This 3DAdvisors Report Covers:
✓ **Insider Trading**: Insider Trading Behavior
✓ **Accounting**: Quality of Earnings Issues
✓ **Governance:** Corporate Governance Issues

Behavior and Fundamentals Suggest More Trouble Ahead International Game Technology (NYSE:IGT)

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Business Description

International Game Technology (IGT), incorporated in December 1980 and headquartered in Reno, NV, is a global company specializing in the design, manufacture and marketing of computerized gaming equipment, systems and services. The Company derives its revenues in two ways: product sales and placement (gaming operations) of its gaming products, services or intellectual properties. IGT operates in two segments: North America (79% of consolidated revenue for FYE 09/30/06) and International. Product sales revenues (50% of total) are generated from the sale of gaming machines, systems, parts, conversion kits, licenses and royalties, equipment and services. Gaming operations revenues are generated from providing customers with the Company's gaming products, services or intellectual properties under recurring revenue arrangements. The Company places games under recurring revenue arrangements in over 70 gaming jurisdictions worldwide.

Key Statistics

Sector:	Last Close:	Market Cap:	Avg Vol (3m):
Consumer Goods	**$40.13**	**$13.57B**	**3,312,700**
Industry:	52 Wk Range:	Trailing P/E:	Shrs Out:
Toys & Games	**$33.11 - $48.79**	**29.62**	**338.27M**
F/T Employees:	FYE:	Forward P/E:	Short % of Float:
5,200	**Sep-30**	**22.42**	**2.10%**

Summary of 3DAdvisors Findings for IGT

- **Insider Trading:** Barsky sells stake, but other details are more important
- **Accounting:** Company terminates CFO amidst multiple accounting issues
- **Fundamentals:** Rising R&D costs tied to need for technology shift
- **Accounting:** Miscellaneous noteworthy items
- **Governance:** CEO employment agreement has several noteworthy features

Discussion of 3DAdvisors Findings for IGT

Recent trading behavior by certain International Game Technology (IGT) insiders *after* the shares were hit 20% by less-than-stellar results for the Company's fiscal first quarter (ended 12/31/06) prompted our initial coverage of the name in a recent issue of Research Notes on 03/12/07. Admittedly, we were not surprised to see shares of this industry leader receive upgrades on valuation from analysts after the sell off, each of whom think the Company will get back on track after a tough quarter. Nonetheless, our interest has remained high, and further inspection has led us to an interesting collage of accounting behaviors, fundamental issues and other developments that make the recent trading behavior stand out even more.

First, there was the February 21st announcement of the "retirement" of CFO and Treasurer, **Maureen Mullarkey** (47) which, upon further inspection, clearly resembled a less-than-friendly "termination". Fundamental issues come to light as the Company is struggling with a stage of the industry cycle where customers seem saturated with product (read: gaming machines), forcing IGT to spend heavily on new server-based technology in a bid to revive demand and to fend off several smaller but scrappy competitors from picking up market share. Self-serving compensation arrangements come into the picture as well as vesting of restricted stock grants which are tied to EPS while the Company is aggressively buying back shares.

The fundamental issues pressuring the Company have increasingly been reflected in declining earnings quality. Most interesting to us is a doubling of "Other Assets" over the past year, which appears largely driven by increased expenditures on new product R&D designed to improve revenue growth and beat the competition, but *may* also include items that had been previously expensed. To this add things such as a "$5 million advance on existing receivables", regular ratcheting down of A/R allowances in recent quarters, and extended credit terms for customers "under certain circumstances", and the tepid results reported last quarter draw even more attention. Taken as a whole, the behavioral and fundamental items we have observed lead us to conclude that there may be more disappointments in store for holders of IGT shares not too far down the road.

Insider Trading: Barsky sells stake, but other details are more important

Few insider behaviors intrigue us more than those occurring when, in the wake of an earnings miss, long-term holders come out to sell into eroding prices. Mind you, we're not talking about situations where prices fall immediately after a release and certain insiders, restrained by the Company's trading windows, hit the exits. In this particular case, we're talking about sustained price erosion in the months following the release and the subsequent sales by insiders, with no trading restrictions, as prices continue to fall. Often, in such cases, when a Company's share price drops beyond the levels caused by its earnings release, persistent insider sales at the now-lower prices can be a signal that the negative news is not all under the bridge and there may be more to follow. This is the impression that we've been under since initially seeing the sales, by three IGT insiders, during the six week period following the Company's fiscal first quarter earnings release on January 18th.

