

December 03, 2003

***MGAM misrepresents DOJ appeals.***

On November 21, 2003 the U.S. Department of Justice ("DOJ") filed two appeals before the U.S. Supreme Court ("Court"). On November 24, 2003 Clifton E. Lind, President and Chief Executive Officer of Multimedia Games, Inc. (NASDAQ: MGAM, \$39.53) commented on the potential negative impact of the DOJ's appeals stating that "the first hurdle is for the Court to decide if they're going to grant the Writ of Certiorari. I am told that there are over 8,000 cases filed annually, and the Court normally takes 70 to 80 to 90 – on a good year, slightly more than 100." Prudential Equity Group and CIBC reiterated Mr. Lind's statements in their research notes. The facts are that the Supreme Court has granted the majority of the appeals filed by the DOJ in the last two terms. The DOJ filed just 23 appeals in both 2001 and 2002. In 2002 the Court granted 13 of the DOJ's appeals, or 57%. In 2001 the Court granted 14 of the DOJ's appeals, or 61%.

Yesterday afternoon Multimedia stated that in the appeals, "the DOJ asserts that the Johnson Act prohibits Native American tribes from operating certain electronic gaming devices without a compact . . . the DOJ's arguments and reasoning would appear to encompass the machines offered by [Multimedia] for the Class II market. As a result, if the U.S. Supreme Court were to grant certiorari and adopt the arguments advanced by the DOJ, the play of most of [Multimedia's] current products without a compact would likely be prohibited by the Johnson Act. This result would almost certainly have a significant, material adverse impact on [Multimedia's] business and operating results."

Multimedia faces other serious regulatory and competitive risks. Multimedia's most recent earnings report showed a marked deterioration of its operating results and financial condition despite its election to account for a significant amount of its costs as assets and not expenses and its continued use of non-class II designated gaming machines. This deterioration occurred even before Alliance Gaming Corp. (NYSE:AGI, \$26.64) and International Game Technology (NYSE: IGT, \$34.86) entered Multimedia's very small market niche.

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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