

October 09, 2003

***MGAM's largest customers advised to discontinue Reel Time Bingo play.***

On October 5, 2003 the National Indian Gaming Commission ("NIGC") issued a memorandum to Oklahoma Tribal Leaders and Gaming Commissioners advising the tribes to promptly remove or modify electronic bingo machines that do not conform to the NIGC's Class II definition. Tribes who fail to do this should anticipate receiving notices to discontinue play and formal enforcement action if play is not discontinued. Separately, the NIGC's Chairman confirmed that none of Multimedia Games, Inc.'s (NASDAQ: MGAM, \$38.30) Reel Time Bingo games being played conform to the NIGC's Class II definition. Oklahoma accounted for more than 40% of Multimedia's gaming revenues in the nine months ended June 30, 2003.

The October 5th NIGC advisory states that it withheld judgment on the Oklahoma devices until the recent release of its Class II definition. The advisory further states that its Class II definition has been published in a Bulletin and in two findings of permissible Class II electronic bingo devices. As a result of these developments, the NIGC expects Oklahoma vendors and tribes to review their gaming devices and promptly remove or modify non-compliant games.

Multimedia's earnings come from games that can no longer be legally operated by its customers. The economics of its only approved Class II game are unknown. Multimedia's customers have not converted to the approved game. We believe this is because it is slower and harder to play and more like playing bingo than a slot machine. Meanwhile Multimedia's competition is offering tribes a game that has a proven track record and has never been the subject of adverse regulatory action. Our industry sources believe Multimedia's competition may generate up to twice the amount of average daily play as Multimedia's current non-compliant game. The competition's newer gaming system has an open platform developed in partnership with industry leaders to allow playing of games created by all major gaming companies on the same floor. Yet Multimedia until now has been able to charge its Indian customers substantially more (by some estimates up to 50% more) than International Game Technology (NYSE: IGT, \$28.11) charges its customers for Wheel of Fortune, the world's most successful slot machine theme ever developed. We believe that Multimedia's revenues and margins will be significantly and materially reduced.

Asensio & Company, Inc. covers Multimedia Games, Inc. and maintains a Strong Sell and Short Sell opinion. A summary of the basis of our opinion is found in our October 2, 2003 report published on [www.asensio.com](http://www.asensio.com).

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