

MULTIMEDIA GAMES INC
Form DEF 14A
January 28, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Multimedia Games, Inc.
(Name of Registrant as Specified in its Charter)

N/A
(Name of Person(s) Filing Proxy Statement if other than the Registrant)

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January 28, 2010

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Multimedia Games, Inc., a Texas corporation, to be held on Tuesday, March 23, 2010 at 10:00 a.m. local time, at our corporate office, located at 206 Wild Basin Road South, Building B, Fourth Floor, Austin, Texas 78746.

The Notice of Annual Meeting of Shareholders and a Proxy Statement, which describe the formal business to be conducted at the meeting, follow this letter. A copy of our Annual Report to Shareholders is also enclosed for your information.

Whether or not you plan to attend the meeting, your vote is very important and we encourage you to vote promptly. After reading the proxy statement, please promptly mark, sign and date the enclosed proxy card and return it in the prepaid envelope provided. Alternatively, you may vote your shares via a toll-free telephone number or over the Internet. Instructions regarding all three methods of voting are provided on the proxy card. If you attend the meeting you will, of course, have the right to revoke the proxy and vote your shares in person. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from them to vote your shares.

Respectfully yours,

/s/ Anthony M. Sanfilippo

Anthony M. Sanfilippo
President and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MARCH 23, 2010

TO THE SHAREHOLDERS OF MULTIMEDIA GAMES, INC.:

NOTICE IS HEREBY GIVEN that the 2010 Annual Meeting of Shareholders of Multimedia Games, Inc., a Texas corporation, will be held on March 23, 2010, at 10:00 a.m. local time, at our corporate office, located at 206 Wild Basin Road South, Building B, Fourth Floor, Austin, Texas 78746, for the following purposes:

1. To elect the following nominees as directors to serve for the ensuing year and until their respective successors are elected: Michael J. Maples, Sr., Stephen J. Greathouse, Neil E. Jenkins, Justin A. Orlando, Robert D. Repass, Anthony M. Sanfilippo, and Timothy S. Stanley;
2. To approve the Consolidated Equity Incentive Plan;
3. To ratify the appointment of BDO Seidman, LLP as our independent registered public accountants for our fiscal year ending September 30, 2010; and
4. To transact such other business as may properly come before the annual meeting or any adjournments or postponements thereof, including approving or any such postponement or adjournment, if necessary.

Each of these items of business is more fully described in the Proxy Statement accompanying this Notice.

Only shareholders of record at the close of business on January 22, 2010 are entitled to notice of, and to vote at, the annual meeting. A complete list of shareholders entitled to vote will be available for inspection by any shareholder, for any purpose relating to the meeting, during normal business hours at our principal executive offices, 206 Wild Basin South, Building B, Fourth Floor, Austin, Texas, 78746, for ten days prior to the annual meeting.

All of you are invited to attend the annual meeting in person. However, to assure that your vote is represented, you are urged to promptly mark, sign, and return the enclosed proxy card in the enclosed postage-prepaid envelope, or vote your shares as promptly as possible by Internet or telephone, pursuant to the instructions set forth on the proxy card. If you receive more than one proxy card because you own shares registered in different names or addresses, you should complete and return each proxy card, or vote by Internet or telephone for each such proxy card. If you attend the annual meeting in person, and vote in person, your proxy will be revoked automatically and only your vote at the annual meeting will be counted.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF SHAREHOLDERS TO BE HELD ON MARCH 23, 2010: Our Proxy Statement is attached. Financial and other information concerning Multimedia Games, Inc. is contained in our Annual Report to Shareholders for the fiscal year ended September 30, 2009. A complete set of proxy materials relating to our annual meeting is also available on the Internet. These materials, consisting of the Notice of Annual Meeting, Proxy Statement, Proxy Card and Annual Report to Shareholders, may be viewed at <http://ir.multimediasgames.com/annuals.cfm>. Information on our website, including information in other documents referred to in this proxy statement, does not constitute part of this proxy statement. If you would like to obtain directions to attend the Annual Meeting and vote in person, please contact reception at (512) 334-7500.