IGT shares fell only 2.3% to close at $46.10 the day the Company's fiscal first quarter results (ended 12/31/06) were released before the market open. While the Company managed to meet Wall Street's expectations for earnings in the quarter, *revenue* came in more than $20 million below the consensus ($642.3 million actual versus the First Call consensus of $665.75 million). But within days, the shares had recovered as industry followers in the media were quick to reiterate bullish postures as many touted a potential turnaround for the gaming machine industry, while at least one sell-side analyst upgraded the stock, citing favorable market conditions for the Company over the next few years.

By the end of January, however, the shares had slipped again and were trading at lower prices than fetched in the post-release sell off. By February 16th, they had slipped further again, to the $42 range where EVP Operations, **Anthony Ciorciari** (59) pulled the trigger on 100,000 shares, exercising options from five separate option series, none of which was to expire until 2011 at the earliest (option vesting schedules for Ciorciari and his wife and several other IGT insiders can be found in Appendix A). **Ciorciari received $43 for his shares while trimming his actionable holdings by 41%**. Ciorciari's current actions are additionally noteworthy as he was the only insider to sell at the last and all-time high peak for IGT shares back in March of 2004, at that time clearing out of 66,000 shares in the same $42 range as he did this February. He has a long history with IGT, dating back to 1994 and boasts a manufacturing operations background of over 30 years. In the past year, he has shed 56% of his actionable position in IGT shares while his wife, who also works for the Company (which is not disclosed), has dropped her stake by 37%.

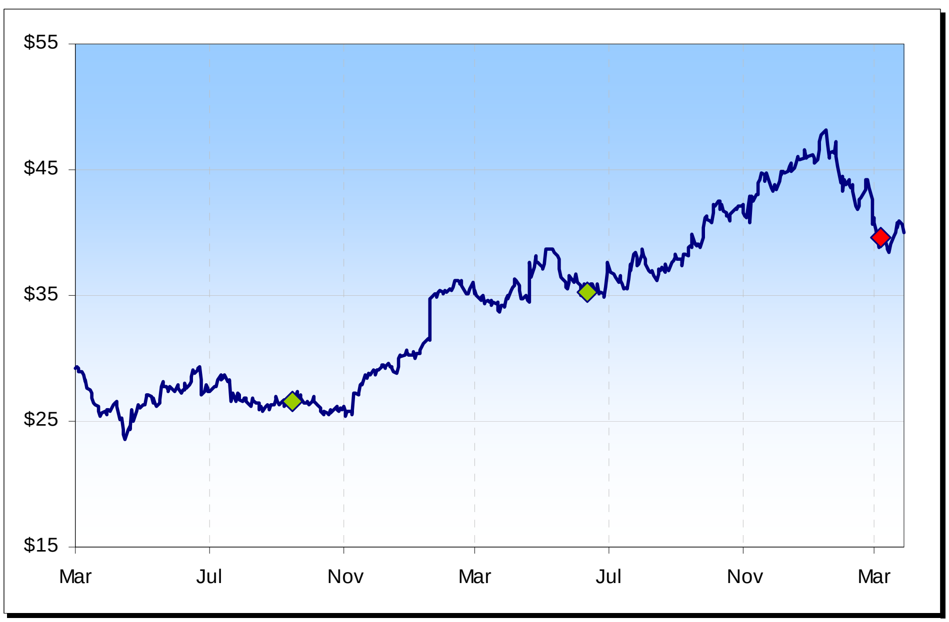
Figure 1. IGT Daily Closing Price, 01/02/03 through 03/27/07. Red diamonds are the dates that Anthony Ciorciari sold shares. Source: Reuters and IGT SEC Filings.

After Ciorciari's sales, IGT shares again rallied back towards their pre-release highs, this time stalling out on February 22nd at $45, having hit sufficient resistance to stem any further rebound. Four days later, **Director Robert Miller (61**) would sell

40,000 shares at $43. It would prove to be the last opportunity, to date, at those levels as the markets broke on the following day, February 27th, knocking IGT shares below $40. **Miller cleared out of 30% of his holdings with that trade,** exercising options that would not expire until 2010 at the earliest and selling all of the underlying shares. By the next day, IGT shares were trading below $40 each. Until 2005 Miller, a former Nevada Governor, was a partner in the law firm of Jones Vargas which provided legal services to IGT during his tenure as director.

