for our customers. During fiscal 2010, we sharpened our R&D efforts toward content development with a more effective use of our game design resources and IP portfolio. We used real-time patron level market information obtained through our consumer research group for the development and deployment of game content with a "customer first" focus.

#### Fiscal 2010 highlights

- ♣ IGT released enhanced MLD® spinning-reel games featuring curved reels that shake, wobble, and bounce. MLD® technology is used to create virtual spinning reels that mimic the look, feel, and sound of mechanical reels.
- ♣ MLD® technology advancements were incorporated into Double Jeweled 7s™ and Blackbeard's Double Doubloons™ games, as well as the Triple Red Hot 7s™ MLD® tournament game. MLD® tournament games provide the flexibility to toggle instantly between tournament and regular play at the touch of a button.
- ♣ We continued to refresh legacy game libraries with the release of many new themes for the S2000® spinning-reel and 80960 video-reel games.

- ♣ We launched Siberian Storm™, Three Kings™, and Figaro™ with innovative features such as Connected Lines™, Spl Symbols®, and Progressive Free Games™.
- ♣ We released our first in-demand “configurable cost-to-cover” feature, which allows for low or high denomination play configuration options, offered on 25% of new video themes.
- ♣ Sex and the City™ with a MultiPLAY interface was introduced in gaming operations. We released the big-screen Center Stage Series, delivering cinema-style entertainment to players, as well as game and hardware flexibility to operators.
- ♣ We continued to innovate with our flagship brand, Wheel of Fortune®, by offering new experiences, including Wheel of Fortune® Secret Spins™, featuring our exclusive tilting Reel Wheel, and Wheel of Fortune® Reel MultiPLAY, which gives players the chance at four consecutive wheel spins.



- ♣ Other gaming operations releases in fiscal 2010 included The Amazing Race™, Top Dollar® Reel MultiPLAY, Megabucks® Multi-Level Progressives, Crystal Fortunes™, House of 9 Dragons™, Bombs Away™, and Star Wars™ Droid Hunt.
- ♣ We developed upcoming Center Stage releases, such as American Idol®, Wheel of Fortune® Triple Spin™, Wheel of Fortune® Experience 2™, and The Dark Knight™.
- ♣ M-P Series® Triple Towers® Horse Racing was introduced, where much like a live racetrack, players can place bets for Win, Place, Show, Exacta, or Quinella with horse history and handicap information displayed on a large-format LCD screen.
- ♣ New video poker games developed included Ultimate X Poker™, with exciting multipliers for current and next-game hands, and Super Star Poker®, designed specifically to bring versatility and entertainment to areas with limited floor space.

## Systems

Gaming continues to become increasingly systems-centric, as operators have come to expect network functionality to manage game performance and adapt to player preferences. As we develop and integrate our gaming systems products, we recognize that networks have the power to dramatically change the delivery of game content and significantly enhance the player experience.

IGT systems infrastructure and Service Window applications are available in enterprise, floor-wide, or bank-level implementations, scalable and versatile to meet the diverse needs of our customer base. Our ongoing systems development continues to focus on network solutions designed to provide operators with tools for more effective casino floor management and new ways to engage and interact with players.

During fiscal 2010, we successfully installed the first floor-wide version of our sbX® Experience Management system at the Las Vegas ARIA Resort and Casino at City Center. This installation included a one-of-a-kind combination of IGT's server-based network applications, including the Service Window, sbX® Floor Manager and Media Manager, and IGT Advantage® casino management, powering 970 IGT machines and 100 WMS machines. Worldwide expansion of sbX® continued, with several floor-wide and Tier-One package installations completed throughout the US and Europe.

The IGT Global Technology and Interoperability Center continued to facilitate testing by third-party manufacturers and strategic partners of GSA protocol product interface integration, compatibility, and performance throughout fiscal 2010. The center actively tests the interaction of our GSA compliant sbX® system with other vendor systems, while we continue to engineer new applications and demonstrate the security, efficiency, and innovative casino player marketing features this technology can provide. This collaborative approach ensures that rigorous testing is conducted in a true-to-life environment with full-scale systems.

As operators continuously look for more ways to increase player loyalty and convenience while optimizing current investments, we continue to develop cost-effective server-based applications to deliver a variety of new marketing, loyalty, and casino management tools. During fiscal 2010, we installed the first Taxable Accrual application, which enables players to process taxable jackpots through the intuitive Service Window interface. Our proven bonusing applications Xtra Credit®, Point Play®, and Lucky Coin® were also adapted for the Service Window.

## Platforms

Platforms are a combination of hardware and software used to deliver games to players. We support several platforms in order to maximize our game distribution reach. Our platform development is focused on empowering game development teams with the best environment for creativity and innovation, while targeting global markets with the best balance of cost and features. Our goal is to supply quality gaming content through traditional and new interactive channels worldwide.

During fiscal 2010, we initiated a new strategy to unify the land and interactive gaming realms through further development of our remote gaming platform to support increased innovation and an expansion of addressable markets. Accordingly, we now deliver games to computers, mobile phones, tablets and other networked devices through multiple partners in international markets. We also introduced new features that make it easier for partners to integrate and monetize IGT games.