By order of the Board of Directors,

/s/ Anthony M. Sanfilippo

Anthony M. Sanfilippo
President and Chief Executive Officer

Austin,
Texas
January
28,
2010

MULTIMEDIA GAMES, INC.
206 WILD BASIN ROAD SOUTH
BUILDING B, FOURTH FLOOR
AUSTIN, TEXAS 78746
(512) 334-7500

PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MARCH 23, 2010

General

The accompanying proxy is solicited on behalf of the Board of Directors of Multimedia Games, Inc., a Texas corporation, for use at our 2010 annual meeting of shareholders. The annual meeting will be held on Tuesday, March 23, 2010, at 10:00 a.m. local time, at our corporate office, located at 206 Wild Basin Road South, Building B, Fourth Floor, Austin, Texas 78746.

This Proxy Statement and the enclosed proxy card are being mailed on or about February 8, 2010 to all shareholders entitled to vote at the annual meeting.

Voting by proxy

You may vote at the annual meeting by completing, signing and returning the enclosed proxy card, or by properly following the instructions for telephone or Internet voting set forth on the proxy card. If not revoked, your proxy will be voted at the annual meeting in accordance with your instructions marked on the proxy card or properly provided by Internet or telephone. If you fail to mark your proxy with instructions, your proxy will be voted as follows:

§ FOR the election of the seven nominees for director listed in this Proxy Statement;

§ FOR the approval of the Consolidated Equity Incentive Plan; and

§ FOR the ratification of the appointment of BDO Seidman, LLP, as our independent registered public accountants for our fiscal year ending September 30, 2010.

As to any other matter that may be properly brought before the annual meeting, your proxy will be voted as our Board of Directors may recommend. If our Board of Directors makes no recommendation, your proxy will be voted as the proxy holders named in your proxy card deem advisable. As of the date of this Proxy Statement, our Board of Directors does not know of any other matter that is expected to be presented for consideration at the annual meeting.

Broker non-votes

A broker non-vote occurs when a broker submits a proxy card with respect to shares held in a fiduciary capacity (typically referred to as being held in "street name") but declines to vote on a particular matter because the broker has not received voting instructions from the beneficial owner. Under the rules that govern brokers who are voting with respect to shares held in street name, brokers have the discretion to vote such shares on routine matters, but not on non-routine matters. The ratification of auditors is a routine matter. The other matters to be addressed at the annual meeting, including the election of directors and the approval of the Consolidated Equity Incentive Plan are non-routine matters.

You may revoke your proxy and give a new proxy or vote in person

You may revoke your proxy at any time prior to the voting of that proxy. To revoke a prior proxy, you must do one of the following:

§ A properly executed proxy of a later date;

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§ An executed, written notice of revocation to the Inspector of Elections, at our principal executive offices, 206 Wild Basin South, Building B, Fourth Floor, Austin, Texas 78746; or

§ Attend the annual meeting and vote in person at the meeting.

Voting and quorum requirements at the meeting

The specific proposals to be considered and acted upon at the annual meeting are summarized in the accompanying notice and are described in more detail in this Proxy Statement. Only holders of record of shares of our common stock at the close of business on January 22, 2010 (the “record date”) are entitled to notice of and to vote at the annual meeting. On the record date, there were 27,310,795 shares of our common stock outstanding and no shares of our preferred stock outstanding. Each shareholder is entitled to one vote for each share of common stock held by such shareholder on the record date.

In order to have a meeting, it is necessary that a quorum be present. A quorum will be present if a majority of the shares of common stock are represented at the annual meeting in person or by proxy. Abstentions and broker non-votes will be counted for purposes of determining the presence or absence of a quorum. Abstentions and broker non-votes will not be counted as having voted either for or against a proposal.

With respect to proposal one, our bylaws provide that in an uncontested election, directors will be elected by a majority vote, meaning that a nominee will be elected to our Board of Directors if the number of votes cast “for” such nominee's election exceeds the number of votes cast “against” such nominee's election.