As lucky as Miller may have been with his timing, Alson Capital, with its founder and General Manager (and IGT director) **Neil Barsky**, was not. **Though the unloading of Alson's entire 2.7 million share position at prices just below $40, on March 5th and 6th, was a widely-covered event by the media, the fact is not lost on us that Barsky joined the IGT board in 2002 and has been a member of the Audit Committee ever since.**

Figure 2. IGT Daily Closing Price, 03/01/05 through 03/27/07. Green diamonds are the dates where Alson Capital bought shares (09/15/05 and 06/08/06); Red diamond is where they sold 2.7 million shares (03/05/07). Source: Reuters and IGT SEC Filings.



Alson Capital first began buying IGT shares in September 2005 at $27, in the aftermath of the Company's disappointing 2Q05 earnings release. Shortly thereafter, the Company reported two consecutive quarters of blowout earnings, which rallied the issue more than 30% to $36 by January. Suddenly the IGT investment was looking like other infamous Barsky calls, such as selling Toll Brothers (NYSE: TOL) near the 2005 highs before the issue collapsed. Alson Capital would again surface in June 2006, only this time paying $35 for another 300,000 IGT shares. At that point, IGT was the fifth largest holding in Alson Capital's portfolio by year-end. And now, in the wake of the ouster of IGT's CFO and ensuing period of persistent weakness in IGT's shares, Alson has cashed in its chips, *over 20% off the recent high of $48.10 reached on 01/16/07.*

As an interesting postscript to the recent insider behavior, IGT insiders have built their stakes almost entirely from compensation awards and have contributed little out of their own pockets as invested capital. The Employee Stock Purchase Plan for instance, which was adopted in 1987 and is promoted by the Company as a tool to enhance executive ownership and tenure, provides for participants to purchase IGT shares at 85% of market value. There are few takers among the executive group and none amongst the company directors, who are also eligible. The largest participant over the years has been Anthony Ciorciari who had purchased 16,000 shares under the plan but is now selling. CEO Thomas Matthews has bought just 3,361 over the years the plan has been in place. It would seem IGT executives and directors are not willing to part with their own cash in order to build stakes in Company shares.

<u>Accounting: Company terminates CFO amidst multiple accounting issues</u>

The February 21st announcement of Maureen Mullarkey's "retirement" and the disclosure of her "Retirement Agreement" reveal some curious detail. Looking into the Agreement, one gets an impression much different from what appears in the obligatory conciliatory press release. Supporting our theory that she was fired are several facts. She waived any rights to reinstatement as an employee; she will receive no severance pay or benefits; she has forfeited any right to unvested options and restricted shares that will still be unvested by the time of her "Retirement Date"; the Company is entitled to injunctive relief to enforce the Agreement and may claim and recover damages with no obligation of proof. One would not expect to see such draconian provisions in an agreement with an eighteen-year employee upon "retirement". Her termination is a costly one as she will forfeit options for 100,885 shares plus restricted stock awards totaling 26,326 shares worth over one million dollars at today's share prices.

With the coming CFO transition, it is interesting to note some of the accounting and earnings quality issues that have been in play on Mullarkey's watch since she was first appointed CFO in 1998 at the age of 38:

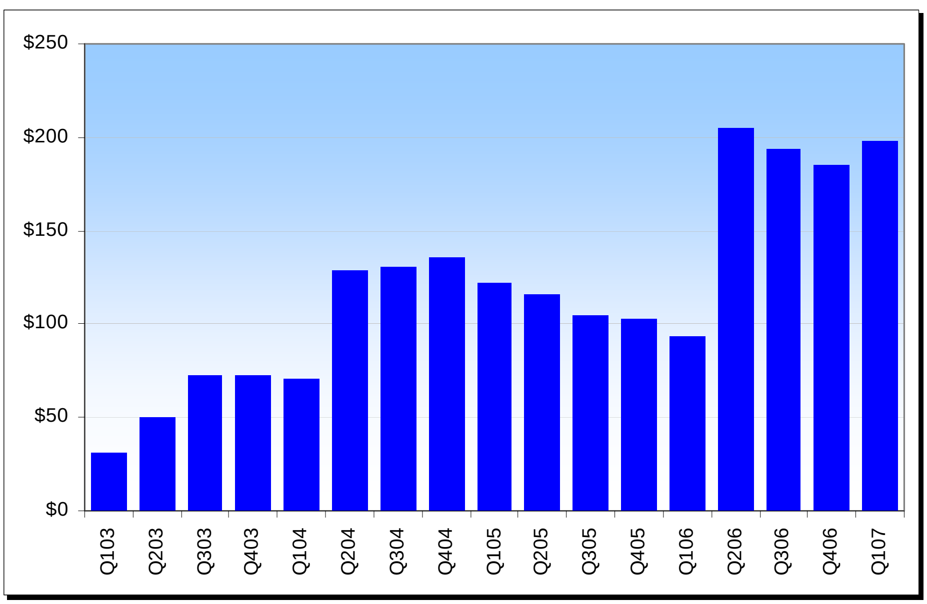
- **Persistent growth in an already-high level of intangible assets.** With Goodwill at $1.1 billion and Intangibles totaling another $257 million, Goodwill and Intangibles together represent 35% of IGT's total asset picture. Since the adoption of SFAS 142, there has been virtually no impairment written off against any of IGT's growing Goodwill, which has expanded from $175 million prior to the 2001 acquisition of Anchor Gaming to $1.1 billion as of 12/31/06.