During fiscal 2010, we standardized our machine cabinets, increasing the efficiency of operations and capital deployment. Our AVP® DynamiX™ platform was launched, containing our most configurable and future ready set of features yet, such as Multi-Layer Display (MLD®), surround sound capability, dynamic buttons, Service Window and GSA open standards compliance. We believe this combination of features allows for the richest, most engaging games for the player while providing maximum systems flexibility for the casino operator.

Transition to AVP® as our standard development and delivery platform on a worldwide basis continued during fiscal 2010. In addition to North and South America, we now use AVP® in Australia and the UK. With the majority of development concentrated on AVP®, we also maintain support for a variety of legacy platforms.

### Intellectual Property

Our IP portfolio of patents, trademarks, copyrights, and other licensed rights are significant to our business. We currently own nearly 5,000 patents and patent applications, and hold more than 3,100 filed and registered trademarks worldwide. Our capitalized patents have a weighted average remaining useful life of 6 years. Additionally, our material brand licensing arrangements have various expiration dates through 2018, frequently with options to extend.

We seek to protect our investment in R&D and the distinct features of our products by perfecting and maintaining our IP rights. We obtain patent protection covering many of our products and have a significant number of U.S. and foreign patent applications pending. Our portfolio is widely diversified with patents related to a variety of gaming products, including game designs, bonus and secondary game features, device components, and online or mobile functionality.

We market most of our products under trademarks and copyrights that provide product recognition and promote widespread acceptance. We seek protection for our copyrights and trademarks in the US and various foreign countries, where applicable. We use IP assets not just from a defensive standpoint, but also offensively to protect our innovation, and we license our IP under reasonable terms to promote standardization in the gaming industry. IP litigation is described in Note 16 of our Consolidated Financial Statements and related risk factors are described in Part I, Item 1A.

### SALES AND MARKETING REGIONS

We market our products and services in legalized gaming jurisdictions around the world. We have a substantial market share in the US and growing international operations. We promote our products through a worldwide network of sales associates. We use third-party distributors and agents in certain markets under arrangements that generally specify no minimum purchase and require specified performance standards be maintained. We also offer equipment contract financing for qualified customers and development financing loans to select customers for new or expanding gaming facilities.

Our overall marketing strategy places the “Customer First.” At September 30, 2010, we had 65 offices across six continents to respond to customer needs. In addition, we maintain a Global Support Center staffed by experienced consultants for technical issue resolutions. We provide access to product information and 24-hour customer service through our website and a variety of customer training to ensure their success in using our products to their full potential.

#### North America

The gaming industry in the US and Canada continues to grow, albeit at a slower pace in the last few years due to the economic downturn. We estimate the installed base of legal gaming devices in North America increased slightly from 943,000 in fiscal 2009 to over 947,000 machines in fiscal 2010.

The growth of legalized gaming is largely driven by new jurisdictions considering gaming tax revenues as a means to address budget shortfalls. Sales or placements of gaming machines are also affected by new openings or expansion of existing gaming properties and the machine replacement cycle, as well as economic conditions. Legislative action and voter referendums during fiscal 2010 provided new opportunities for gaming growth in Illinois, Ohio, Kansas, Maryland, Pennsylvania, and Florida. We are closely monitoring ongoing gaming actions in Kentucky, Massachusetts, New Hampshire, North Carolina, Texas, and Canada.

Changes in existing gaming regulation or new interpretations of existing gaming laws may hinder or prevent us from continuing to operate in certain jurisdictions. See further discussion surrounding regulatory challenges in Alabama in MDA-CONSOLIDATED RESULTS and MDA-BUSINESS SEGMENT RESULTS.

#### International

Our international strategy capitalizes on our North America experience, while customizing products for unique local preferences and regulatory requirements. During fiscal 2010, our international gaming markets were organized into the following customer regions:

- ♣ Europe, the Middle East, and Africa (EMEA)
- ♣ Mexico and South/Central America (LatAm)
- ♣ Asia, Australia, New Zealand, the Pacific (AsiaPac)
- ♣ the UK

During fiscal 2010, we discontinued our operations in Japan due to ongoing difficult market conditions and changes in our core business strategy. See Note 7 of our Consolidated Financial Statements for additional information about discontinued operations.

As “harm minimization” measures for gaming machines continues to negatively affect Australia and New Zealand markets, we anticipate new growth opportunities in the Philippines, Macau, and Italy. We are also closely monitoring ongoing gaming actions in Brazil and Greece for possible future expansion into these countries.

#### OPERATIONAL OVERVIEW

##### Manufacturing and Suppliers

In addition to our main production facility in Nevada, we manufacture in the UK and through third-party manufacturers in China. We also have reconditioning and re-manufacturing processes in our Las Vegas facility for gaming operations fixed assets. Our manufacturing operations primarily involve the configuration and assembly of electronic components, cables, harnesses, video monitors, and prefabricated parts purchased from outside sources. We also operate facilities for silkscreen manufacturing and digital design.

