

INTERNATIONAL GAME TECHNOLOGY

Form POS AM

June 27, 2003

**Table of Contents**

As filed with the Securities and Exchange Commission on June 27, 2003

Registration No. 333-103339

---

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

---

**Post-Effective Amendment No. 1**  
**to**  
**Form S-3**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

---

**International Game Technology**  
*(Exact Name of Registrant as Specified in its Charter)*

**Nevada**

*(State or Other Jurisdiction of Incorporation or Organization)*

**88-0173041**

*(I.R.S. Employer Identification Number)*

---

**9295 Prototype Drive**  
**Reno, Nevada 89521**  
**(775) 448-7777**

*(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)*

---

**Sara Beth Brown, Esq.**  
**Senior Vice President and General Counsel**  
**International Game Technology**  
**9295 Prototype Drive**  
**Reno, Nevada 89521**  
**(775) 448-7777**

*(Name and Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)*

---

*Copy to:*

**J. Jay Herron, Esq.**

**Stephanie I. Splane, Esq.**  
**O Melveny & Myers LLP**  
**114 Pacifica, Suite 100**  
**Irvine, California 92618**  
**(949) 737-2900**

---

**Approximate date of commencement of proposed sale to the public:** From time to time after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended (the Securities Act), other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

Edgar Filing: INTERNATIONAL GAME TECHNOLOGY - Form POS AM

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

---

---

---

**Table of Contents**

**PROSPECTUS**

**\$969,790,000**

International Game Technology  
Zero-Coupon Convertible Debentures due January 29, 2033 and  
Common Stock Issuable Upon Conversion of the Debentures

---

International Game Technology ( IGT ) issued its Zero-Coupon Convertible Debentures due January 29, 2033 (the Debentures ) in a private placement at an issue price of \$592.91 per Debenture with a principal amount at maturity of \$1,000 per Debenture. Selling securityholders will use this prospectus to resell their Debentures and the shares of common stock of IGT (the Common Stock ) issuable upon conversion of their Debentures.

The Debentures are senior, unsecured obligations of IGT. The Debentures rank equal in right of payment with all of our other unsecured and unsubordinated indebtedness. The Debentures are convertible into our Common Stock as described below. The issue price of the Debentures represents an initial accretion rate of 1.75% per annum.

On or after January 29, 2006, we may redeem for cash all or part of the Debentures, upon notice to the holders, at a redemption price equal to the Accreted Value (as defined below) plus accrued and unpaid cash interest, if any, up to the redemption date. On January 29, 2006, January 29, 2008, January 29, 2013, January 29, 2018, January 29, 2023 and January 29, 2028, each of which we refer to as a repurchase date, holders may require us to repurchase the Debentures. The repurchase price will be the Accreted Value plus accrued and unpaid cash interest, if any, per Debenture. The repurchase price for repurchases on January 29, 2006 will be paid in cash. On the other repurchase dates, we may choose to pay the repurchase price in cash or Common Stock or any combination of cash and Common Stock. In addition, upon certain change in control transactions, holders may require us to repurchase all or a portion of their Debentures, in cash or Common Stock valued at 95% of its market price (as defined in this prospectus) or any combination of cash and Common Stock, at a repurchase price equal to the Accreted Value plus accrued and unpaid cash interest, if any. The Debentures will mature on January 29, 2033 unless earlier redeemed or repurchased. At maturity, we will pay the Accreted Value plus accrued and unpaid cash interest, if any, of the Debentures in cash.

Holders may convert their Debentures into 21.1704 shares of Common Stock per Debenture under any of the following circumstances: (i) during any conversion period (as defined in this prospectus) if the closing sale prices of our Common Stock for at least 20 trading days in the 30 consecutive trading days ending on the first day of such conversion period is more than 120% of the Accreted Conversion Price (as defined below) per share of Common Stock on the first day of the conversion period; (ii) during the five business day period following any 10 consecutive trading-day period in which the average of the trading prices (as defined in this prospectus) for a Debenture was less than 95% of the average closing sale prices of our Common Stock multiplied by the number of shares of Common Stock into which such Debenture is convertible for that period; (iii) if such Debentures have been called for redemption; (iv) during such period, if any, that the credit rating assigned to our long term senior debt (or if the Debentures have been rated, the Debentures) by both Moody's and Standard & Poor's is below specified levels, or if neither rating agency is rating our long term senior debt (or if the Debentures have been rated, the Debentures); and (v) upon the occurrence and continuance of specified corporate transactions. This is equivalent to an initial conversion price of \$28.01 per share based on the issue price of the Debentures. The conversion rate may be adjusted as described in this prospectus. Our Common Stock is listed on the New York Stock Exchange under the symbol IGT. On June 26, 2003, the closing price of our Common Stock as reported on the New York Stock Exchange was \$101.23 per share (equivalent to \$25.31 after adjusting for the four-for-one stock split).

If the average of the closing sale prices of our Common Stock is less than or equal to 60% of the Accreted Conversion Price of the Debentures for any 20 out of the last 30 trading days ending on the third trading day preceding any repurchase date, then the yield-to-maturity on the Debentures will be subject to an upward interest adjustment to the Reset Rate (as defined in this prospectus) for the subsequent six-month period. Once an upward interest adjustment is in effect for the six-month period after a repurchase date, the upward interest adjustment will remain in effect for each subsequent six-month period until the next repurchase date (or, in the case of an upward interest adjustment in effect for the six-month period after the January 29, 2028 repurchase date, until maturity) if the average of the closing sale prices of our Common Stock is less than or equal to 60% of the Accreted Conversion Price of the Debentures for 20 out of the last 30 trading days ending on the third trading day preceding the January 29 or July 29 on which such six-month period begins. If the average of the closing sale prices of our Common Stock is greater than 60% of the Accreted Conversion Price of the Debentures for 20 out of the last 30 trading days ending on the third trading day preceding any January 29 or July 29, then no upward interest adjustment will be in effect, and the yield-to-maturity on the Debentures will equal the Initial Yield to Maturity (as defined in this prospectus), for the subsequent six-month period. The Accreted Conversion Price as of any day will equal the Accreted Value of the Debentures divided by the number of shares of Common Stock issuable upon conversion of the Debentures on that day. Accreted Value means, as of any date, the sum of the issue price of the Debentures and the accrued and unpaid interest as of such date (excluding any accrued and unpaid interest payable as cash interest). If an upward interest adjustment is in effect for a particular six-month period, we will pay the upward interest adjustment as cash interest at a rate per annum equal to the Reset Rate minus the Initial Yield

## Edgar Filing: INTERNATIONAL GAME TECHNOLOGY - Form POS AM

to Maturity. We will not pay cash interest on the Debentures unless an upward interest adjustment occurs or we elect to do so following certain tax-related events.