  Should the incoming CFO find the need for impairment write-offs, that person's performance compensation would likely be shielded by employment terms similar to those included in the CEO's new agreement (see below), stating that any related charges would be excluded from the "Adjusted Earnings per Share Calculation" used in determining the vesting of any Performance Shares granted. In the CEO's agreement, it is clearly stated that "Impairment charges related to goodwill and intangible assets that were acquired before the Participant was hired as an employee" are not to be included. It is likely that the same EPS adjustments, excluded from the CEO's contract will be mirrored in the performance metrics of other top executives receiving such Performance Share grants. It will be interesting to see how long it takes to find Mullarkey's successor. If the Company had already been talking to someone at the time of Matthews' new deal, it may not be out of the realm of possibility that the candidate required such exclusion lest a goodwill impairment issue affect his/her performance compensation once aboard.

- **The composition of "Other Assets".** IGT's total assets include $198 million in "Other Assets". This number reflects a dramatic increase of $112 million that took place a year ago back in the Company's fiscal second quarter of 2006 (see Figure 3 below). We are interested in this for two reasons. First, though the disclosure is incomplete, it is clear that much of this increase is related to investment in new product development (see below), which taken together with the increased R&D that *is* being expensed, suggest how much pressure there is on the Company to invest in new product development at a time when revenue and earnings growth has stagnated. Secondly, since the disclosure is so incomplete, there is the *potential* earnings quality issue that certain items that were once expensed are now being capitalized and ending up in Other Assets.

  The Company declines to disclose any significant detail with regard to "Other Assets" except to say, "***Other assets are primarily comprised of prepaid or deferred royalty costs, investments in unconsolidated affiliates, deferred debt offering costs, and deposits."*** [1] This wording is essentially identical to that used in the Company's 2005 SEC Form 10-K.

Figure 3. "Other Assets" Reported Quarterly by IGT, Fiscal Q1 of 2003 through Fiscal Q1 of 2007 (Millions of $). Source: IGT SEC Filings.



  New and subtle disclosure of a new component of "Other Assets", however, began showing up in IGT's Q2 2006 SEC Form 10-Q (period ending 03/31/06) when, in a the Company's "Financial Condition" section, IGT quietly explained that reductions in Total Assets for the period were offset by "***other assets related to Prepaid Licensing Rights***". Though amounts are not quantified, this subtle footnote-style disclosure was included in each subsequent 2006 Form 10-Q and again on the 2006

[1] International Gaming Technology 2006 SEC Form 10-K, filed 12/13/06, Page 52.

SEC Form 10-K. Though the Company does nothing to explain these Prepaid Licensing Rights it appears that they are on the rise. To this, we point to the increases in "Other Assets" that have materialized in the periods following the initial disclosure of the above Prepaid Licensing Rights back in Q2 of 2006.

Note how, in Figure 3, "Other Assets" doubled in the same period that the Company began its subtle disclosure that "Prepaid Licensing Rights" existed and that they were a component of Other Assets. Other Assets doubled in the early 2004 period as well. So for the period from F/Y 2004 through Q1 of 2007, Other Assets have risen by almost 300% during a period where Total Revenues, Costs and Operating Expenses have been relatively flat.