We use a variety of raw materials to manufacture our gaming devices including metals, wood, plastics, glass, electronic components, and LCD screens. We have a broad base of material suppliers and utilize multi-sourcing practices to ensure component availability. We believe the availability of materials used to manufacture our products is adequate and we are not substantially dependent on any single supplier.

We currently devote more than 800,000 square feet in our Reno facility and more than 270,000 square feet in our Las Vegas facility to product development, manufacturing, warehousing, shipping, and receiving. Maintaining our commitment to quality, we recertified our ISO 9001:2008 Quality Management System certification at all of our manufacturing facilities during fiscal 2010. In addition, we added our Advantage and sbX systems to our certification in fiscal 2010. ISO standards represent an international consensus with respect to the design, manufacture, and use of practices intended to ensure ongoing customer satisfaction with consistent delivery of products and services.

We generally carry a significant amount of inventory related to the breadth of our product lines. We reasonably expect to fill our order backlog within the next fiscal year. Backlog totaled approximately \$239.9 million at October 31, 2010 and \$331.2 million at October 31, 2009.

#### Regulatory Compliance

IGT is dedicated to regulatory compliance worldwide in order to ensure that our products meet requirements in each gaming jurisdiction and that we obtain the necessary approvals and licenses. We conduct business in most jurisdictions where gaming is legal and hold licenses where required.

## Employees

As of September 30, 2010, we employed 4,900 individuals worldwide, 3,900 in our North America segment and 1,000 in our International segment. In light of the economic downturn and reduced demand for our products and services, we have been conducting an ongoing comprehensive strategic review of our costs and organizational structure to maximize efficiency and align expenses with the current and long-term business outlook. As a result of restructuring efforts during fiscal 2009 and 2010, our global workforce was reduced by approximately 16% through a combination of voluntary and involuntary separation arrangements. For discussion of related restructuring costs, see Note 2 of our Consolidated Financial Statements and MDA—CONSOLIDATED RESULTS.

## COMPETITION AND PRODUCT DEMAND

IGT has been met with increasingly aggressive competition. The market for gaming devices and systems is constantly evolving and technological advances increasingly employ personal computers, mobile communication, and other digital media devices. Our competitors range from small, localized companies to large, multi-national corporations in every jurisdiction in which we conduct business. Our most significant competitors include Aristocrat Leisure Limited, Bally Technologies, Inc., and WMS Industries, Inc.

We believe replacement sales are driven by customer strategies to upgrade casino floors with newer games and technologies that combine higher yields with cost savings, convenience, and other benefits. Emerging technologies that improve operators' profitability, such as delivery platforms with increased capabilities, game features that increase player appeal, or application modules which increase operator efficiencies, can accelerate the replacement cycle.

New or expanding casinos generate new product demand and stimulate replacement demand at neighboring properties compelled to upgrade their gaming floors to remain competitive. New jurisdictions establishing legalized gaming also create product demand and continue to grow the overall installed base of gaming devices.

We endeavor to create gaming products with superior functionality and features, using innovative architecture and technologies, resulting in a high degree of customer acceptance and player preference. We also strive to maintain an edge in our quality of support and efficient product implementation. The breadth of our gaming products and diversity of our innovative game library contribute to our competitive advantage.

We believe IGT also has competitive advantages resulting from broad alliances and a long history with customers, the financial strength to aggressively invest in R&D, and an extensive collection of intellectual properties. Our historically high levels of customer service and support, extensive and well-established infrastructure of sales and manufacturing, worldwide name recognition, and geographic diversity are competitive assets. We believe our reputation for consistently delivering and supporting quality products will encourage operators to select our products and enable us to maintain a substantial market position. Risk factors related to competition are discussed in Part 1, Item 1A.

## AVAILABLE INFORMATION

IGT's 9295 Prototype Drive  
principal Reno, Nevada 89521  
corporate (775) 448-7777  
executive  
offices  
are  
located at:

All reporting information filed with or furnished to the SEC is available free of charge through the Investor Relations link on our website at [www.IGT.com](http://www.IGT.com) as soon as reasonably practicable after we electronically file or furnish such information to the SEC. Our corporate governance guidelines and charters for our Audit, Compensation, and Nominating and Corporate Governance Committees are also available on our website. This information will be mailed in print form free of charge to any shareholder upon request.



## GOVERNMENT GAMING REGULATION

We operate in most legal casino gaming jurisdictions worldwide, as well as in several legalized lottery and online jurisdictions. The manufacture and distribution of gaming equipment, systems, and services, as well as the operation of casinos, is subject to regulation by a variety of local and federal agencies, with the majority of oversight provided by individual state gaming control boards.