We will not receive any of the proceeds from the sale of the Debentures or the shares of our Common Stock issuable upon conversion of the Debentures by any of the selling securityholders. The Debentures or Common Stock may be offered in negotiated transactions or otherwise, at market prices prevailing at the time of sale or at negotiated prices. In addition, the shares of our Common Stock may be offered from time to time through ordinary brokerage transactions on the New York Stock Exchange. Certain selling securityholders identified on pages 47-52 may be deemed to be underwriters as defined in the Securities Act of 1933, as amended (the Securities Act). If the selling securityholders use any broker-dealers, any commission paid to broker-dealers and, if broker-dealers purchase any Debentures or shares of our Common Stock as principals, any profits received by such broker-dealers on the resale of the Debentures or shares of our Common Stock may be deemed to be underwriting discounts or commissions under the Securities Act.

*See Risk Factors beginning on page 10 to read about factors you should consider before buying the Debentures.*

**Neither the Securities and Exchange Commission, any state securities commission, nor any gaming regulatory authority has approved or disapproved of the securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

---

The date of this prospectus is \_\_\_\_\_, 2003

---

**TABLE OF CONTENTS**

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS  
WHERE YOU CAN FIND MORE INFORMATION  
INCORPORATION OF DOCUMENTS BY REFERENCE  
SUMMARY  
RISK FACTORS  
USE OF PROCEEDS  
CAPITALIZATION  
RATIO OF EARNINGS TO FIXED CHARGES  
PRICE RANGE OF IGT COMMON STOCK AND DIVIDEND POLICY  
DESCRIPTION OF DEBENTURES  
DESCRIPTION OF IGT COMMON STOCK  
MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES  
SELLING SECURITYHOLDERS  
PLAN OF DISTRIBUTION  
LEGAL MATTERS  
EXPERTS  
SIGNATURES  
INDEX TO EXHIBITS  
EXHIBIT 23.1

---

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
Cautionary Statement Concerning Forward-Looking Statements	1
Where You Can Find More Information	2
Incorporation of Documents by Reference	2
Summary	3
Risk Factors	10
Use of Proceeds	14
Capitalization	14
Ratio of Earnings to Fixed Charges	15
Price Range of IGT Common Stock and Dividend Policy	15
Description of Debentures	16
Description of IGT Common Stock	38
Material United States Federal Income Tax Consequences	40
Selling Securityholders	47
Plan of Distribution	53
Legal Matters	55
Experts	56

**Table of Contents**

**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

In this prospectus we make some forward-looking statements, which are not historical 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 also relate to our future prospects and proposed new products, services, developments or business strategies. These forward-looking statements are identified by their use of terms and phrases such as anticipate, believe, could, estimate, expect, intend, may, plan, predict, project, will, continue, and other similar terms and references to assumptions.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed. 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. We do not intend, and undertake no obligation, to update our forward-looking statements to reflect future events or circumstances.

**All forward-looking statements are further qualified by and should be read in conjunction with the risks described or referred to under the heading Risk Factors beginning on page 10 of this prospectus.**

**Table of Contents**

**WHERE YOU CAN FIND MORE INFORMATION**

We file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission, or SEC. You may read and copy any document we file at the SEC's Public Reference Room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-888-SEC-0330 for further information on the Public Reference Room. Our SEC filings are also available to the public from the SEC's website at *www.sec.gov* or from our website at *www.igt.com*. However, the information on our website does not constitute a part of this prospectus.

If at any time during the two-year period following the latest date of original issue of any Debentures we are not subject to the information requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (the Exchange Act), we will furnish to holders of Debentures, holders of Common Stock issued upon conversion thereof and prospective purchasers thereof the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act in order to permit compliance with Rule 144A in connection with resales of the Debentures and Common Stock issuable upon conversion thereof.

**INCORPORATION OF DOCUMENTS BY REFERENCE**

In this document, we incorporate by reference certain information we file with the SEC, which means that we can disclose important information to you by referring to that information. The information incorporated by reference is considered to be a part of this prospectus, and later information filed with the SEC will update and supersede this information. We incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this prospectus and until this offering is completed:

our Annual Report on Form 10-K for the fiscal year ended September 28, 2002, filed on December 18, 2002;

our Proxy Statement filed on January 14, 2003;

our Quarterly Report on Form 10-Q for the quarter ended December 28, 2002, filed on February 11, 2003; and

our Quarterly Report on Form 10-Q for the quarter ended March 29, 2003, filed on May 13, 2003.

Any statement contained in a document incorporated or considered to be incorporated by reference in this prospectus shall be considered to be modified or superseded for purposes of this prospectus to the extent that a statement contained in this prospectus or in any subsequently filed document that is or is considered to be incorporated by reference modifies or supersedes that statement. Any statement that is modified or superseded shall not, except as so modified or superseded, constitute a part of this prospectus.

You may request a copy of these filings at no cost, by writing or telephoning us at:

International Game Technology  
9295 Prototype Drive  
Reno, Nevada 89511-0580  
Attention: Bob McIver, Investor Relations  
(775) 448-0110

You should rely only upon the information provided in this document or incorporated in this document by reference. We have not authorized anyone to provide you with different information. You should not assume that the information in this document, including any information incorporated by reference, is accurate as of any date other than the date indicated on the front cover.

**Table of Contents**

**SUMMARY**

**INTERNATIONAL GAME TECHNOLOGY**

International Game Technology is recognized as one of the world leaders in the development and production of computerized gaming products. We operate in three lines of business: product sales, proprietary gaming and lottery systems. Founded in 1980, IGT principally served the casino gaming industry in the United States. In 1986, we began expanding our business internationally. In addition to our US production, we currently manufacture our products in the United Kingdom and through third party manufacturers in Japan, Canada and Germany. IGT also maintains sales offices in selected legalized gaming jurisdictions globally, including Australia, Europe, Japan, Latin America, New Zealand and South Africa.

