

BEFORE THE NEVADA GAMING COMMISSION
AND THE STATE GAMING CONTROL BOARD

In the Matter of

IGT

(Waiver of NGC Reg. 5.115(3) and (10) and Related Conditions)

ORDER

THIS MATTER came on regularly for hearing before the State Gaming Control Board ("Board") on July 2, 1997, and before the Nevada Gaming Commission ("Commission") on July 24, 1997, at Las Vegas, Nevada; and

THE BOARD AND COMMISSION having considered all information pertinent hereto;

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

1. THAT IGT has filed an application, as amended and supplemented, for waiver of NGC Regulations 5.115(3) and (10), pursuant to NGC Regulation 5.115(11).

2. THAT IGT is granted a waiver of NGC Regulations 5.115(3) and (10), pursuant to NGC Regulation 5.115(11), but such waiver is limited to expire at midnight of the regular July 1999 Commission meeting and is conditioned as follows:

a. IGT shall at all times maintain in a restricted account a reserve consisting of cash, annuity number 044676 with First Colonial Life Insurance Co., and/or United States Government Treasury Securities of not less than the sum of the following amounts:

- (i) The present value of the aggregate remaining balances owed on all jackpots previously won by patrons through any IGT system; and
- (ii) An amount sufficient to fully fund the present value of all amounts currently reflected on the progressive meters of all IGT systems in Nevada.

b. In addition, IGT shall at all times maintain in a restricted account a surplus reserve consisting of cash and/or United States government Treasury Securities of not less than an amount equal to 50% of the present value of the current liabilities to winners of IGT's Nevada systems due and payable within one (1) year, or \$3 million, whichever is less.

c. In addition to the reserve and surplus reserve, IGT shall at all times satisfy and be in compliance with the following ratios and tests, the precise components and definitions of which may be separately determined by the Chairman of the Board or his designee:

- (i) A current ratio of not less than 2 to 1; and
- (ii) An interest coverage ratio of not less than 3 to 1.

d. IGT must engage at its sole expense an independent certified public accountant to examine each fiscal year, and IGT's Chief Financial Officer ("CFO") must examine quarterly, the pertinent records relating to the reserve, surplus reserve, and the financial ratios and tests set forth in paragraph C above, and determine for each such fiscal year or quarter, respectively:

- (i) The reserve and surplus reserve amounts maintained by IGT; and
- (ii) IGT's degree of satisfaction of the financial ratios and tests set forth in paragraph c above.

IGT shall make available to such accountant all books, records and information which may be necessary to enable him to make these determinations. Said accountant and CFO shall report

and certify to the Board in writing in a format acceptable to the Chairman of the Board or his designee their findings with respect to the fiscal year and quarter, respectively, under review. Such report and certification by the independent certified public accountant and the CFO must be made to the Board no later than ninety (90) calendar days after the end of the fiscal year and thirty (30) calendar days after the end of the quarter.

e. If said accountant or CFO reports and certifies to the Board that IGT was not in full compliance with all of the conditions herein for the period under review, and if the Chairman of the Board or his designee notifies IGT in writing of such noncompliance, then IGT must obtain a one (1) year letter of credit in an amount sufficient to fund the present value of the then outstanding obligations to be paid to jackpot winners through any IGT system in Nevada. IGT must draw down on such letter of credit and distribute to any such unpaid winners, cash equal to the present value of the remaining payment obligations of IGT on such jackpots if IGT, by the end of the quarter preceding the expiration date of the letter of credit, continues to be in a state of noncompliance with any condition herein and IGT has not provided documentation satisfactory to the Chairman of the Board or his designee conclusively demonstrating that the letter of credit shall be renewed or replaced, or has filed an application for and received a waiver thereof from the Board and Commission.

f. If the letter of credit described in paragraph e above is not obtained within fifteen (15) calendar days after receiving notification of any noncompliance and no administrative extension has been granted by the Chairman of the Board or his designee, IGT shall make immediate payments to unpaid jackpot winners through any Nevada IGT system in amounts equal to the present value of any unpaid obligations, and IGT shall immediately cease to offer any licensed game, tournament contest, or promotional activity involving any IGT system in Nevada for which periodic payments are utilized.

g. IGT's CFO must immediately notify the Chairman of the Board or his designee of any nonpayment of a periodic payment to a jackpot winner through any IGT system,

or any event or circumstance which may cause IGT to not be able to fulfill or which may otherwise impair its ability to satisfy its payment obligations to any such unpaid jackpot winners. Upon such notification, the Chairman of the Board or his designee may invoke the powers granted him pursuant to paragraph e above.

h. Any method of funding the reserve and surplus reserve other than by the use of cash or the purchase of United States Government Treasury Securities must be approved in advance in writing by the Chairman of the Board or his designee.

i. Solely in connection with matters involving the foregoing approval and conditions, IGT must execute within fifteen (15) calendar days here from an appropriate document which shall irrevocably and unconditionally remise, release, indemnify and forever discharge the State of Nevada, the Nevada Gaming Commission and the State Gaming Control Board, and their members, employees, agents and representatives, of and from any and all claims, actions, causes of actions, losses, damages, liabilities, costs, expenses, and suits of any nature whatsoever, in law or equity, including reasonable attorneys fees, arising from any act or omission of the Nevada Gaming Commission and the State Gaming Control Board, and their members, employees, agents and representatives.

j. Any failure of IGT to maintain full compliance at all times with each and every condition set forth hereinabove, or any failure of IGT to immediately notify the Chairman of the Board or his designee of any deficiencies, shall constitute an unsuitable method of operation and may subject IGT to the institution of appropriate disciplinary proceedings.

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

ENTERED at Las Vegas, Nevada, this 24th day of July, 1997.