While the regulatory requirements vary from jurisdiction to jurisdiction, most require:

- ♣ licenses and/or permits
- ♣ findings of suitability for the company, as well as individual officers, directors, major shareholders, and key employees
  - ♣ documentation of qualification, including evidence of financial stability
  - ♣ specific approvals for gaming equipment manufacturers and distributors

Our operating entities and key personnel have obtained or applied for all required government licenses, permits, registrations, findings of suitability, and approvals necessary to manufacture and distribute gaming products in all jurisdictions where we do business. Although many regulations at each level are similar or overlapping, we must satisfy all conditions individually for each jurisdiction.

Laws of the various gaming regulatory agencies serve to protect the public and ensure that gaming related activity is conducted honestly, competitively, and free of corruption. Regulatory oversight additionally ensures that the local authorities receive the appropriate amount of gaming tax revenues. As such, our financial systems and reporting functions must demonstrate high levels of detail and integrity.

Certain regulators not only govern the activities within their jurisdiction, but also oversee activities that occur in other jurisdictions to ensure that we comply with local standards on a worldwide basis. As a Nevada licensee, state regulatory authorities require us to maintain Nevada standards for all operations worldwide. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. A more detailed description of the regulations to which we are subject is provided in Exhibit 99 of this Annual Report on Form 10-K, incorporated herein by reference.

The nature of the industry and our worldwide operations make this process very time consuming and require extensive resources. We employ additional community staff members and legal resources familiar with local customs in certain jurisdictions to assist in keeping us compliant with applicable regulations worldwide. Through this process, we seek to assure both regulators and investors that all our operations maintain the highest levels of integrity and avoid any appearance of impropriety. We have never been denied a gaming related license, nor have our licenses ever been suspended or revoked.

Risk factors related to gaming regulation are included in Part 1, Item 1A.

### Item 1A. Risk Factors

Our business is vulnerable to changing economic conditions and to other factors that adversely affect the casino industry, which have negatively impacted and could continue to negatively impact the play levels of our participation games, our product sales, and our ability to collect outstanding receivables from our customers.

Demand for our products and services depends largely upon favorable conditions in the casino industry, which is highly sensitive to casino patrons' disposable incomes and gaming activities. Discretionary spending on entertainment activities could further decline for reasons beyond our control, such as continued negative economic conditions, natural disasters, acts of war or terrorism, transportation disruptions or health issues. Any prolonged or significant decrease in consumer spending on entertainment activities could result in reduced play levels on our participation games, causing our cash flows and revenues from a large share of our recurring revenue products to decline. Unfavorable economic conditions have also resulted in a tightening in the credit markets, decreased liquidity in many financial markets, and significant volatility in the credit and equity markets.

A decline in the relative health of the gaming industry and the difficulty or inability of our customers to obtain adequate levels of capital to finance their ongoing operations reduces their resources available to purchase our products and services, which adversely affects our revenues. If we experience a significant unexpected decrease in demand for our products, we could also be required to increase our inventory obsolescence charges.

Furthermore, the extended economic downturn has impacted and could continue to impact the ability of our customers to make timely payments to us. We have, and may continue, to incur additional provisions for bad debt related to credit concerns on certain receivables.

Our ability to operate in our existing markets or expand into new jurisdictions could be adversely affected by changing regulations, new interpretations of existing laws, and difficulties or delays in obtaining or maintaining needed licenses or approvals.

We operate only in jurisdictions where gaming is legal. The gaming industry is subject to extensive governmental regulation by US federal, state and local governments, as well as tribal officials or organizations and foreign governments. While the regulatory requirements vary by jurisdiction, most require:

- ♣ licenses and/or permits
- ♣ findings of suitability
- ♣ documentation of qualifications, including evidence of financial stability
- ♣ other required approvals for companies who manufacture or distribute gaming equipment and services
- ♣ individual suitability of officers, directors, major shareholders and key employees

Any license, permit, approval or finding of suitability may be revoked, suspended or conditioned at any time. We may not be able to obtain or maintain all necessary registrations, licenses, permits or approvals, or could experience delays related to the licensing process which could adversely affect our operations and our ability to maintain key employees.

To expand into new jurisdictions, we may need to be licensed, obtain approvals of our products and/or seek licensure of our officers, directors, major stockholders, key employees or business partners. If we fail to seek, do not receive or receive a revocation of a license in a particular jurisdiction for our games and gaming machines, hardware or software, we cannot sell or place on a participation or leased basis our products in that jurisdiction. Any delays in obtaining or difficulty in maintaining regulatory approvals needed for expansion within existing markets or into new jurisdictions can negatively affect our opportunities for growth.

Further, changes in existing gaming regulations or new interpretations of existing gaming laws may hinder or prevent us from continuing to operate in those jurisdictions where we currently do business, which would harm our operating results. In particular, the enactment of unfavorable legislation or government efforts affecting or directed at manufacturers or gaming operators, such as referendums to increase gaming taxes or requirements to use local distributors, would likely have a negative impact on our operations.

Slow growth in the establishment of new gaming jurisdictions or the number of new casinos, declines in the rate of replacement of existing gaming machines and ownership changes and consolidation in the casino industry could limit or reduce our future profits.

