



Lottery and Gaming Control Commission

1800 Washington Boulevard, Suite 330, Baltimore, MD 21230

MULTIMEDIA GAMES, INC.

MANUFACTURER LICENSE APPLICANT

COMMISSION PRESENTATION

MULTIMEDIA GAMES, INC.

Executive Summary

A. Introduction

As a prerequisite to being eligible for the award of a video lottery facility manufacturer license (“manufacturer license”), an applicant must submit a manufacturer license application to the Maryland Lottery and Gaming Control Commission (“the Commission”). The applicant must prove to the Commission, by clear and convincing evidence, that it meets the qualification criteria set forth in State Gov’t (“SG”) § 9-1A-01, *et seq.* (“the Gaming Law”). Specifically, the applicant must prove that it is qualified under SG § 9-1A-07(c)(7)(i) through (v), and not disqualified under SG § 9-1A-08(d). An applicant must provide all information to the Commission that is necessary for a qualification determination as to the applicant, its principals, and its principal entities.

The Maryland Lottery and Gaming Control Agency (“MLGCA,” “we” or “our”), under the supervision of the Department of State Police, conducted a suitability background license investigation of Multimedia Games, Inc. (“the Applicant” or “the Operating Company”) in connection with its application for a manufacturer license.

CORPORATE STRUCTURE, MANAGEMENT, AND OWNERSHIP

Multimedia Games Holding Company, Inc.

Multimedia Games Holding Company, Inc., (“Multimedia Games”), is a publicly-traded company (NASDAQ: MGAM), incorporated in the State of Texas on August 30, 1991. Through its wholly owned subsidiary, Multimedia Games, Inc., Multimedia Games designs, manufactures, and distributes advanced gaming

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technology for the Native American and commercial casino markets with product offerings in video slots, reel-spinning slot machines, and the industry-leading TournEvent® slot tournament system. In addition, the company also provides the New York Lottery with an accounting and central determinant system for the video lottery terminals in operation at licensed New York State racetracks. Revenue is derived from gaming units in operation on revenue-sharing arrangements as well as from the sale of gaming units and systems that feature proprietary game content and game themes licensed from others. The company is focused on pursuing market expansion and new product development for commercial and tribal casinos and VLT markets worldwide. Multimedia Games' headquarters is located at 206 Wild Basin Rd., S, Bldg. B, Austin, Texas, 78746.

Multimedia Games, Inc.

Multimedia Games, Inc. was incorporated in the State of Delaware on November 5, 1993. It is a wholly owned subsidiary of Multimedia Games Holding Company, Inc.

Eagle Asset Management, Inc.

Eagle Asset Management submitted an Institutional Investor Waiver Application Form (VLT Form 1009) to the Commission as an institutional investor in Multimedia Games, Inc. Eagle Asset Management is a Florida corporation whose principal offices are located at 880 Carillon Parkway, St. Petersburg, Florida.

Eagle Asset Management is a wholly owned subsidiary of Raymond James Financial, Inc. Additionally, Eagle Boston Investment Management, Inc. is a

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subsidiary of Eagle Asset Management, and ClariVest Asset Management, LLC is an affiliated broker of Eagle Asset Management.

Eagle Asset Management is a privately owned investment management firm registered with the U.S. Securities and Exchange Commission (SEC) under the Investment Advisors Act of 1940, so it meets the definition of “institutional investor” in the SG § 9-1A-01(o) of the Gaming Law. As of December 31, 2013, it had holdings of approximately \$17.8 billion in 618 companies, and had approximately 22,400 client accounts under management totaling \$20.3 billion. Eagle Asset Management offers its clients various investment options including stock funds, bond funds, money market funds, and mutual funds.

Eagle Asset Management invests in securities on behalf of its clients for passive investment purposes only, and does not influence or control companies in which it purchases common stock for client portfolios.

Renaissance Technologies, LLC

Renaissance Technologies, LLC submitted an Institutional Investor Waiver Application Form (VLT Form 1009) to the Commission as an institutional investor in Multimedia Games Holding Company, Inc. Renaissance Technologies, LLC is a Delaware corporation whose principal offices are located at 800 Third Avenue, New York, New York.

Renaissance Technologies, LLC is a subsidiary of Renaissance Technologies Holdings Corporation and RTC II Holdings, LLC, which own 86% and 14%, respectively, of Renaissance Technologies, LLC. Both of the parent companies are privately owned. Renaissance Institutional Management, LLC is a wholly-owned subsidiary of Renaissance Technologies, LLC and serves as an affiliated broker-

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dealer. Renaissance Technologies, LLC is registered with the SEC under the Investment Advisors Act of 1940, so it meets the definition of “institutional investor” in the SG § 9-1A-01(o) of the Gaming Law. As of December 31, 2013, it had holdings of approximately \$41.8 billion in 2,800 companies, and had 27 client accounts with assets under management totaling \$64 billion. Most of Renaissance Technologies’ clients are pooled investment vehicles invested in private hedge funds.

Renaissance Technologies advised that it is not involved in the video lottery operations of Multimedia Games or in Multimedia Games licensure history, and does not intend to have any such involvement at any time in the future. We were further advised that Renaissance Technologies has engaged an independent corporate governance service provider to vote any securities over which Renaissance Technologies has control, and the service provider votes in what it believes to be the best interest of the shareholders of the securities.

BlackRock Fund Advisors

BlackRock Fund Advisors submitted an Institutional Investor Waiver Application Form (VLT Form 1009) to the Maryland Lottery and Gaming Control Commission as an institutional investor in Multimedia Games Holding Company, Inc. BlackRock Fund Advisors is a California corporation whose principal offices are located at 400 Howard Street, San Francisco, California.

