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MGAM NIGC brinkmanship creates new problems for its customers.

Asensio & Company, Inc. initiates coverage of Multimedia Games, Inc. (NASDAQ: MGAM, \$37.63) with a Strong Sell and Short Sell opinion. A summary of the basis of our opinion is found in the last paragraph herein. We will issue further reports as events unfold.

Investors may be buying Multimedia's stock believing that the recently issued National Indian Gaming Commission ("NIGC") Class II advisory opinion covers the Reel Time Bingo games it is playing in Indian Country. This is not true. The NIGC opinion does not cover any Multimedia game played in Indian Country or that contributes to its revenues. Multimedia is still playing Class III games that it must remove and games for which it did not obtain a Class II classification. We view Multimedia's September 23rd release as flagrantly disrespectful of its agreement with the NIGC and believe it may lead to further problems for its customers.

Multimedia has recently lost a major contract in Florida even before the NIGC set back. Its holds have declined. A competitor achieved Class II classification for an existing game. Multimedia's existing Reel Time Bingo NIGC classification status is at best questionable and unclassified. We believe it is ludicrous to conclude from recent events that Multimedia's business prospects have improved. On the contrary, we believe that the events raise questions about Multimedia's ability to comply with NIGC regulations.

Multimedia had nothing to lose when it began offering Indian tribes unclassified games. Its finance history includes offerings that were the subject of fraud charges and indictments against its underwriters. Multimedia was not charged. However, in our opinion, the premier reason for Multimedia's ability to attract business was its willingness to take regulatory risks others refused to assume. Now the regulatory environment has changed dramatically. Indian tribes can deal with Class II suppliers who comply with regulations and have decades of successful game development experience.

Asensio & Company, Inc.'s institutional research report analyzes and questions Multimedia's revenue recognition and its \$35.2 million in development agreements. Our price target is under \$15 per share within one year. However, we see potential near term events that can cause us to substantially lower our price target. These include new Notice of Violations and further declines in holds per day. International Game Technology (NYSE: IGT, \$29.07) recently entered Class II gaming as a supplier and financier for one of Multimedia's competitors. Based on the NIGC's new written Class II definition, we believe that regulatory concerns that have prevented IGT from entering the market have been reduced or eliminated. Any of these events may lead us to reduce our price target.

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