Demand for our products is driven substantially by the establishment of new gaming jurisdictions, the addition of new casinos or expansion of existing casinos within existing gaming jurisdictions and the replacement of existing gaming machines. The establishment or expansion of gaming in any jurisdiction typically requires a public referendum or other legislative action. As a result, gaming continues to be the subject of public debate, and there are numerous active organizations that oppose gaming. Opposition to gaming could result in restrictions on or even prohibitions of gaming

operations or the expansion of operations in any jurisdiction.

In addition, the construction of new casinos or expansion of existing casinos fluctuates with demand, general economic conditions and the availability of financing. The rate of gaming growth in North America has diminished and machine replacements are at historically low levels. Slow growth in the establishment of new gaming jurisdictions or delays in the opening of new or expanded casinos and continued declines in, or low levels of demand for, machine replacements could reduce the demand for our products and our future profits. Because a substantial portion of our sales come from repeat customers, our business could be affected if one or more of our customers is sold to or merges with another entity that utilizes more of the products and services of one of our competitors or that reduces spending on our products or causes downward pricing pressures. Such consolidations could lead to order cancellations, a slowing in the rate of gaming machine replacements, or require our current customers to switch to our competitors' products, any of which could negatively impact our results of operations.

Demand for our products and the level of play of our products could be adversely affected by changes in player and operator preferences.

As a supplier of gaming machines, we must offer themes and products that appeal to gaming operators and players. There is constant pressure to develop and market new game content and technologically innovative products. Our revenues are dependent on the earning power and life span of our games. We therefore face continuous pressure to design and deploy new and successful game themes to maintain our revenue and remain competitive. If we are unable to anticipate or react timely to any significant changes in player preferences, such as a negative change in the trend of acceptance of our newest systems innovations or jackpot fatigue (declining play levels on smaller jackpots), the demand for our gaming products and the level of play of our gaming products could decline. Further, our products could suffer a loss of floor space to table games or other more technologically advanced games or operators may reduce revenue sharing arrangements, each of which would harm our sales and financial results. In addition, general changes in consumer behavior, such as reduced travel activity or redirection of entertainment dollars to other venues, could result in reduced demand and reduced play levels for our gaming products.

The gaming industry is intensely competitive. We face competition from a growing number of companies and, if we are unable to compete effectively, our business could be negatively impacted.

Competition among manufacturers of electronic gaming equipment and systems products is intense. Competition in our industry is primarily based on the amount of profit our products generate for our customers, together with cost savings, convenience, and other benefits. Additionally, we compete on the basis of price and financing terms made available to customers, the appeal of game content and features to the end player, and the features and functionality of our hardware and software products. Our competitors range from small, localized companies to large, multi-national corporations, several of which have substantial resources.

Competition in the gaming industry is intense due to the increasing number of providers, combined with the limited number of casino operators and jurisdictions in which they operate. This combination of a growing number of providers and a limited number of casino operators has resulted in an increased focus on price to value. To compete effectively, providers must offer innovative products, with increasing features and functionality benefiting the operators along with game content appealing to the end player, at prices that are attractive to operators.

Obtaining space and favorable placement on casino gaming floors is also a competitive factor in our industry. In addition, the level of competition among equipment providers has increased significantly due to consolidation among casino operators and cutbacks in capital spending by casino operators resulting from the economic downturn and decreased player spend.

Our success in the competitive gaming industry depends in large part on our ability to develop and manage frequent introductions of innovative products.

The gaming industry is characterized by dynamic customer demand and technological advances. As a result, we must continually introduce and successfully market new themes and technologies in order to remain competitive and effectively stimulate customer demand.

There is no assurance that our investments in research and development will lead to successful new technologies or timely new products. We invest heavily in product development in various disciplines from hardware, software, and firmware engineering to game design, video, multimedia, graphics, and sound. Because our newer products are generally more technologically sophisticated than those we have produced in the past, we must continually refine our production capabilities to meet the needs of our product innovation. If we cannot efficiently adapt our manufacturing infrastructure to meet the needs of our product innovations, or if we are unable to make upgrades in our production

capacity in a timely manner, our business could be negatively impacted.

Our customers will accept a new product only if it is likely to increase operator profits more than competitors' products. The amount of operator profits primarily depends on consumer play levels, which are influenced by player demand for our product. There is no certainty that our new products will attain this market acceptance or that our competitors will not more effectively anticipate or respond to changing customer preferences. In addition, any delays by us in introducing new products on schedule could negatively impact our operating results by providing an opportunity for our competitors to introduce new products and gain market share ahead of us. For example, our business and results could be adversely affected if we experience delays or problems in our continued deployment of sbX™ gaming management systems, or if we do not gain market acceptance for these or other systems that are currently under development.

New products require regulatory approval and may be subject to complex and dynamic revenue recognition standards, which could materially affect our financial results.

As we introduce new products and transactions become increasingly complex, additional analysis and judgment is required to account for and recognize revenues in accordance with generally accepted accounting principles. Transactions may include multiple element arrangements and/or software components and applicable accounting principles or regulatory product approval delays could further change the timing of revenue recognition and could adversely affect our financial results for any given period. Fluctuations may occur in our deferred revenues and reflect our continued shift toward more multiple element contracts that include systems and software.