Any nominee who is not currently a member of our Board of Directors and who receives a greater number of votes “against” his or her election than “for” his or her election may not be elected to our Board of Directors. Additionally, each nominee who is standing for reelection at the annual meeting has tendered an irrevocable resignation from our Board of Directors that will take effect if the nominee does not receive the required majority vote and our Board of Directors accepts the resignation. If our Board of Directors accepts the resignation, the nominee will no longer serve on our Board of Directors, and if our Board of Directors rejects the resignation, the nominee will continue to serve until his or her successor has been duly elected and qualified or until his or her earlier disqualification, death, resignation, or removal. See “Corporate Governance Matters — Majority-Voting Standard for Director Elections” on page 8.

For all other matters, if a quorum is present, the following requirements must be met in order to approve the following proposals:

Proposal	Vote Required
Two	Affirmative vote of the holders of the majority of the shares represented at the meeting and who are entitled to vote on, and who vote for, against, or expressly abstain with respect to Proposal Two.
Three	Affirmative vote of the holders of a majority of the shares present or represented at the annual meeting, and that actually vote for or against Proposal Three.

All votes will be tabulated by the inspector of election appointed for the annual meeting, who will separately tabulate affirmative and negative votes, abstentions and broker non-votes (i.e., a proxy submitted by a broker or nominee specifically indicating the lack of discretionary authority to vote on the matter). Abstentions and broker non-votes will be counted as present for purposes of determining a quorum for the transaction of business but will not be counted for purposes of determining whether each proposal has been approved. If your shares are held in the name of a broker, trust bank, or other nominee, you will need to bring a proxy or letter from that broker, trust company, or nominee that confirms that you are the beneficial owner of those shares, and that such broker, trust company, or nominee has not voted those shares in any proxy submitted by it in connection with the annual meeting.

Solicitation of proxies

We are paying for all our costs incurred with soliciting proxies for the annual meeting. In addition to solicitation by mail, we may use our directors, officers and regular employees to solicit proxies by telephone or otherwise. Our directors, officers and regular employees will not be specifically compensated for these services. We will pay persons holding shares of common stock for the benefit of others, such as nominees, brokerage houses, banks, and other fiduciaries, for the expense of forwarding solicitation materials to the beneficial owner. In addition, we have retained Mackenzie Partners, Inc., a proxy solicitation firm, for assistance in connection with the annual meeting at a cost of approximately \$6,000 plus reasonable out-of-pocket expenses.

PROPOSAL ONE
ELECTION OF DIRECTORS

Nominees and Vote Required to Elect Nominees

A board of seven directors is to be elected at the annual meeting. Our bylaws provide that in an uncontested election, directors will be elected by a majority vote, meaning that a nominee will be elected to our Board of Directors if the number of votes cast “for” such nominee's election exceeds the number of votes cast “against” such nominee's election. See “Corporate Governance Matters — Majority-Voting Standard for Director Elections” on page 8. You may vote the number of shares of common stock you own for up to seven persons. Unless you otherwise instruct by marking your proxy card, the proxy holders will vote the proxies received by them FOR the election of each of the seven nominees named below. If any of the nominees is unable or declines to serve as a director at the time of the annual meeting, the proxies will be voted for any nominee designated by our present Board of Directors to fill the vacancy. We have no reason to believe that any of the nominees will be unable or unwilling to serve if elected. The term of office of each person elected as a director will continue until the next annual meeting of shareholders or until his successor has been elected and qualified.

Our bylaws set the size of our Board of Directors at seven members, or such other number as set from time-to-time by resolution of our Board of Directors. Following the annual meeting, our Board of Directors may increase the size of our Board of Directors and fill any resulting vacancy or vacancies. If our Board of Directors increases the size of our Board of Directors and elects a new director to fill the resulting vacancy, the new director must stand for election at the next year’s annual meeting.