Unless the context indicates otherwise, references to International Game Technology, IGT, we or our includes International Game Technology and our wholly-owned subsidiaries and their subsidiaries. Our principal executive offices are located at 9295 Prototype Drive, Reno, Nevada 89521; our telephone number is (775) IGT-7777; and our internet address is *www.igt.com*.

**RECENT DEVELOPMENTS**

On June 4, 2003, IGT announced the declaration of a four-for-one stock split. The split has been effected by issuing three additional shares of IGT's Common Stock for each share of Common Stock held by shareholders of record at the close of business on June 18, 2003. Share certificates representing the additional shares will be distributed on or about July 2, 2003, and the Common Stock will begin trading post-split after the date of such distribution. The reported trading prices for our Common Stock will reflect the stock split beginning on the day after the distribution date. This stock split resulted in an adjustment to the conversion rate of the Debentures from 5.2926 to 21.1704 shares of Common Stock for each \$1,000 principal amount at maturity of the Debentures. The conversion rate will be subject to further adjustment under certain circumstances.

**THE OFFERING**

Debentures	\$969,790,000 aggregate principal amount at maturity of Zero-Coupon Convertible Debentures due January 29, 2033.
Issue Price	The Debentures were issued at a price of \$592.91 per Debenture with a principal amount at maturity of \$1,000.
Maturity	January 29, 2033.
Ranking	The Debentures are senior, unsecured obligations of IGT and rank equal in right of payment with all of our other unsecured and unsubordinated indebtedness.  Except in the event a subsidiary guarantees the Debentures as described below under Future Subsidiary Guarantees, holders of the Debentures will have a junior position to the claims of creditors of our subsidiaries on their assets and earnings.
Future Subsidiary Guarantees	The Debentures are not guaranteed. Subject to limited exceptions, if at any time our long term senior debt (or if the Debentures have been rated, the Debentures) is rated below investment grade by either Moody's or Standard & Poor's and (i) if any of our domestic subsidiaries have \$10 million or more of indebtedness (other than existing

**Table of Contents**

indebtedness of an acquired subsidiary, capital leases, purchase money obligations and intercompany indebtedness) or preferred stock outstanding at such time, or (ii) any of our subsidiaries guarantee any of IGT's other indebtedness, such subsidiaries will be required to provide a guarantee of the Debentures. Any such subsidiary guarantees granted will be released if IGT's long term senior debt (or if the Debentures have been rated, the Debentures) achieves an investment grade rating from both rating agencies. IGT will cease to be subject to this covenant on the earlier of: (i) January 29, 2006, the first repurchase date, and (ii) the date on which none of IGT's other senior indebtedness contains a future subsidiary guarantee covenant. See Description of Debentures Future Subsidiary Guarantees.

**Interest Adjustment**

If the average of the closing sale prices of our Common Stock is less than or equal to 60% of the Accreted Conversion Price of the Debentures for any 20 out of the last 30 trading days ending on the third trading day preceding any repurchase date, then the yield-to-maturity on the Debentures will be subject to an upward interest adjustment to the Reset Rate (as defined in this prospectus) for the subsequent six-month period. Once an upward interest adjustment is in effect for the six-month period after a repurchase date, the upward interest adjustment will remain in effect for each subsequent six-month period until the next repurchase date (or, in the case of an upward interest adjustment in effect for the six-month period after the January 29, 2028 repurchase date, until maturity) if the average of the closing sale prices of our Common Stock is less than or equal to 60% of the Accreted Conversion Price of the Debentures for 20 out of the last 30 trading days ending on the third trading day preceding any January 29 or July 29 on which such six-month period begins. If the average of the closing sale prices of our Common Stock is greater than 60% of the Accreted Conversion Price of the Debentures for 20 out of the last 30 trading days ending on the third trading day preceding any January 29 or July 29, then no upward interest adjustment will be in effect, and the yield-to-maturity on the Debentures will equal the Initial Yield to Maturity (as defined in this prospectus), for the subsequent six-month period. If the average of the closing sale prices of our Common Stock is greater than 60% of the Accreted Conversion Price of the Debentures for 20 out of the last 30 trading days ending on the third trading day preceding any repurchase date, then the yield-to-maturity on the Debentures will not be subject to an upward interest adjustment until the next repurchase date.

If an upward interest adjustment is in effect for a particular six-month period, we will pay cash interest on the Accreted Value of the Debentures at a rate per annum equal to the

**Table of Contents**

Reset Rate minus the Initial Yield to Maturity. The Debentures will accrete at the Initial Yield to Maturity whether or not an upward interest adjustment is in effect.

The Reset Rate applicable to any six-month period for which there is an upward adjustment, as determined by the Reset Rate Agent (as defined in this prospectus) on a repurchase date, will be equal to a per annum rate (the Reference Fixed Rate ) that would, in the judgment of the Reset Rate Agent (averaged, at our request, with the rate provided by one other nationally recognized investment bank), result in a trading price of par with a hypothetical issue of senior, non-convertible, fixed rate debt securities of IGT with (i) a final maturity equal to the term from the repurchase date with respect to which the Reset Rate is determined until the next repurchase date (or maturity if the repurchase date is the January 29, 2028 repurchase date); (ii) an aggregate principal amount equal to the Accreted Value of the Debentures; and (iii) provisions that are, insofar as would be practicable for an issue of senior, non-convertible, fixed-rate debt securities, substantially identical to those of the Debentures. In no event, however, will the applicable Reset Rate ever be greater than 12% without our prior written consent. If the Reset Rate Agent determines in its sole judgment that there is no suitable Reference Fixed Rate, the Reset Rate will be the Reset Rate most recently determined (except if there is no Reset Rate most recently determined, in which case the Reset Rate shall be a rate reasonably determined by Reset Rate Agent to reflect current market conditions), such Reset Rate to remain in effect until the Reset Rate Agent determines that there is a suitable Reference Fixed Rate, at which time the Reset Rate Agent shall determine a new Reset Rate.