A decline in and/or sustained low interest rates causes an increase in our jackpot expense which could limit or reduce our future profits.

Changes in prime and/or treasury and agency interest rates during a given period cause fluctuations in jackpot expense largely due to the revaluation of future winner liabilities. When rates increase, jackpot liabilities are reduced as it costs less to fund the liability. However, when interest rates decline or remain low the value of the liability (and related jackpot expense) increases because the cost to fund the liability increases. Our results may continue to be negatively impacted by continuing low interest rates or further declines in interest rates, resulting in increased jackpot expense and a reduction of our investment income, which could limit or reduce our future profits.

We may be unable to protect our IP.

A significant portion of our revenues is generated from products using certain IP rights and our operating results would be negatively impacted if we are unsuccessful in protecting these rights from infringement. In addition, some of our most popular games and features are based on trademarks, patents and other IP licensed from third parties. Our future success may depend upon our ability to obtain, retain and/or expand licenses for popular IP rights with reasonable terms in a competitive market. In the event that we cannot renew and/or expand existing licenses, we may be required to discontinue or limit our use of the games or gaming machines that use the licensed technology or bear the licensed marks.

Our success may depend in part on our ability to obtain trademark protection for the names or symbols under which we market our products and to obtain copyright protection and patent protection of our proprietary technologies, intellectual property and other game innovations. We may not be able to build and maintain goodwill in our trademarks or obtain trademark or patent protection, and there can be no assurance that any trademark, copyright or issued patent will provide competitive advantages for us or that our intellectual properties will not be successfully challenged or circumvented by competitors.

We also rely on trade secrets and proprietary know-how to protect certain proprietary knowledge and have entered into confidentiality agreements with our employees and independent contractors regarding our trade secrets and proprietary information. However, there can be no guarantees that our employees and consultants will not breach these agreements, and if these agreements are breached it is unlikely that the remedies available to us will be sufficient to compensate us for the damages suffered. Additionally, despite various confidentiality agreements and other trade secret protections, our trade secrets and proprietary know-how could become known to, or independently developed by, competitors.

We may be subject to claims of IP infringement or invalidity and adverse outcomes of litigation could unfavorably affect our operating results.

Competitors and others may infringe on our intellectual property rights, or may allege that we have infringed on theirs. Monitoring infringement and misappropriation of intellectual property can be difficult and expensive, and we may not be able to detect infringement or misappropriation of our proprietary rights. We may also incur significant litigation expenses protecting our intellectual property or defending our use of intellectual property, reducing our ability to bring new products to market in the future. These expenses could have an adverse effect on our future cash flows and results of operations. Our assessment of current IP litigation could change in light of the discovery of facts not presently known to us or determinations by judges, juries or others that do not agree with our evaluation of the possible liability or outcome of such litigation. If we are found to infringe on the rights of others we could be required to discontinue offering certain products or systems, to pay damages, or purchase a license to use the intellectual property in question from its owner. Litigation can also distract management from the day-to-day operations of the business. There can be no assurances that certain of our products, including those with currently pending patent

applications, will not be determined to have infringed upon an existing third party patent.



The risks related to operations in foreign countries and outside of traditional US jurisdictions could negatively affect our results.

We operate in many countries outside of the US and in tribal jurisdictions with sovereign immunity which subjects us to certain inherent risks. Developments such as noted below could adversely affect our financial condition and results of operations:

- ♣ social, political or economic instability
- ♣ additional costs of compliance with international laws or unexpected changes in regulatory requirements
  - ♣ tariffs and other trade barriers
  - ♣ fluctuations in foreign exchange rates outside the US
- ♣ adverse changes in the creditworthiness of parties with whom we have significant receivables or forward currency exchange contracts
  - ♣ expropriation, nationalization and restrictions on repatriation of funds or assets
    - ♣ difficulty protecting our intellectual property
      - ♣ recessions in foreign economies
    - ♣ difficulties in maintaining foreign operations
      - ♣ changes in consumer tastes and trends
        - ♣ acts of war or terrorism
  - ♣ US government requirements for export.

Our outstanding domestic credit facility subjects us to financial covenants which may limit our flexibility.

Our domestic credit facility subjects us to a number of financial covenants, including a minimum ratio of Adjusted EBITDA to interest expense minus interest on jackpot liabilities and a maximum ratio of debt to Adjusted EBITDA. Our failure or inability to comply with these covenants will cause an event of default that, if not cured, could cause the entire outstanding borrowings under our domestic credit facility, 5.5% Bonds, 7.5% Bonds and Notes to become immediately due and payable. In addition, our interest rate under the domestic credit facility can vary based on our public credit rating or our debt-to-capitalization ratio. Each of these measures may be adversely impacted by unfavorable economic conditions. The domestic credit facility also includes restrictions that may limit our flexibility in planning for, or reacting to, changes in our business and the industry.