The Nominating and Governance Committee, or the Governance Committee, has informed current director Emanuel R. Pearlman he will not be nominated to stand for re-election this year, and he has not objected.

The following table sets forth the nominees, their ages, their principal positions and the year in which each became a director. Each of the nominees was recommended for selection by the Governance Committee and approved by the unanimous vote of our independent directors.

Name of Nominee	Age	Positions and Offices	Director Since
Michael J. Maples, Sr. (1) (2)	67	Director, Chairman of the Board of Directors	2004
Stephen J. Greathouse (2)	58	Director	2009
Neil E. Jenkins (3)	60	Director	2006
Justin A. Orlando (3)	39	Director	2009
Robert D. Repass (2)	(1)49	Director	2002
Anthony M. Sanfilippo	51	President, Chief Executive Officer and Director	2008
Timothy S. Stanley	44	Director	n/a

- (1) Currently a member of the Governance Committee (Mr. Pearlman served as Chairman of the committee).
 (2) Currently a member of the Audit Committee (Mr. Repass serves as Chairman of the committee).
 (3) Currently a member of the Compensation Committee (Mr. Jenkins serves as Chairman of the committee).

Michael J. Maples, Sr. has been a director of ours since August 2004 and has served as Chairman of the Board of Directors since April 2006. Mr. Maples held various management positions at Microsoft Corporation from April 1988 to July 1995, including Executive Vice President of the Worldwide Products Group. As a member of the Office of the President at Microsoft, Mr. Maples reported directly to the Chairman. Previously, Mr. Maples served as Director of Software Strategy for International Business Machines Corp. and on the board of Motive, Inc., a service management software company. Mr. Maples also currently serves on the boards of Lexmark International, Inc., a laser and inkjet printer company, and Sonic Corp., an operator and franchisor of drive-in restaurants. Mr. Maples is currently a member of the Board of Visitors of the Engineering School at the University of Oklahoma and the College of Engineering Foundation Advisory Council at the University of Texas at Austin. Mr. Maples received a B.S. in Electrical Engineering from the University of Oklahoma and an MBA from Oklahoma City University.

Stephen J. Greathouse has been involved in the Las Vegas hotel and gaming industry for more than 30 years, and from 1997 to 2005, he served as Senior Vice President of Operations for the Mandalay Resort Group. Prior to his time at Mandalay, in 1997, Mr. Greathouse served as President of Boardwalk Hotel & Casino, Las Vegas, and from 1994 to 1997, he served as Chief Executive Officer and Chairman of the Board of Alliance Gaming Corporation, (renamed "Bally Technologies, Inc." in 2006). Mr. Greathouse spent 16 years with Harrah's, starting as a Race & Sports Book Manager in Reno and working his way up to President, Casino-Hotel Division. Mr. Greathouse previously served as a Commissioner for the Spending and Government Efficiency Commission (SAGE Commission), a privately funded, bi-partisan panel created to review state government operations that fall under the Executive Branch and to provide the Governor of Nevada with recommendations for streamlining operations, improving customer service, and maximizing the use of taxpayer dollars. Mr. Greathouse received a B.S. in Business Administration from the University of Missouri-Columbia.

Neil E. Jenkins has been a director of ours since October 2006. Since 2000, Mr. Jenkins has been an Executive Vice President and Secretary and the General Counsel for Lawson Products, Inc., a publicly traded industrial products company. From 1996 to 1999, Mr. Jenkins owned an SCH Golf Franchise that specialized in tours to Scotland and Ireland. Beginning in 1974, Mr. Jenkins began working in labor relations for Bally Manufacturing Corporation, and continued in the legal department, rising to the position of General Counsel, a capacity he served in from 1985 to 1992. In 1993, Mr. Jenkins became a member of Bally Gaming International's Executive Team, where he helped coordinate business development, legal, and licensing matters for Bally Manufacturing's gaming industry spin-off. Mr. Jenkins received a B.A. in Political Science from Brown University, a Juris Doctor degree from Loyola University Chicago School of Law, and a Master of Science degree in Financial Markets from the Center for Law & Financial Markets at the Illinois Institute of Technology.