Tax Event	We have the option, under limited circumstances, to elect to pay cash interest at the Initial Yield to Maturity or the applicable Reset Rate on the Debentures from and after a Tax Event.
Cash Interest Payment	We will not pay cash interest on the Debentures prior to maturity unless an upward interest adjustment is in effect or we elect to do so after certain tax-related events. Any cash interest will be paid semi-annually on each January 29 or July 29 to the holders of record of the Debentures as of the related record date.
Conversion Rights	Holder s may convert their Debentures prior to stated maturity at the applicable conversion rate under any of the following circumstances:  (i) during any conversion period if the closing sale prices of our Common Stock for a period of at least 20 trading days in the period of 30 consecutive trading days ending on the first day of such conversion period is more than 120% of the Accreted Conversion Price

**Table of Contents**

per share of Common Stock on the first day of the conversion period; a conversion period will be the period from and including the eleventh trading day in a fiscal quarter up to but not including the eleventh trading day of the following fiscal quarter;

(ii) during the five business day period following any 10 consecutive trading-day period in which the average of the trading prices (as defined in this prospectus) for a Debenture was less than 95% of the average closing sale price of our Common Stock multiplied by applicable conversion rate; provided, however, if, on the day before the conversion date (as defined in this prospectus), the closing sale price of the Common Stock is greater than 100% of the Accreted Conversion Price but less than or equal to 120% of the Accreted Conversion Price, then holders converting their Debentures will receive, in lieu of Common Stock based on the applicable conversion rate, at our option, cash, Common Stock or a combination of cash and Common Stock with a value equal to the then Accreted Value of the Debentures (plus accrued and unpaid cash interest, if any);

(iii) if the Debentures have been called for redemption;

(iv) during such period, if any, that the credit rating assigned to IGT's long term senior debt, or if the Debentures are then rated, the rating assigned to the Debentures, by both Moody's and Standard & Poor's, is below a specified level, or if neither rating agency is rating our long term senior debt or, if the Debentures have been rated, neither agency is rating the Debentures; and

(v) upon the occurrence of specified corporate transactions described under Description of Debentures Conversion Rights.

For each Debenture surrendered for conversion, a holder will receive 21.1704 shares of Common Stock. This is equivalent to an initial conversion price of \$28.01 per share of Common Stock based on the issue price of the Debentures. The conversion rate may be adjusted under certain circumstances, but will not be adjusted for accrued interest. Upon conversion, holders will not receive any cash payment representing accrued interest. Instead, accrued interest will be deemed paid by the Common Stock received by holders on conversion. Debentures called for redemption may be surrendered for conversion until the close of business one business day prior to the redemption date.

**Table of Contents**

Redemption of the Debentures at Our Option	On or after January 29, 2006, we may redeem for cash all or part of the Debentures at any time, upon not less than 15 nor more than 60 days prior notice by mail to holders of the Debentures, for a price equal to the Accreted Value plus accrued and unpaid cash interest, if any, on such redemption date.
Purchase of Debentures at Your Option	You have the right to require us to repurchase the Debentures on January 29, 2006, January 29, 2008, January 29, 2013, January 29, 2018, January 29, 2023 and January 29, 2028, each of which we refer to as a repurchase date. In each case, the repurchase price payable will be equal to the Accreted Value plus accrued and unpaid cash interest, if any, on such repurchase date. The repurchase price for repurchases on January 29, 2006 will be paid in cash. On the other repurchase dates, we may choose to pay the repurchase price in cash or Common Stock or a combination of cash and Common Stock. If we elect to pay the repurchase price in Common Stock or a combination of cash and Common Stock, we must notify holders not less than 20 days prior to the repurchase date. The Common Stock will be valued at 100% of the average closing sale price of our Common Stock for the five trading days ending on the third trading day prior to the repurchase date.
Change in Control	If IGT undergoes certain change in control transactions, you will have the option to require us to repurchase all of your Debentures not previously called for redemption or any portion thereof for cash or, at our option, Common Stock. If we elect to pay the repurchase price in Common Stock or a combination of cash and Common Stock, the Common Stock will be valued at 95% of the average closing sale price of our Common Stock for the five trading days ending on the third trading day prior to the repurchase date. We will pay a repurchase price equal to the Accreted Value plus accrued and unpaid cash interest, if any, on the repurchase date.
Mandatory Disposition Pursuant to Gaming Laws	If the gaming authority of any jurisdiction in which we or any of our subsidiaries does business requires that a person who is a holder or the beneficial owner of Debentures be licensed, qualified or found suitable under applicable gaming laws, such holder or beneficial owner, as the case may be, shall apply for a license, qualification or a finding of suitability within the required time period. If such person fails to apply or become licensed or qualified or is found unsuitable, we shall have the right, at our option, to either require such person to dispose of its Debentures or beneficial interest therein, or redeem such

**Table of Contents**

Debentures. See Description of Debentures Mandatory Disposition Pursuant to Gaming Laws.

Events of Default

If there is an event of default with respect to the Debentures, an amount equal to the Accreted Value plus accrued and unpaid cash interest, if any, may be declared immediately due and payable. These amounts automatically become due and payable in some circumstances.

The following are events of default with respect to the Debentures (references to our means International Game Technology and not any of its subsidiaries):

our failure for 30 days to pay when due any cash interest on the Debentures (after any upward interest adjustment or any election by us to pay cash interest on the Debentures following certain tax-related events);

our failure to pay principal of the Debentures and any accrued cash interest (after an upward interest adjustment or following our election to pay cash interest after a tax event) at maturity, upon redemption, repurchase or following certain change in control transactions, when the same becomes due and payable;

we or any of our Significant Subsidiaries (as defined in Rule 1-02(w) of Regulation S-X promulgated by the SEC) default under any other instruments of indebtedness with an outstanding principal amount of \$50,000,000 or more which has caused the holders of such indebtedness to declare such indebtedness due and payable prior to its stated maturity unless rescinded within 30 days;

we or any of our Significant Subsidiaries default in the payment of principal or premium at final maturity under any other instruments of indebtedness, which default is in an aggregate principal amount exceeding \$50,000,000 and continues unremedied and unwaived for more than 30 business days;

our failure to comply with any of our covenants or agreements in the Debentures or the Indenture for 60 days after written notice by the Trustee or by the holders of at least 25% in aggregate principal amount of all outstanding Debentures affected by that failure;

some events involving the bankruptcy, insolvency or reorganization of us or any of our Significant Subsidiaries; and

any subsidiary guarantee of the Debentures ceases to be in full force and effect (other than in

**Table of Contents**

accordance with the terms of the Indenture and such subsidiary guarantee) or a subsidiary guarantor denies or disaffirms its obligations under its subsidiary guarantee.