Our obligations under our domestic credit facility are generally unsecured, except that we have agreed that, in the event of certain declines in our debt ratings as described in the domestic credit facility, as soon as reasonably practicable thereafter, we will grant a lien on 100% of the equity interests of IGT's direct and wholly-owned domestic subsidiaries and 66% of the equity interests of IGT's direct and wholly-owned foreign subsidiaries. Additionally, holders of the Notes issued and sold by us in May 2009, the 7.5% Bonds, 5.5% Bonds or similar securities issued by us and certain interest rate hedges provided by lenders under our domestic credit facility or their affiliates are

permitted to share in any collateral that may be granted in the event our debt rating declines. To the extent a lien is granted such lien will be subsequently released if we thereafter satisfy the minimum debt rating requirements set forth in our domestic credit facility for at least three consecutive calendar months.

Initially, and in the future our 7.5% Bonds and 5.5% Bonds are not expected to, be secured by any of our assets. We may be required in connection with any future indebtedness, or the terms with respect to existing indebtedness including under our domestic credit facility, to provide a lien against some or all of our assets. To the extent that a lien on our assets is not also granted on an equal and ratable basis with our domestic credit facility in favor of the 7.5% Bonds and 5.5% Bonds, then if we become insolvent or are liquidated, or in the event that our existing indebtedness becomes secured, as described above, and payment of such secured indebtedness is accelerated, the holders of the secured indebtedness will be entitled to exercise the remedies available to them under applicable law, including the ability to foreclose on and sell the assets securing such indebtedness in order to satisfy such indebtedness. In any such case, any remaining assets may be insufficient to repay the notes and our other unsecured indebtedness.

Our outstanding Notes subject us to additional risks.

Our Notes issued in May 2009 contain a net settlement feature, which entitles holders to receive cash up to \$1,000 per Note and shares for any excess conversion value as determined by the respective governing indentures. Consequently, if a significant number of Notes are converted or redeemed, we would be required to make significant cash payments to the holders who convert or redeem the Notes.

In connection with the offering of the Notes, we entered into additional separate transactions for note hedges and warrant transactions. In connection with these transactions, the hedge counterparties and/or their respective affiliates may enter into various derivative transactions with respect to our common stock and may enter into or unwind various derivative transactions and/or purchase or sell our common stock in secondary market transactions prior to maturity of the Notes. These activities could have the effect of increasing or preventing a decline in, or having a negative effect on, the value of our common stock and could have the effect of increasing or preventing a decline in the value of our common stock during any conversion reference period related to a conversion of the Notes. The warrant transactions could separately have a dilutive effect from the issuance of our common stock pursuant to the warrants.

Our gaming machines and online operations may experience losses due to technical problems or fraudulent activities.

Our success depends on our ability to avoid, detect, replicate and correct software and hardware anomalies and fraudulent manipulation of our gaming machines. We incorporate security features into the design of our gaming machines and other systems, including those responsible for our online operations, which are designed to prevent us and our patrons from being defrauded. We also monitor our software and hardware to avoid, detect and correct any technical errors. However, there can be no guarantee that our security features or technical efforts will continue to be effective in the future. If our security systems fail to prevent fraud or if we experience any significant technical difficulties, our operating results could be adversely affected. Additionally, if third parties breach our security systems and defraud our patrons, or if our hardware or software experiences any technical anomalies, the public may lose confidence in our gaming machines and operations or we could become subject to legal claims by our customers or to investigation by gaming authorities.

Our gaming machines have experienced anomalies and fraudulent manipulation in the past. Games and gaming machines may be replaced by casinos and other gaming machine operators if they do not perform according to expectations, or may be shut down by regulators. The occurrence of anomalies in, or fraudulent manipulation of, our gaming machines may give rise to claims for lost revenues and related litigation by our customers and may subject us to investigation or other action by gaming regulatory authorities including suspension or revocation of our gaming licenses, or disciplinary action.

Business combinations and investments in intellectual properties or affiliates present risk, and we may not be able to realize the financial and strategic goals that were contemplated at the time of the transaction, which could materially affect our financial results.

We have invested in strategic business combinations and acquisitions of important technologies and IP that we believe will expand our geographic reach, product lines, and/or customer base. We may encounter difficulties in the assimilation of acquired operations, technologies and/or products, or an acquisition may prove to be less valuable than the price we paid. We also may encounter difficulties applying our internal controls to an acquired business. Any of these events or circumstances may have an adverse effect on our business by requiring us to, among other things, record substantial impairment charges on goodwill and other intangible assets, resulting in a negative impact on our operating results.

Moreover, as we continue the process of evaluating our business in conjunction with an assessment of our long-term strategic goals, we will also further evaluate past and potential investments to determine if and how they will fit into our organizational structure going forward. If an event or change occurs in affiliate relationships or agreements associated with business combinations, we may be required to reassess cash flows, recoverability, useful lives, and fair value measurements, which may result in material impairment charges.

Failure to attract, retain and motivate key employees may adversely affect our ability to compete.