It is evident that the large cash outlays which give rise to these increases in Other Assets will persist as the Company continues its efforts to transition gaming machines to Server Based technologies. This suggests that IGT must increasingly make either equity or other up-front investments (read: prepaid licensing rights) in order to secure necessary licensing rights for these next generation products. In Q2 of 2006, for instance, $56 million, or 50%, of the increase in "Other Assets" came as a result of the following:

> **"We purchased a minority equity interest in Walker Digital's gaming subsidiary, Casino IP Holdings, LLC, and executed agreements for cooperative product development and marketing. This relationship provides access to an intellectual property portfolio focused on the creative use of casino networks, particularly for player preferences, which we expect will facilitate our server-based product line."**

We strongly suspect that the remaining increase, totaling an additional $56 million during that quarter, forced the first-time disclosure of Prepaid Licensing Rights during the period.

Whether the sharp rise in Other Assets is the result of an attempt to keep R&D expense at least partially out of the income statement or is being legitimately accounted for but is a signal that the competitive landscape is causing the Company to have to make more upfront cash outlays to third parties in order to secure gaming intellectual property, or both, is unclear. What *is* clear is that IGT faces increased needs for investment in order to support the next generation gaming products that it will need in order to facilitate a technology transition of sufficient magnitude to convince casino operators to replace their floors with a significant amount of new product.

- **Inventory Issues.** For three years running, IGT's SEC Form 10-K's have disclosed that "Inventory Management remains an area of focus as we balance the need to maintain strategic inventory levels to ensure competitive lead times versus the risk of inventory obsolescence because of rapidly changing technology and customer requirements." Indeed, this situation hit in 2005 when IGT's estimates of salvage values resulted in technological obsolescence charges of $41.6 million "due to expected future releases of more advanced cabinet and game designs. We suspect that this charge represented some clean up of overdue items and that the potential for another such charge in the future is on the rise. Prompting this thought are recent movements in the composition of IGT's inventories as of the Company's fiscal first quarter of 2007 (period ending 12/31/06).

We had noticed that in the Q1 quarter, the Finished Goods component of IGT's total inventories had dropped by 27% from the levels of the previous quarter while Raw Materials and Work-in-Process combined rose by 9%. More telling is the fact that these unfinished components of Total Inventories amounted to 61.8%, or $92 million, during the period, far above the average 53.2% level that has been maintained since the 09/30/02 quarter.

The situation becomes more interesting when one notes that IGT's production backlog dropped off rather significantly as of 12/31/06 to $354 million, down 20% from the same period the previous year. Since IGT makes no disclosure of backlog in the interim periods, we are left with the above Q4 number, from the 2006 SEC Form 10-K, and the fact that raw material inventories rose in the Q1 quarter. We wonder whether the Q1 drop in finished goods could be a result in the smaller backlog, causing the increase in raw materials during the period. If this is so, IGT may have excesses in the offing as it has overbought production materials not anticipating a pending declining backlog.

Fundamentals: Rising R&D costs associated with need for technology shift

A well-known fact about IGT's business model is that much of the gaming industry players have upgraded their floors significantly throughout the most recent cycle. By IGT's own admission, casino floors are built out with the latest equipment to the extent that most operators are not particularly motivated to upgrade further. This leaves growth dependent on tribal gaming, recent expansions of slots in race tracks and bingo parlor environments, such as is occurring in Florida, and replenishment of Gulf Coast properties damaged by hurricanes as the primary drivers for growth in North America. It is clear that North American growth is slowing as the initial ramp up in demand from these non-traditional areas has slowed from the torrid pace experienced in the late 1990's and early 2000's.

Consequently, IGT speaks more to international markets for its current growth opportunities, never mind the fact that North American operations have represented 78% of revenues for the past two fiscal years running. This mix held through Q1 of 2007 as well. Revenues for the most recent period were up just 4% year-over-year, and certain unfavorable trends, such as slower machine conversions from lease to sales, contributed to the lowering of game per day (per machine) revenue to $70 versus $78 year-over-year. Not much to get excited about, which is why IGT shares eventually traded off 20% on the most recent earnings release.

By the Company's own admission, catalysts for new growth are hardly abundant, as this exchange from the Q1 2007 conference call would imply:

> **Analyst:** Server-based aside, are you seeing any uptick at all in replacement sales after this lull that we've been in for the past 18 to 24 months? Or do you think it really -- we have to have that -- a new technology cycle in order to really drive replacement sales?

T.J. Matthews (IGT Chairman and CEO): Replacements is -- that's certainly a difficult portion of our business right now, in that there isn't a strong catalyst for accelerating replacement activity within the marketplace, and you still are competing in a market in which most of the floors are reasonably new.