Tax	<p>Each holder has agreed in the Indenture, for United States federal income tax purposes, to treat the Debentures as contingent payment debt instruments and to be bound by our application of the Treasury regulations that govern contingent payment debt instruments, including our projected payment schedule and our determination that the rate at which interest will be deemed to accrue for United States federal income tax purposes will be 7.75%, which is the rate comparable to the rate at which we would borrow on a noncontingent, nonconvertible borrowing. Based on the agreement, (i) each holder is required to accrue interest on a constant yield to maturity basis at that rate, with the result that a holder will recognize taxable income significantly in excess of any cash received while the Debentures are outstanding and (ii) a holder is generally required to recognize ordinary income on the gain, if any, realized on a sale, exchange, conversion or redemption of the Debentures. See Material United States Federal Income Tax Consequences.</p> <p>EACH INVESTOR SHOULD CONSULT ITS TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF AN INVESTMENT IN THE DEBENTURES AND WHETHER AN INVESTMENT IN THE DEBENTURES IS ADVISABLE IN LIGHT OF THE AGREED UPON TAX TREATMENT AND THE INVESTOR'S PARTICULAR TAX SITUATION.</p>
Use of Proceeds	<p>We will not receive any of the proceeds from the sale by any selling securityholder of the Debentures or the shares of Common Stock issuable upon conversion of the Debentures.</p>
Book Entry Form	<p>The Debentures are issued in book-entry form and are represented by permanent global certificates deposited with a custodian for and registered in the name of a nominee of The Depository Trust Company, commonly known as DTC, in New York, New York. Beneficial interests in any of the Debentures are shown on, and transfers are effected only through, records maintained by DTC and its direct and indirect participants and any such interest may not be exchanged for certificated Debentures, except in limited circumstances.</p>
Trading	<p>The Debentures are not listed on any securities exchange or included in any automated quotation system. Our Common Stock is traded on the New York Stock Exchange under the symbol IGT.</p>

**Table of Contents**

**RISK FACTORS**

*You should carefully consider the risks described below before making an investment decision. The risks and uncertainties described below are not the only ones related to our business, the Debentures and the offering. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations.*

*If any of the following risks actually occurs, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of the Debentures and our Common Stock could decline substantially.*

**Risk Factors Related to the Debentures and the Offering**

**An active trading market for the Debentures may not develop and there are restrictions on resale of the Debentures.**

We cannot assure you that an active trading market for the Debentures will develop or as to the liquidity or sustainability of any such market, the ability of the holders to sell their Debentures or the price at which holders of the Debentures will be able to sell their Debentures. Future trading prices of the Debentures will depend on many factors, including, among other things, prevailing interest rates, the market for similar securities, the price of our Common Stock, our performance and other factors.

**We expect that the trading value of the Debentures will be significantly affected by the price of our Common Stock, which may be volatile.**

Our Common Stock has experienced significant price and volume fluctuations. The market price of the Debentures is expected to be significantly affected by the market price of our Common Stock. This may result in a significantly greater volatility in the trading value of the Debentures than would be expected for nonconvertible debt securities we issue. For a discussion of the factors that may result in volatility in the market price of our Common Stock, see **Risks Related to Our Business** below.

**The amount you must include in your income for United States federal income tax purposes will exceed the amount of cash interest you receive.**

Each holder agrees in the indenture governing the Debentures to treat the Debentures as contingent payment debt instruments and to be bound by our application of the Treasury regulations that govern contingent payment debt instruments. In accordance with this agreement, a holder will be required to accrue interest on a constant yield to maturity basis at a rate comparable to the rate at which we would borrow in a noncontingent, nonconvertible borrowing (7.75%). A holder will recognize taxable income significantly in excess of cash received while the Debentures are outstanding. In addition, under the indenture, a holder will recognize ordinary income, if any, upon a sale, exchange, conversion or redemption of the Debenture at a gain. The tax characterization of the Debentures is uncertain, however, and there can be no assurance that the Internal Revenue Service will not assert that the Debentures should be treated differently. Such treatment could affect the amount, timing and character of income, gain or loss in respect of an investment in the Debentures. See **Material United States Federal Income Tax Consequences**.

**Table of Contents**

**We may not have the funds necessary to purchase the Debentures at the option of the holders or upon a change of control.**

On January 29, 2006, 2008, 2013, 2018, 2023 and 2028, and upon the occurrence of certain changes of control of IGT, you may require us to repurchase your Debentures (although, in some cases, as described in this prospectus, we will have the option to settle these amounts in shares of our Common Stock). The occurrence of a change of control could trigger an event of default under, or a requirement for us to make an offer to purchase, our other senior debt. We cannot assure you that we would have the financial resources, or would be able to arrange financing, to pay the purchase price in cash for all of the Debentures that might be delivered by holders of Debentures seeking to exercise their repurchase rights.

**A downgrade, suspension or withdrawal of the rating assigned by a rating agency to our long term senior debt, or in the future to the Debentures, if any, could cause the liquidity or market value of the Debentures to decline significantly.**

Our long term senior debt is rated, and the Debentures may in the future be rated, by Standard & Poor's and Moody's. There can be no assurance that any rating so assigned will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by a rating agency if in that rating agency's judgment future circumstances relating to the basis of the rating, such as adverse changes in our business, so warrant.

**Our holding company structure results in structural subordination and may affect our ability to make payments on the Debentures.**

We are a holding company. Our subsidiaries conduct substantially all of our consolidated operations and own substantially all of our consolidated assets. Consequently, our cash flow and our ability to make payments on our indebtedness, including the Debentures, substantially depends upon our subsidiaries' cash flow and payments of funds to us by our subsidiaries. Our subsidiaries are not obligated to make funds available to us for payment on the Debentures or otherwise. Our subsidiaries' ability to make any payments will depend on their earnings, the terms of their indebtedness, business and tax considerations and legal restrictions.