Our success depends largely on recruiting and retaining talented employees. The market for qualified executives and highly skilled, technical workers is intensely competitive. The loss of key employees or an inability to hire a sufficient number of technical staff could limit our ability to develop successful products and cause delays in getting new products to market.

Investments and development financing loans could adversely impact liquidity or cause us to incur loan losses or record a charge to earnings if our investments become impaired.

We invest in and/or provide financing for expansion or construction of gaming locations and other business purposes, including locations abroad. Such investment and financing activities subject us to increased credit risk in certain regions, which could be exacerbated by current unfavorable economic conditions or other political or economic instability in those regions. We monitor our investments and financing activities to assess impairment on a quarterly basis.

We have in the past and may in the future incur losses on these types of investments and loans. Our results of operations, liquidity or financial position may be negatively impacted if we are unable to collect on loans or derive benefit from our investments.

Current environmental laws and regulations, or those enacted in the future, could result in additional liabilities and costs.

The manufacturing of our products may require the use of materials that are subject to a variety of environmental, health and safety laws and regulations (such as climate change legislation). Compliance with these laws could increase our costs and impact the availability of components required to manufacture our products. Violation of these laws may subject us to significant fines, penalties or disposal costs, which could negatively impact our results of operations, financial position or cash flows.

## Item 1B. Unresolved Staff Comments

None

## Item 2. Properties

Our properties consist primarily of facilities worldwide used for manufacturing, engineering, sales, corporate administration, customer service and technical support. We own our corporate headquarters in Reno, Nevada, which serves as our primary manufacturing, engineering and warehousing facility. We also own a Las Vegas, Nevada campus, which serves as our primary sales and service facility. Additional sales and service facilities worldwide are occupied under leases that expire at various times through 2020.

## Square Footage Of Facilities At September 30, 2010

	Approximate Square Footage	
	Owned	Leased
(in thousands)		
North America (US and Canada)	1,856	419
<b>International</b>		
Europe, the Middle East and Africa	149	98
Mexico and South/Central America	-	78
Asia, Australia, New Zealand, the Pacific	15	193

We expect our current properties will be adequate for our near-term business needs and that the productive capacity of our facilities is substantially utilized. In fiscal 2010, we discontinued operations and terminated all facility lease agreements in Japan. See Note 7 of our Consolidated Financial Statements for more information regarding discontinued operations.

## Item 3. Legal Proceedings

IGT has been named in and has brought lawsuits in the normal course of business. We do not expect the outcome of these suits to have a material adverse effect on our results of operations, financial position, or cash flows. A description of certain of these matters is contained in Note 16 of our Consolidated Financial Statements and is incorporated herein by this reference.

## Item 4. (Removed and Reserved)

## PART II

## Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed and traded on the New York Stock Exchange under the symbol “IGT.”

	Quarters			
	First	Second	Third	Fourth
Fiscal 2010				
Stock price - high	\$ 22.42	\$ 21.94	\$ 21.86	\$ 16.90
Stock price - low	17.53	16.18	15.21	13.65
Dividends declared	0.06	0.06	0.06	0.06
Fiscal 2009				
Stock price - high	\$ 18.18	\$ 14.24	\$ 18.15	\$ 23.30
Stock price - low	7.03	6.81	10.01	13.58
Dividends declared	0.15	0.06	0.06	0.06

We are currently restricted from declaring or making cash dividends in excess of certain amounts by the terms of our domestic credit facility as described in MDA-LIQUIDITY AND CAPITAL RESOURCES-CREDIT FACILITIES AND INDEBTEDNESS and Note 13 of our Consolidated Financial Statements.

As of November 29, 2010, there were approximately 2,900 record holders of IGT’s common stock and the closing price was \$15.54.

## IGT transfer agent and registrar

Wells Fargo Shareowner Services  
 161 North Concord Exchange  
 South St. Paul, MN 55075-1139  
 (800) 468-9716  
[www.wellsfargo.com/contactshareownerservices](http://www.wellsfargo.com/contactshareownerservices)

## Performance Graph

The following graph reflects the cumulative total return (change in stock price plus reinvested dividends) of a \$100 investment in our common stock for five fiscal years ended September 30, 2010 in comparison to the Standard and Poor’s 500 Composite Index and two customized peer groups.

The old peer group consists of Bally Technologies, Inc., Progressive Gaming International Corporation, Scientific Games Corp., Shuffle Master, Inc., and WMS Industries, Inc. The new peer group excludes Progressive Gaming International Corporation, which declared bankruptcy and is not considered a comparable peer. The comparisons are not intended to be indicative of future performance of our common stock.

The following graph is not “soliciting material,” is not deemed filed with the SEC and is not to be incorporated by reference in any filing by us under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing. The stock price performance included in this graph is not necessarily indicative of future stock price performance.





	2005	2006	2007	2008	2009	2010
International Game Technology	\$ 100.00	\$ 156.16	\$ 164.23	\$ 71.75	\$ 79.57	\$ 57.90
S&P 500	100.00	110.79	129.01	100.66	93.70	103.22
Old Peer Group						