

January 31, 2005

*Prudential and Bill Lerner run for cover.*

Today, Prudential's Bill Lerner issued a Multimedia Games, Inc. (NASDAQ: MGAM, \$8.84) research report stating that its management's recent guidance "simply is inaccurate" and calling management's contentions about its relative strength versus its competitors "a bad bet." In the same report Mr. Lerner changed his tune on the extraordinary growth he saw for Multimedia Games writing that "MGAM growth levels are disappearing." Where Prudential's Mr. Lerner saw "new avenues of growth" in California, Oklahoma, Alabama, Florida and New York (everywhere Multimedia Games claims to be operating) he now sees not growth but "earnings disaster", "value destruction" and barriers to entry that are "falling."

Our reports on Multimedia Games contain all the "new" conclusions found in today's Prudential and Mr. Lerner report and many other facts and analysis still absent from Prudential's "taking cover" report that punch holes in Prudential's earlier rosy projections. Projections that Mr. Lerner himself now sees as unachievable.

Over the past year Mr. Lerner has repeatedly defended Multimedia Games management and hyped its growth potential. Mr. Lerner claimed to have visited customers and spoken to competitors to check on concerns raised by "short sellers." He found nothing wrong and everything right. In fact, on March 5, 2004 Mr. Lerner called Multimedia Games' most important business deals "iron clad" and raised his price target to \$45. Mr. Lerner now values Multimedia Games as low as \$4 per share. At \$45 Mr. Lerner was claiming Multimedia Games equity was worth \$1,258.3 million. Today he calculates its worth as low as \$111.4 million. Does anyone really believe that the combined wisdom of Prudential's research supervisory staff and Mr. Lerner are so inept or will we soon hear of emails Mr. Lerner sent around with some thoughts that were not included in his earlier Multimedia Games reports?

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