Except in the event a subsidiary guarantees the Debentures as described under Description of Debentures - Future Subsidiary Guarantees, the Debentures will effectively rank junior to all existing and future liabilities, including trade payables, of our subsidiaries. In the event of a bankruptcy, liquidation or dissolution of a subsidiary, the creditors of such subsidiary will be paid first, after which the subsidiary may not have sufficient assets remaining to make any payments to us as a shareholder or otherwise so that we can meet our obligations under the Debentures.

As of March 29, 2003, the total balance sheet liabilities of our subsidiaries were approximately \$852 million, of which approximately \$559 million were jackpot liabilities offset on a dollar for dollar basis by U.S. Treasury and U.S. Agency securities and cash.

**We may require you to dispose of your Debentures or redeem your Debentures if required by applicable gaming regulations.**

Certain gaming authorities may, in their discretion, require the holder of any of our debt or equity securities, at such holder's own expense, to file applications, be investigated and be found suitable to own such securities. Any person who fails or refuses to apply for a finding of suitability or a license within 30 days after being ordered to do so by such gaming authorities may be found unsuitable. Under certain circumstances, we have the right, at our option, to cause a holder to dispose of its Debentures or Common Stock issued upon conversion thereof or to redeem its Debentures or Common Stock issued upon conversion thereof in order to comply with gaming laws to which we are subject.

**Table of Contents**

**Risk Factors Related to Our Business**

**Our success in the gaming industry depends in large part on our ability to develop innovative products and systems and would be adversely affected by:**

a decline in the popularity of our gaming products with players;  
a lack of success in developing new products;  
an increase in the popularity of competitors' games; or  
a negative change in the trend of consumer acceptance of our newest systems innovations including ticket-in/ticket-out voucher technology.

**Demand for our products, placement of our proprietary games and operation of our lottery systems would be adversely affected by:**

a reduction in the growth rate of new and existing markets;  
delays of scheduled openings of newly constructed or planned casinos;  
reduced levels of gaming play on our gaming systems or weakened customer demand for our gaming machines as a result of declines in travel activity or customer capital expenditures;  
a decrease in the desire of established gaming properties to upgrade machines, resulting in a decline in the demand for replacement machines;  
a decline in public acceptance of gaming;  
a reduction in lottery sales in jurisdictions where we hold lottery contracts;  
a loss of or inability to renew lottery contracts; and  
failure to meet implementation and performance obligations of our online lottery systems operations could subject us to significant liquidated damage claims.

**We operate in a highly regulated industry and our ability to operate in certain jurisdictions could be adversely affected by:**

unfavorable public referendums or anti-gaming legislation;  
unfavorable legislation affecting or directed at manufacturers or operators of gaming products and systems;  
adverse changes in or findings of non-compliance with applicable governmental gaming regulations;  
delays in approvals from regulatory agencies;  
a limitation, conditioning, suspension or revocation of any of our gaming licenses; and  
unfavorable determinations or challenges of suitability by gaming regulatory authorities with respect to our officers, directors or key employees.

**Our intellectual property rights are subject to risks, including:**

potential inability to obtain and maintain patents, trademarks and copyrights to protect our newly developed games and technology;  
competitors' infringement upon our existing trademarks, patents and copyrights; and  
approval of competitors' patent applications that may restrict our ability to compete effectively.

**Our business is vulnerable to changing economic conditions, including:**

unfavorable changes in economic conditions including those that affect the relative health of the gaming industry;  
political or economic instability in international markets;  
changes in interest rates causing a reduction of investment income or in the value of market rate sensitive investments; and

**Table of Contents**

fluctuations in foreign exchange rates, tariffs and other trade barriers.

**Our outstanding Senior Notes, Debentures and borrowings under credit facilities subject us to certain additional risks, including:**

increasing our vulnerability to general adverse economic and industry conditions;  
limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions and other general corporate requirements;  
requiring a substantial portion of our cash flow from operations for the payment of interest on our indebtedness and corporate requirements;  
limiting our flexibility in planning for, or reacting to, changes in our business and the industry; and  
disadvantaging us compared to competitors with less indebtedness.

**Our business operations are subject to other risks, including:**

the loss or retirement of our key executives or other key employees;  
adverse changes in the creditworthiness of parties with whom we have receivables or forward currency exchange contracts;  
the loss of tenants on sublet properties no longer used in our operations;  
difficulties integrating parts of the acquired Anchor operations;  
the discovery of facts with respect to legal actions pending against IGT not presently known to us or determinations by judges, juries or other finders of fact which do not accord with our evaluation of the possible liability or outcome of existing litigation;  
increased costs due to reliance on third party suppliers and contract manufacturers;  
agreements with Native American casinos which may subject us to sovereign immunity risk; and  
we have been working for some time through several phases of our enterprise resource planning (ERP) solution for our computer system procedures and controls; any failures, difficulties or significant delays in implementing our new information systems could result in material adverse consequences to our business, including disruption of operations, loss of information and unanticipated increases in costs.

**Table of Contents****USE OF PROCEEDS**

We will not receive any of the proceeds from the sale by any selling securityholder of the Debentures or the shares of our Common Stock issuable upon conversion of the Debentures.

**CAPITALIZATION**

The following table sets forth the consolidated capitalization of IGT at March 29, 2003. This table should be read in conjunction with the financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended September 28, 2002 and our Quarterly Reports on Form 10-Q for the quarters ended December 28, 2002 and March 29, 2003, which are incorporated herein by reference.

	<b>As of March 29, 2003</b>
	<b>(in thousands)</b>
Cash and cash equivalents	\$ 958,317
Current maturities of long-term notes payable and capital lease obligations	\$ 8,231
Long-term notes payable and capital lease obligations	\$ 1,548,232
Minority interest	9,191
Stockholders' equity:	
Common stock	109
Additional paid in capital	1,473,806
Deferred compensation	(7,300)
Retained earnings	1,706,984
Treasury stock	(1,691,761)
Accumulated other comprehensive loss	(6,250)
	1,475,588
Total capitalization (excluding cash and cash equivalents)	\$ 3,041,242

**Table of Contents****RATIO OF EARNINGS TO FIXED CHARGES**

The table below sets forth the ratio of earnings to fixed charges of IGT and its consolidated subsidiaries on a historical basis for each of the periods indicated:

Six Months Ended March 29, 2003	Fiscal Year Ended				
	September 28, 2002	September 29, 2001	September 30, 2000	October 2, 1999	September 30, 1998
7.3	5.3	4.9	3.8	3.0	14.6

For the purpose of computing this ratio, earnings represent net income before fixed charges and income taxes, adjusted to exclude capitalized interest. Fixed charges represent interest expense excluding the portion related to liabilities to jackpot winners and including capitalized interest, one-third of total rental expense, and amortization of discount and loan expense related to long-term debt.