As you know, there are really two components of replacement. There's the things that you do to manage better financial transactions, whether it's at the machine or at the system level, and there's the things that you do on the game side that determine and present game outcomes. We're seeing decent replacement generated on the game side. AVP, in fact, is displacing some of our older video products. There is a trend in terms of increasing the reel count in our S2000 product, and so we're going from three to five reels. We're going to continue to have, I think, decent success in moving some of our multi-game chip set offerings to AVP.

So there is some natural replacement activity that's going in coordination with that, but it really is going to take improved functionality of network floors, in our opinion, to have an accelerated replacement cycle achieved that was similar to what was realized with ticketing.

Analyst: Is there some buyer apathy until we get there?

T.J. Matthews: I don't think there's really much in the way of changed budgets. I think that most operators are very committed to maintaining their floor to a current state, making sure that they manage net win competitively in their individual market. But there certainly isn't any call -- any internal call that slot machine purchases are favored over other forms of CapEx.

So I would just say we are at a -- we're at a very ordinary point within the buying cycle, as opposed to the extraordinary points that we've been at the past when you compress replacement demand due to some new technology.

As evidenced by the above-mentioned up front costs already incurred by the Company to secure various intellectual property rights, IGT faces a significant need for development work related to its initiatives for server based gaming and other next-generation gaming products. In many cases, the effort involved requires a complete replacement of products already in place. So now, if IGT is to be successful at riding the next wave in its industry, it finds itself needing to build a new boat. In this case, such construction is being funded through increasing R&D expenditure, which is ramping up dramatically. For the years 2000 through 2005, R&D expenses were maintained at an average 5.2% of revenues before ramping up to 7.5% in 2006 ($186 million). Q1 of 2007 remained consistent with R&D expense totaling $49.3 million, or 7.6% of revenues. This will continue as the Company, as of 09/30/06, raised its targets for R&D to 7% to 9% of revenues. This is all in addition to the spending related to up-front investments to secure intellectual property rights, which is being capitalized and booked under “Other Assets”, as we have discussed.

As if these challenges weren’t enough, a recent survey of casino operators suggest it may be as long as two years before server based technology is widely deployed in the industry and at least initially, only a limited amount of floor space will be dedicated to the new technology.[2] In addition, the operators have expressed some concern over customer acceptance, and finally, several small and aggressive competitors are expected to challenge IGT's dominant position with their own new technology. All of these factors are weighing on the shares as it is forced to spend heavily on new product development at the same time revenue and earnings have been relatively flat.

Accounting: Miscellaneous noteworthy items

- **Continuing reductions in A/R allowances.** IGT continually reduced its Allowance for doubtful accounts between 2003 through 2006. Its A/R allowance dropped from $26.1 million (7.2% of A/R's) in 2003 to $20.4 million (6.2% of A/R's) in 2005 then down again to $18.2 million (5.2% of A/R's) by 2006. Q1 of 2007 showed an additional drop to $17.7 million, or 4.8% of A/R's.

  So, despite regular increases in Accounts Receivable through the past three years, IGT has consistently allowed its allowance to decline, benefiting pre-tax income in each period. This bears on the quality of earnings as well as raising the question as to whether doubtful accounts are provided for adequately.

- **Unexplained $5 million advance on existing receivables.** In Q4 of 2006, IGT disclosed that it had received the following: "*During the fourth quarter of fiscal 2006, we received a $5.0 million advance on existing receivables. The advance did not affect our operating results or working capital.*" The disclosure of this curious advance falls short of explaining the nature of this advance as it provides no reference as to its source.

- **Extended credit terms under "certain circumstances".** IGT grants extended credit terms on sales which may be as long as two years: "*Our sales credit terms are predominately 90 days or less. In certain jurisdictions and in limited circumstances, we may extend credit terms up to two years.*" Also, they grant extended payment terms under contracts of sale secured by the related equipment sold, from one to four years. This range, which had been one to three years for two years running, was stretched in 2006. There is no indication that any revenue related to extended payment term sales is deferred.