Justin A. Orlando is a managing director of Dolphin Limited Partnerships, a private investment management firm focused on investing in undervalued public companies across a diverse set of industries. Previously, from 1999 to 2002, Mr. Orlando was a member of the healthcare investment banking group of Merrill Lynch, Pierce, Fenner & Smith Incorporated where he was involved in advisory work, financings, and control transactions. From 1996 to 1999, Mr. Orlando practiced corporate law with the law firm of Paul, Weiss, Rifkind, Wharton & Garrison LLP, focusing on mergers and acquisitions and corporate finance transactions. Mr. Orlando received a B.A. in History from the University of Chicago and a Juris Doctor degree from the Columbia University School of Law.

Robert D. Repass has been a director of ours since July 2002. In addition to his role as a director, Mr. Repass serves as Chairman of the Audit Committee. Mr. Repass was the managing partner of the Austin office of PricewaterhouseCoopers from December 1997 to March 2000, and from March 2000 until December 2001, Mr. Repass was a partner with TL Ventures, a Philadelphia based venture capital firm. From January 2002 until March 2002, Mr. Repass was a private consultant. Mr. Repass has also served as Vice President and Chief Financial Officer of Motion Computing, Inc., a mobile computing company, from April 2002 through February 2009. Mr. Repass is currently a partner with Maxwell, Locke & Ritter, an Austin based professional services firm. From January 2003 until December 2005, Mr. Repass served on the Board of Directors and as the Chairman of the Audit Committee of Bindview Development Corporation, a software company. Mr. Repass has over 20 years of public accounting, Securities and Exchange Commission and financial reporting experience. Mr. Repass received a B.S. in Accounting from Virginia Tech.

Anthony M. Sanfilippo joined us as President, Chief Executive Officer and director in June 2008. Mr. Sanfilippo brings to us more than 25 years of gaming industry experience. Prior to joining Multimedia Games, Mr. Sanfilippo was employed with Harrah's Entertainment, Inc. (Harrah's), the world's largest casino company and a provider of branded casino entertainment. While at Harrah's, Mr. Sanfilippo served as President of both the Western Division (2003 – 2004) and the Central Division (1997 – 2002 and 2004 – 2007), overseeing the operations of more than two dozen casino and casino-hotel destinations. Mr. Sanfilippo was also part of the senior management team that led the successful integration of numerous gaming companies acquired by Harrah's, including Jack Binion's Horseshoe

Casinos, the Grand Casino & Hotel brand, Players International, and Louisiana Downs Racetrack. In addition to his duties as divisional President, Mr. Sanfilippo was also President and Chief Operating Officer for Harrah's New Orleans and a member of the Board of Directors of Jazz Casino Corporation prior to its acquisition by Harrah's. Mr. Sanfilippo has directed tribal gaming operations in Arizona, California and Kansas, and has held gaming licenses in most states that offer legalized gambling.

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Timothy S. Stanley has over 20 years of business and technology leadership, and is currently the President of Tekexecs, an executive advisory and consultancy firm; and Founder of Innovatecs, a business innovation and execution firm. Previously, from December 2006 to January 2009, Mr. Stanley served as CIO and Senior Vice President of Innovation, Gaming and Technology for Harrah's Entertainment, Inc., the largest provider of branded casino entertainment in the world. From January 2003 to December 2006, he served as Harrah's Chief Information Officer and Senior Vice President, Information Technology; and from February 2001 to January 2003 as Vice President, Information Technology. Prior to Harrah's, Mr. Stanley was a Partner leading the Travel and Entertainment practice for USWeb; CIO & VP of Information Technology for National Airlines; and led various marketing, product and technology teams at Intel, Optima/KPMG, and Kimberly-Clark in the US and abroad. He currently serves as a board member and advisor to VIRSIX, a privately held interactive entertainment startup, and is a member of Tech Coast Angels. He received a B.S. in Engineering from the University of Washington, and a joint MBA / MOT degree in International Business & Technology Management from Arizona State University and Thunderbird Global School of Management.