**PRICE RANGE OF IGT COMMON STOCK AND DIVIDEND POLICY**

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

Fiscal 2003	High(1)	Low(1)
First Quarter	\$20.03	\$15.87
Second Quarter	21.80	18.05
Third Quarter (through June 26, 2003)	25.36	19.56
Fiscal 2002	High	Low
First Quarter	\$17.76	\$10.28
Second Quarter	17.52	15.20
Third Quarter	16.11	13.44
Fourth Quarter	17.52	12.39
Fiscal 2001	High	Low
First Quarter	\$12.13	\$ 8.20
Second Quarter	14.19	10.97
Third Quarter	16.33	11.84
Fourth Quarter	16.03	9.73

(1) Share prices have been adjusted to reflect the four-for-one stock split that was effected June 18, 2003. The reported trading prices for our Common Stock will reflect the stock split beginning on the day after the distribution date. The distribution date is July 2, 2003.

As of June 26, 2003, there were approximately 2,802 record holders of our Common Stock. The closing price of our Common Stock was \$25.31 on that date after adjusting for the four-for-one stock split.

We declared no dividends in fiscal 2000, 2001 or 2002. On June 4, 2003, we announced the declaration of a cash dividend of \$.075 per share, payable to shareholders of record on July 14, 2003.

Edgar Filing: INTERNATIONAL GAME TECHNOLOGY - Form POS AM

IGT's transfer agent and registrar is The Bank of New York, 63 Madison Avenue, 8th Floor, New York, NY 10016, (212) 503-4279.

**Table of Contents**

**DESCRIPTION OF DEBENTURES**

We issued the Debentures under an indenture (the Indenture ) between us and The Bank of New York, as trustee (the Trustee ).

In this section, references to IGT, we, our or us refer solely to International Game Technology and not its subsidiaries.

**General**

The Debentures are limited to an aggregate principal amount at maturity of \$969,790,000. The Debentures will mature on January 29, 2033. The Debentures rank equal in right of payment with all of our other unsecured and unsubordinated indebtedness.

The Debentures were issued at a price to investors of \$592.91 per Debenture. We will not pay cash interest on the Debentures unless an upward interest adjustment becomes payable or we elect to do so following a Tax Event (as defined in this prospectus). The issue price represents a yield to maturity of 1.75% per annum (the Initial Yield to Maturity ). The Debentures are issued only in denominations of \$1,000 principal amount and multiples of \$1,000 principal amount.

You have the option to convert your Debentures into our Common Stock at a conversion rate of 21.1704 shares of Common Stock per Debenture. This is equivalent to an initial conversion price of \$28.01 per share based on the issue price of the Debentures. The conversion rate is subject to adjustment if certain events occur. Upon conversion, you will receive only Common Stock (except in case of an Accreted Value Conversion, as defined below). You will not receive any cash payment for interest adjustments, if any, to the conversion date (as defined in this prospectus).

Each holder has agreed in the Indenture, for United States federal income tax purposes, to treat the Debentures as contingent payment debt instruments and to be bound by our application of the Treasury regulations that govern contingent payment debt instruments, including our determination that the rate at which interest will be deemed to accrue for United States federal income tax purposes will be 7.75%, which is the rate comparable to the rate at which we would borrow on a noncontingent, nonconvertible borrowing. Accordingly, each holder will be required to accrue interest on a constant yield to maturity basis at that rate, with the result that a holder will recognize taxable income significantly in excess of cash received while the Debentures are outstanding. In addition, a holder will generally be required to recognize ordinary income on the gain, if any, realized on a sale, exchange, conversion or redemption of the Debentures. See Material United States Federal Income Tax Consequences.

EACH INVESTOR SHOULD CONSULT ITS TAX ADVISOR REGARDING THE TAX TREATMENT OF AN INVESTMENT IN THE DEBENTURES AND WHETHER AN INVESTMENT IN THE DEBENTURES IS ADVISABLE IN LIGHT OF THE AGREED UPON TAX TREATMENT AND THE INVESTOR S PARTICULAR TAX SITUATION.

**Ranking**

The Debentures are senior, unsecured obligations of IGT and rank equal in right of payment with all of its existing and future unsecured and unsubordinated indebtedness.

We currently conduct substantially all our operations through our subsidiaries and our subsidiaries generate substantially all of our operating income and cash flow. As a result, distributions and advances from our subsidiaries are the principal source of funds necessary to meet our debt service obligations. Contractual provisions or laws, as well as our subsidiaries financial condition and operating and regulatory requirements, may limit our ability to obtain cash

## **Table of Contents**

from our subsidiaries that we require to pay our debt service obligations, including cash payments on the Debentures.

Except in the event a subsidiary guarantees the Debentures as described under Description of Debentures Future Subsidiary Guarantees, the Debentures will effectively rank junior to all existing and future liabilities, including trade payables, of our subsidiaries. In the event of a bankruptcy, liquidation or dissolution of a subsidiary, the creditors of such subsidiary will be paid first, after which the subsidiary may not have sufficient assets remaining to make any payments to us as a shareholder or otherwise so that we can meet our obligations under the Debentures.

As of March 29, 2003, the total balance sheet liabilities of our subsidiaries were approximately \$852 million, of which approximately \$559 million were jackpot liabilities offset on a dollar for dollar basis by U.S. Treasury and U.S. Agency securities and cash.

