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***How could MGAM have completely lost-out at Casino San Pablo?***

In today's press release Multimedia Games, Inc. (NASDAQ: MGAM, \$25.53) disclosed that it "currently does not expect to make unit placements at the proposed Lytton Rancheria facility." Not one? Not even for show? Why not? After all, the Lytton's used Multimedia's loan to buy their land and place it into trust—quite a business risk. And at least one Multimedia analyst was calculating that Multimedia could earn \$21.9 million a year from the Lyttons. What is behind Multimedia's devastating loss?

Well this is not the first time in recent history that Multimedia lost out, completely, in a major transaction. Multimedia doesn't have a single game in any of the three largest, most successful, most sophisticated Class II casinos in the country. In fact, Multimedia does not have a single game in any of the Florida Seminole's fabulous Hard Rock Florida casinos. Why not?

Multimedia's Class II competition gets their business by offering game themes and player winning patterns that come close to duplicating the player experience of a Class III slot machine in a Class II bingo game. They offer complex systems that allow players to pay with tickets or smart cards that work across a casino's entire floor including Class III games, open platforms allowing "plug and play" access to games designed and manufactured by others, off-the-floor game controllers that are accessible by player stations throughout the floor, and complex network security and player tracking systems. Meanwhile, Multimedia has thus far competed based on taking aggressive regulatory risks and providing know-how and capital to Indian tribes that totally lacked access to know-how and capital. It seems, the Lyttons in California and the Seminoles in Florida had sufficient know-how and access to capital to know they did not have to pay Multimedia 30% of their gross revenues for Multimedia's second rate games and systems. The industry leaders compete on the quality of their themes, games, and casino and players systems; and not on finding unsophisticated customers in poor locations and extracting 30% of the gross.

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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