Governance: CEO employment agreement has several interesting features

On September 29, 2006, IGT amended its existing employment agreement with President and CEO **Thomas Matthews**. New to the agreement was a performance feature where he was granted 107,300 performance shares (restricted shares) which would vest at 20% per year depending the Compound Annual Growth Rate in Earnings Per Share at the various measuring dates (at the end of each year of the five year period). For this measurement, the Company uses an "Adjusted Earnings per Share Calculation" that would exclude the following items:

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[2] "Slots in 'Techno Lull'", by Ron Fortune, Gaming Today, 03/20/07.
http://www.gamingtoday.com/index.cfm?articleid=18154&AIN=762468

- Impairment charges related to goodwill and intangible assets that were acquired before the Participant was hired as an employee

- Charges related to debt retirement

- Charges related to acquisition of In-Process R&D

- Stock-based compensation expense related to the participant

- Gain or loss on the sale of a building or airplane or business

The Company is an aggressive re-purchaser of its shares with a targeted average of $100 million per quarter. Those repurchases benefit executives receiving performance shares since their ultimate vesting depends on EPS growth. The point is far from lost on us that IGT chose to buy back $225 million of shares at prices in the $46 range in Q1, far above the Company's $100/quarter goal and 15% higher than current prices. To be fair, we must add that IGT's ramping up of its re-purchase program seemed to begin in Q4 of F/Y 2006 (period ending 09/30/06), before Matthews' new deal, as the Company greatly exceeded its $100/quarter average by buying back $250 million in shares in the period at prices which were, at the time, close to the highs for the year.

Appendix A

Option and Restricted Stock Vesting Schedules for Selected International Game Technology Inc. Insiders

Grant Date	Equity Type	Options/ Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
Anthony Ciorciari, Executive V.P., Operations. Common stock holdings: 8,588[1] shares								
12/31/02	Options	48,000	$18.98	12/31/03	12/31/12	9,600	9,600	12/31/07
03/03/03	Options	200,000	$19.46	03/03/04	03/03/13	118,320	40,000	03/03/08
12/31/03	Options	50,000	$35.70	12/31/04	12/31/13	50,000	20,000	12/31/07, 12/31/08
12/31/03	R. Stock	1,500	N/A	12/02/04	12/02/08	600	600	12/02/07, 12/02/08
09/27/04	Options	30,000	$33.40	09/27/05	09/27/14	30,000	18,000	09/27/07, 09/27/08, 09/27/09
11/12/04	R. Stock	2,800	N/A	11/12/05	11/12/08	1,400	1,400	11/12/07, 11/12/08
12/31/04	Options	40,000	$34.38	12/31/05	12/31/14	40,000	24,000	12/31/07, 12/31/08, 12/31/09
01/11/06	R. Stock	1,700	N/A	12/02/06	12/02/10	1,360	1,360	12/02/07, 12/02/08, 12/02/09, 12/02/10
04/11/06	R. Stock	9,000	N/A	04/25/07	04/25/11	9,000	9,000	04/25/07, 04/25/08, 04/25/09, 04/25/10, 04/25/11
11/10/06	Options	9,136	$42.72	11/10/07	11/10/16	9,136	9,136	11/10/07, 11/10/08, 11/10/09, 11/10/10
11/10/06	R. Stock	2,341	N/A	11/10/07	11/10/10	2,341	2,341	11/10/07, 11/10/08, 11/10/09, 11/10/10
Mrs. Ciorciari, Position Not Disclosed. Common stock holdings: 3,823[1] shares								
03/23/01	Options	60,000	$11.61	03/23/02	03/23/11	6,000	0	Fully Vested
12/31/01	Options	12,000	$17.05	12/31/02	12/31/11	7,200	0	Fully Vested
12/31/02	Options	14,600	$18.98	12/31/03	12/31/12	11,680	2,920	12/31/07
12/31/03	Options	15,000	$35.70	12/31/04	12/31/13	15,000	9,000	12/31/07, 12/31/08
11/12/04	R. Stock	1,000	N/A	11/12/05	11/12/08	500	500	11/12/07, 11/12/08
12/31/04	Options	14,000	$34.38	12/31/05	12/31/14	14,000	8,400	12/31/07, 12/31/08, 12/31/09
01/11/06	R. Stock	1,300	N/A	12/02/06	12/02/10	1,040	1,040	12/02/07, 12/02/08, 12/02/09, 12/02/10
11/10/06	Options	11,192	$42.72	11/10/07	11/10/16	11,192	11,192	11/10/07, 11/10/08, 11/10/09, 11/10/10
11/10/06	R. Stock	2,868	N/A	11/10/07	11/10/10	2,868	2,868	11/10/07, 11/10/08, 11/10/09, 11/10/10
Richard Pennington, Executive V.P., Corporate Strategy. Common stock holdings: 93,833 shares								
12/31/01	Options	50,000	$17.08	12/31/02	12/31/11	10,000	0	Fully Vested
12/31/02	Options	48,000	$18.98	12/31/03	12/31/12	19,200	9,600	12/31/07
03/03/03	Options	200,000	$19.46	03/03/04	03/03/13	80,000	40,000	03/03/08
12/31/03	Options	60,000	$35.70	12/31/04	12/31/13	60,000	36,000	12/31/07, 12/31/08
12/31/03	R. Stock	1,500	N/A	12/02/04	12/02/08	600	600	12/02/07, 12/02/08
03/01/04	Options	100,000	$41.59	03/01/05	03/01/14	100,000	40,000	03/01/08, 03/01/09
11/12/04	R. Stock	2,800	N/A	11/12/05	11/12/08	1,400	1,400	11/12/07, 11/12/08
12/31/04	Options	45,000	$34.38	12/31/05	12/31/14	45,000	27,000	12/31/07, 12/31/08, 12/31/09