### **Future Subsidiary Guarantees**

At any time in the future that IGT's long term senior debt credit rating (or if the Debentures have been rated, the rating on the Debentures) is below Baa3 by Moody's or BBB- by Standard & Poor's, we will be required to cause each of our domestic subsidiaries having an aggregate of \$10 million or more of indebtedness or preferred stock outstanding at any time to promptly execute and deliver to the Trustee a subsidiary guarantee of the Debentures, provided that (a) with respect to any subsidiary acquired after the date of issuance of the Debentures in accordance with the terms of the Indenture, any indebtedness or preferred stock outstanding on or prior to the date on which such subsidiary was acquired by us (unless such indebtedness or preferred stock was incurred or issued, as applicable, as consideration for, or to provide all or any portion of the funds or credit support utilized to consummate, the transactions or series of transactions pursuant to which such subsidiary became our subsidiary or was otherwise acquired by us), (b) indebtedness in respect of capital lease obligations and purchase money indebtedness and (c) intercompany indebtedness will not be considered for purposes of this covenant. In addition, at any time in the future that IGT's long term senior debt credit rating (or if the Debentures have been rated, the rating on the Debentures) is below Baa3 by Moody's or BBB- by Standard & Poor's, if any of our subsidiaries guarantee any of our other indebtedness, such subsidiary will be required to execute and deliver to the Trustee a subsidiary guarantee of the Debentures.

Any such subsidiary guarantee granted will be automatically and unconditionally released and discharged upon any sale, exchange or transfer of all of the capital stock in, or all or substantially all the assets of, the applicable subsidiary guarantor (in each case other than to IGT or one of our affiliates).

Any such subsidiary guarantee granted will be released if IGT's long term senior debt (or if the Debentures have been rated, the Debentures) achieves an investment grade rating from both Moody's and Standard & Poor's as long as no event of default has occurred and is continuing under the Indenture.

IGT will cease to be subject to this covenant on the earlier of: (i) January 29, 2006, the first repurchase date and (ii) the date on which none of IGT's other senior indebtedness contains a future subsidiary guarantee covenant.

### **Interest Adjustment**

If the average of the closing sale prices of our Common Stock is less than or equal to 60% of the Accreted Conversion Price of the Debentures for any 20 out of the last 30 trading days ending on the third trading day preceding any repurchase date, then the yield-to-maturity on the Debentures will be subject to an upward interest adjustment to the Reset Rate (as defined in this

**Table of Contents**

prospectus) for the subsequent six-month period. Once an upward interest adjustment is in effect for the six-month period after a repurchase date, the upward interest adjustment will remain in effect for each subsequent six-month period until the next repurchase date (or, in the case of an upward interest adjustment in effect for the six-month period after the January 29, 2028 repurchase date, until maturity) if the average of the closing sale prices of our Common Stock is less than or equal to 60% of the Accreted Conversion Price of the Debentures for 20 out of the last 30 trading days ending on the third trading day preceding the January 29 or July 29 on which such six-month period begins. If the average of the closing sale prices of our Common Stock is greater than 60% of the Accreted Conversion Price of the Debentures for 20 out of the last 30 trading days ending on the third trading day preceding any January 29 or July 29, then no upward interest adjustment will be in effect, and the yield-to-maturity on the Debentures will equal the Initial Yield to Maturity (as defined in this prospectus), for the subsequent six-month period. If the average of the closing sale prices of our Common Stock is greater than 60% of the Accreted Conversion Price of the Debentures for 20 out of the last 30 trading days ending on the third trading day preceding any repurchase date, then the yield-to-maturity on the Debentures will not be subject to an upward interest adjustment until the next repurchase date.

If an upward interest adjustment is in effect for a particular six-month period, we will pay cash interest on the Accreted Value of the Debentures at a rate per annum equal to the Reset Rate minus the Initial Yield to Maturity. The Debentures will accrete at the Initial Yield to Maturity whether or not an upward interest adjustment is in effect.

The closing sale price of our Common Stock on any date means the closing per share sale price (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported on the New York Stock Exchange or, if our Common Stock is not listed on the New York Stock Exchange, then as reported by the Nasdaq system.

The Reset Rate applicable to any six-month period, as determined by the Reset Rate Agent (as defined below), will be equal to a per annum rate (the Reference Fixed Rate ) that would, in the sole judgment of the Reset Rate Agent, result in a trading price of par with a hypothetical issue of our senior, non-convertible, fixed rate debt securities with:

(i) a final maturity equal to the term from the repurchase date on which the Reset Rate is determined until the next repurchase date (or maturity if the repurchase date is the January 29, 2028 repurchase date);

(ii) an aggregate principal amount equal to the Accreted Value of the then outstanding Debentures; and

(iii) provisions that are, insofar as would be practicable for an issue of senior, non-convertible, fixed-rate debt securities, substantially identical to those of the Debentures.

In no event, however, will the applicable Reset Rate be greater than 12% per annum without our prior written consent. Also, if the Reset Rate Agent determines in its sole judgment that there is no suitable Reference Fixed Rate, the Reset Rate will be the Reset Rate most recently determined (except if there is no Reset Rate most recently determined, in which case the Reset Rate shall be a rate reasonably determined by Reset Rate Agent to reflect current market conditions), such Reset Rate to remain in effect until the Reset Rate Agent determines that there is a suitable reference rate, at which time the Reset Rate Agent shall determine a new Reset Rate.

In the event of any upward interest adjustment, we will disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing this information or publish the information on our web site or through such other public medium as we may use at that time.

**Table of Contents**

**Reset Rate Agent; Determinations Conclusive**

Goldman, Sachs & Co. will act as the Reset Rate Agent. If requested by us, the Reset Rate Agent shall seek an indicative reference rate from one other nationally recognized investment bank engaged for such purpose by us. The determination of any applicable Reset Rate shall be made by the Reset Rate Agent by averaging the reference rate it has determined with the indicative reference rate provided by such other investment bank. If an indicative reference rate cannot reasonably be obtained from one other nationally recognized investment bank, or if we choose not to engage such other investment bank, then the rate determined by Goldman, Sachs & Co. shall be used. The determination of any Reset Rate by the Reset Rate Agent will be conclusive and binding upon us, the Reset Rate Agent, the Trustee and the holders of the Debentures, in the absence of manifest error.

The Reset Rate Agent may be removed at any time with or without cause by us giving at least sixty (60) days written notice to the Reset Rate Agent. The Reset Rate Agent may resign at any time upon giving at least thirty (30) days written notice to us. A successor Reset Rate Agent will be appointed by us.

**Tax Event**

We have the option, under limited circumstances, to elect to pay cash interest at the Initial Yield to Maturity or the applicable Reset Rate on the Debentures from and after the date a Tax Event (as defined below) occurs. Interest will accrue from the date we exercise this option and will be payable semi-annually on January 29 and July 29.