BlackRock Fund Advisors is a subsidiary of BlackRock, Inc., which is the world’s largest publicly-traded investment management firm. As of March 31, 2014, the following entities owned more than 5% of the outstanding common stock of BlackRock, Inc.:

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- PNC Financial Services – 35,040,872 shares owned (21.0%)
- Central Bank of Norway – 11,899,662 shares owned (7.1%)
- Wellington Management Company – 9,270,689 shares owned (5.6%)

BlackRock Fund Advisors is registered with the SEC under the Investment Advisors Act of 1940, so it meets the definition of “institutional investor” in the SG § 9-1A-01(o) of the Gaming Law. As of December 31, 2013, it had holdings of approximately \$328.8 billion in 3,855 companies, and had 346 client accounts with assets under management totaling \$762.6 billion. Most of BlackRock Fund Advisors’ clients are investment companies and pooled investment vehicles.

BlackRock Fund Advisors indicated that shares of Multimedia Games Holding Company Inc. are held for investment purposes only for the benefit of its clients, and that there is no intent on the part of BlackRock Fund Advisors to control or influence the management or operations of Multimedia Games.

Agreement to Acquire PokerTek, Inc.

On April 30, 2014, Multimedia Games announced it has entered into a definitive agreement to acquire electronic table games developer and distributor PokerTek, Inc. (PokerTek) for consideration of approximately \$13 million. Completion of the transaction is subject to the approval by holders of a majority of the Company’s common shares, the receipt of certain gaming approvals, and other customary closing conditions. Assuming the satisfaction of conditions, the transaction is expected to close in calendar year 2014.

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B. Findings

The MLGCA conducted a complete and thorough background investigation as authorized under the Gaming Law by analyzing corporate records and documents scrutinizing the business operations, practices and transactions of Multimedia Games, Inc. and the other qualifying entities and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in this report. The results of the investigation for the specific qualification criteria enunciated in SG §§ 9-1A-07(c)(7) and 9-1A-08(d) are summarized as follows:

1) Financial stability, integrity and responsibility

Multimedia Games satisfies the standards for financial stability, integrity and responsibility. Multimedia Games' strong second quarter results, including significant year-over-year growth in revenue, operating income, EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) and diluted EPS (Earnings Per Share), highlight the strength of the company's growing product portfolio, attractive competitive positioning and unique growth opportunities. MLGCA also concludes that all of the individual qualifiers (principals) satisfy the Gaming Law's qualification criteria in connection with the manufacturer license application.

2) Integrity of financial backers, investors, mortgagees, bondholders, and other holders of indebtedness

Based on our review, there are no material issues involving the known financial backers of the Applicant.

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3) Good character, honesty and integrity

MLGCA found that Multimedia Games, Inc., possesses the requisite good character, honesty and integrity. No significant issues surfaced concerning the qualifications of the Applicant or its individual qualifiers. There were no material issues discovered pertaining to Multimedia Games, Inc.'s record of regulatory compliance or litigation matters.

4) Sufficient business ability and experience

Multimedia Games Holding Company, Inc. was formed as a Texas corporation in 1991 and became a publicly-traded company (NASDAQ: MGAM) in 1996. The VLT manufacturing capability of the applicant is considered to be more than adequate to provide gaming-related machines and equipment to Maryland VLT operators who may select to install their products. The executives of Multimedia Games, who have applied to the Commission as principals, have extensive experience in the gaming industry and are considered to be qualified to be licensed as principals (Natural Person Qualifiers).

5) Qualification for Manufacturer License

Finally, the Applicant is not disqualified from being awarded a Manufacturer's License based on any of the disqualifying factors in SG § 9-1A-08(d). The Applicant meets the qualification criteria in the Gaming Law.

C. Applicant and Principal Entity

Multimedia Games, Inc., was incorporated in the State of Delaware on November 5, 1993. It is a wholly owned subsidiary of Multimedia Games Holding

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Company, Inc. (“Multimedia Games”), which consists of the following institutional investors:

- Eagle Asset Management, Inc. – 6.68%
- Renaissance Technologies, LLC – 6.20%
- BlackRock Fund Advisors – 5.6%

These entities satisfy the applicable qualification criteria under SG § 9-1A-07(c)(7), and are not disqualified under SG § 9-1A-08(d).

D. Principal Qualifiers

The below listed natural person qualifiers (“principals”) have been identified through their association with the Applicant and its principal entities. We have conducted an extensive due diligence investigation on each principal, as detailed in our investigative report. We found that they have all satisfied the applicable qualification criteria under SG § 9-1A-07(c)(7), and that none are disqualified under SG § 9-1A-08(d).

1. Adam Chibib - Chief Financial Officer, Director
2. Stephen Greathouse - Chairman-Board of Directors
3. Neil Jenkins – Board of Directors
4. Michael Maples - Board of Directors
5. Todd McTavish - General Counsel, Chief Compliance Officer
6. Justin Orlando - Board of Directors
7. Patrick Ramsey - Chief Executive Officer, President, Director
8. Robert Repass - Board of Directors
9. Micki Roemer - Sr. Vice President of Sales

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The Applicant's application originally listed Joaquin Aviles as an additional Principal. However, on May 12, 2014, Multimedia Games requested, and was granted, permission to withdraw the application of Joaquin Aviles. Mr. Aviles resigned on May 9, 2014 from his position as (1) V.P. of Technology for Multimedia Games, Inc., and (2) V.P. of Technology and Officer of Multimedia Games Holding Company, Inc. to pursue other interests. At this time, neither Multimedia Games Holding Company, Inc. nor Multimedia Games, Inc. has appointed any new Officers.

E. Conclusions and Opinion

MLGCA's investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant's qualifications. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Applicant, and its principal entities and principals, have established by clear and convincing evidence their qualifications for a manufacturer license.