

December 23, 2003

Multimedia gives up 267 Class II machines in California.

Yesterday Multimedia Games, Inc. (NASDAQ: MGAM, \$41.23) announced that it had converted 267 of its 397 Class II player stations at the Pechanga Resort and Casino into Point-of-Sale Terminals for a Class III Tribal Instant Lottery Game.

National Indian Gaming Commission ("NIGC") Chairman Philip Hogen has declared that Multimedia's installed base of Reel Time Bingo ("RTB") games do not meet Class II requirements and that Indian tribes playing the RTB games must remove or modify the games to comply with Class II regulations if played without a Tribal-State compact allowing Class III gaming. RTB 2.0 is Multimedia's NIGC-approved Class II game. RTB 2.0 requires more player interactivity than previous versions of RTB and therefore plays slower and is less profitable. Tribes have been reluctant to install RTB 2.0 machines despite repeated threats of regulatory action. Analysts have no ability to forecast the ultimate earnings potential of RTB 2.0 on a standalone basis much less in competition with International Game Technology (NYSE: IGT, \$35.17) and Sierra Design Group ("SDG"). Alliance Gaming Corporation (NYSE: AGI, \$25.25) has provided SDG with working capital and has signed a definitive agreement to acquire SDG, which is expected to close in the first half of 2004.

Wall Street is hyping Class II gaming as a growth market. It is not. It is a very small market, with very limited growth potential and can not compete with Class III gaming. New regulations, accompanied by NIGC enforcement, have made this small Class II gaming market less profitable for Multimedia. Multimedia's earnings potential has also been negatively impacted by the entry of technologically and financially superior competitors.

Multimedia has very questionable accounting, relies on non-Class II compliant gaming and has questionable management. On October 9, 2003 Multimedia announced that it had made a \$21 million loan to the Lyttons. Multimedia has called the loan short-term and has claimed it might be repaid with interest by December 9, 2003. It is not known if the Lyttons did or did not repay their loan on December 9th. Multimedia has not disclosed to its shareholders any information whatsoever necessary for them to evaluate the value of this major portion of Multimedia's assets. In fact, Multimedia has not even disclosed the loan's interest rate.

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.

Asensio & Company, Inc. reports are published and distributed solely and exclusively to registered [asensio.com](http://www.asensio.com) subscribers who have read and agreed to the Terms of Use and Mandatory User Agreement located at <http://www.asensio.com/TermsOfUse.aspx> and included herein in its entirety by reference and by the provision of its availability.