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***U.S. Supreme Court denies DOJ's quest to regulate Class II gaming.***

After nine states, including California, filed briefs supporting the U.S. Department of Justice's ("DOJ") position that Class II gaming required a state compact most analysts, including us, were expecting that the U.S. Supreme Court would agree to hear the DOJ's arguments. This would have started a more than two-year-long process during which the future of Class II gaming without a state compact would remain in question.

The questionable nature of Class II gaming had prevented authentic gaming companies from offering Class II products. Prior to the National Indian Gaming Commission's ("NIGC") September 2003 Advisory Opinions and today's Supreme Court order, Class II vendors were assuming the risk that they could be sued by the DOJ, the States or the NIGC and found to have participated in illegal gaming. Such findings would be a reportable event in all the jurisdictions where companies like International Game Technology (NYSE: IGT, \$42.20) and Alliance Gaming Corporation (NYSE: AGI, \$26.87) operate under State licenses. The potential negative outcome of such reports and ensuing State investigations were simply too costly and risky for IGT and Alliance to assume, particularly given the small size of Oklahoma's market relative to the size of their regulated business. As a result Multimedia Games, Inc. (NASDAQ: MGAM, \$23.59) had no competition and was able to get a 75% share of the Oklahoma market.

Another consequence of the Class II market's questionable existence was that the machines could not be financed. As a result, Multimedia was able to charge up to 30% of the casinos gross revenues for supplying the machines. Now Multimedia's tribal customers can obtain conventional financing to replace Multimedia's 30% fee.

The direct and immediate effect of today's Supreme Court order is that the monopolistic conditions that created both Multimedia's market dominance and its excessive margins have now been effectively terminated.

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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