Appendix A

Option and Restricted Stock Vesting Schedules for Selected International Game Technology Inc. Insiders

Grant Date	Equity Type	Options/ Shares	Strike Price (Options)	First Vesting Date	Expiration Date (Options)	Remaining Options/Shares in Series	Unvested Options/Shares in Series	Vesting Dates of Remaining Restricted Shares/Options
01/11/06	R. Stock	6,000	N/A	12/02/06	12/02/10	4,800	4,800	12/02/07, 12/02/08, 12/02/09, 12/02/10
04/11/06	R. Stock	13,966	N/A	04/25/07	04/25/11	13,966	13,966	04/25/07, 04/25/08, 04/25/09, 04/25/10, 04/25/11
11/10/06	Options	27,409	$42.72	11/10/07	11/10/16	27,409	27,409	11/10/07, 11/10/08, 11/10/09, 11/10/10
11/10/06	R. Stock	4,682	N/A	11/10/07	11/10/10	4,682	4,682	11/10/07, 11/10/08, 11/10/09, 11/10/10
David Duane Johnson, Senior V.P., General Counsel. Common stock holdings: 700 shares								
11/03/03	Options	80,000	$33.06	11/03/04	11/03/13	32,000	32,000	11/03/07, 11/03/08
12/01/03	Options	120,000	$35.10	12/01/04	12/01/13	72,000	48,000	12/01/07, 12/01/08
12/31/03	R. Stock	1,500	N/A	12/02/04	12/02/08	600	600	12/02/07, 12/02/08
11/12/04	R. Stock	2,800	N/A	11/12/05	11/12/08	1,400	1,400	11/12/07, 11/12/08
12/31/04	Options	45,000	$34.38	12/31/05	12/31/14	36,000	27,000	12/31/07, 12/31/08, 12/31/09
03/01/05	Options	200,000	$30.19	03/01/06	03/01/15	160,000	120,000	03/01/08, 03/01/09, 03/01/10
01/11/06	R. Stock	5,500	N/A	12/02/06	12/02/10	4,400	4,400	12/02/07, 12/02/08, 12/02/09, 12/02/10
04/11/06	R. Stock	13,966	N/A	04/25/07	04/25/11	13,966	13,966	04/25/07, 04/25/08, 04/25/09, 04/25/10, 04/25/11
11/10/06	Options	27,409	$42.72	11/10/07	11/10/16	27,409	27,409	11/10/07, 11/10/08, 11/10/09, 11/10/10
11/10/06	R. Stock	4,682	N/A	11/10/07	11/10/10	4,682	4,682	11/10/07, 11/10/08, 11/10/09, 11/10/10
Frederick Rentschler, Director. Common stock holdings: 24,000 shares								
03/02/04	Options	24,000	$42.65	03/02/05	03/02/14	24,000	0	Fully Vested
03/01/05	Options	24,000	$30.19	03/01/06	03/01/15	24,000	8,000	03/01/08
03/07/06	Options	24,000	$35.44	03/07/07	03/07/16	24,000	16,000	03/07/08, 03/07/09
03/06/07	Options	24,000	$39.95	03/06/08	03/06/17	24,000	24,000	03/06/08, 03/06/09, 03/06/10

[1] Ciorciari and his wife are trustees of a charitable remainder trust that holds 28,258 shares