Nominee Recommendations

All director nominees were approved by the Governance Committee for inclusion in our proxy card for the annual shareholders meeting.

The Governance Committee has proposed Timothy S. Stanley to stand as a nominee this year. The Governance Committee selected Mr. Stanley as a nominee after soliciting the names of potential nominees from management and the existing directors. Mr. Stanley's name was suggested by our Chief Executive Officer, Mr. Sanfilippo. Mr. Stanley was interviewed by existing directors and was asked to submit information concerning his experience and background. Upon completing this process, the Governance Committee determined that Mr. Stanley met or exceeded our director nominee criteria (see "Corporate Governance Matters - Director Nominations" on page 7), and, if elected, would strengthen the Board.

There are no family relationships among any of our executive officers and directors.

Agreement with Liberation Investments

Mr. Jenkins was originally appointed to our Board of Directors in October 2006, nominated for inclusion on the slate of candidates for election at the 2007 annual shareholders meeting and recommended by our Board of Directors to the shareholders for election at the 2007 annual meeting pursuant to an Agreement dated October 24, 2006, by and among us and Liberation Investments, L.P., a Delaware limited partnership, certain entities affiliated with Liberation Investments, L.P., former director Mr. Pearlman, an affiliate of Liberation Investments, L.P., and Mr. Jenkins. A copy of the agreement is attached as Exhibit 10.1 to a Current Report on Form 8-K filed by us with the Securities and Exchange Commission, or SEC, on October 26, 2006. The agreement does not require our Board of Directors' nomination of, or recommendation of a vote in favor of, Mr. Jenkins for election as a director at the 2010 annual shareholders meeting, and our Board of Directors' nomination and recommendation of Mr. Jenkins for election as a director at the 2010 annual shareholders meeting has not been made pursuant to any obligation arising under such agreement or any other agreement.

Recommendation of Our Board of Directors

Our Board of Directors recommends that the shareholders vote "FOR" the nominees named above.

CORPORATE GOVERNANCE

Determination of Independence

Our Board of Directors has determined that Messrs. Maples, Repass, Jenkins, Pearlman, Orlando, Greathouse and Stanley each qualify as “independent” directors under applicable Marketplace Rules of the Nasdaq Stock Market, Inc. currently in effect (the “Nasdaq Marketplace Rules”). Therefore, a majority of the members of our Board of Directors are “independent” as such term is defined in such Marketplace Rules. In addition, our Board of Directors has reviewed and considered facts and circumstances relevant to the independence of such members and has determined that such members are independent.

The independent directors have committed to hold formal meetings, separate from management, which they intend to hold at least four times a year.

Meetings of Our Board of Directors

During our fiscal year ended September 30, 2009, our Board of Directors held 14 meetings and acted by unanimous written consent one time. During that period, no director attended fewer than 75% of the aggregate of (i) the total number of meetings of our Board of Directors held during the period for which he was a director, and (ii) the total number of meetings held by all committees of our Board of Directors during the period that he served on such committees.

Committees of Our Board of Directors

Our Board of Directors has three standing committees: the Audit Committee; the Compensation Committee; and the Governance Committee. Currently, all of the members of each of our committees are “independent,” as determined by our Board of Directors and in accordance with Nasdaq Marketplace Rules. In addition, each member of the Audit Committee also satisfies the independence requirements of Rule-10A3(b)(1) of the SEC rules promulgated under the Securities Exchange Act of 1934, as amended, or the 1934 Act.

Audit Committee. The Audit Committee is currently comprised of Messrs. Repass, Maples, and Greathouse. Mr. Repass serves as the Chairman of the Audit Committee. The Audit Committee operates under a written charter adopted by our Board of Directors, a current copy of which is located on our website under the “Investor Relations” page. Our Internet website address is <http://www.multimedialogames.com>. A copy of the charter will also be made available free of charge upon written request made to our Corporate Secretary, at 206 Wild Basin Road South, Building B, Fourth Floor, Austin, Texas 78746. The primary purpose of the Audit Committee is to assist our Board of Directors in monitoring:

- § The integrity of our financial statements;
- § The independent registered accountants’ qualifications and independence; and
- § The performance of our independent registered public accountants.

The Audit Committee is also directly responsible for the appointment, compensation, retention, and oversight of the work of our independent registered public accountants, BDO Seidman, LLP, and the preparation of the Audit Committee Report, which is included elsewhere in this Proxy Statement. Our independent registered public accountants report directly to the Audit Committee.

The Audit Committee, consistent with the Sarbanes-Oxley Act of 2002 and the rules adopted thereunder, meets with management and the auditors prior to the filing of all periodic reports under the 1934 Act, and prior to the filing of officers’ certifications with the SEC to receive information concerning, among other things, significant deficiencies, if

any, in the design or operation of our internal controls.

All Audit Committee members are “independent” as defined and required under the Nasdaq listing standards and the rules and regulations of the SEC. All Audit Committee members also possess the level of financial literacy required by all applicable laws and regulations. Our Board of Directors has determined that at least one member of the Audit Committee, Mr. Repass, is a “financial expert,” and that Mr. Repass is “independent” as defined by the rules and regulations of the SEC. The Audit Committee Charter has been amended to specifically state all of the Audit Committee responsibilities set forth in Rule 10A-3(b)(2), (3), (4) and (5) of the rules and regulations promulgated under the 1934 Act. The Audit Committee met seventeen times during our fiscal year ended September 30, 2009.

Compensation Committee. The Compensation Committee currently is comprised of Messrs. Jenkins, Pearlman and Orlando. Mr. Jenkins serves as the Chairman of the Compensation Committee. The Compensation Committee is charged with the responsibility of determining (or recommending to the independent members of our Board of Directors to determine) the compensation of all executive officers, including our Chief Executive Officer, and directors.

In June 2004, our Board of Directors approved a charter of the Compensation Committee, a current copy of which is located on our website under the “Investor Relations” page. Our Internet website address is <http://www.multimediasgames.com>. A copy of the charter of the Compensation Committee will also be made available free of charge upon written request made to our Corporate Secretary, at 206 Wild Basin Road South, Building B, Fourth Floor, Austin, Texas 78746. During our fiscal year ended September 30, 2009, the Compensation Committee met twelve times.

Nominating and Governance Committee. The Governance Committee is currently comprised of Messrs. Maples, Repass, and Pearlman. Mr. Pearlman currently serves as Chairman of the Governance Committee. The primary purpose of the Governance Committee is to identify and recommend to our Board of Directors individuals who are qualified to become members of our Board of Directors and the committees of our Board of Directors. The Governance Committee is also responsible for recommending to our Board of Directors corporate governance principles, providing oversight of the annual performance review process of our Board of Directors and the committees of our Board of Directors, and facilitating interaction between our management and our Board of Directors and committees of our Board of Directors.

All members of the Governance Committee meet the test for independence set forth in the Nasdaq Marketplace Rules. In September 2009, our Board of Directors approved a Charter of the Governance Committee, a current copy of which is located on our website under the “Investor Relations” page. Our Internet website address is <http://www.multimediasgames.com>. A copy of the charter of the Governance Committee will also be made available free of charge upon written request made to our Corporate Secretary, at 206 Wild Basin Road South, Building B, Fourth Floor, Austin Texas 78746. The Governance Committee met four times during our fiscal year ended September 30, 2009.

Director Nominations

Our directors play a critical role in guiding our strategic direction and overseeing the management of our business. The Governance Committee’s goal is to assemble a Board of Directors that brings to us a variety of perspectives and skills derived from high quality business and professional experience. Board of Director candidates are considered based upon various criteria, such as their business and professional skills and experiences, personal and professional ethics, integrity and values, long-term commitment to representing the best interests of our shareholders and inquisitive and objective perspective and mature judgment. Additionally, director candidates must have sufficient time available to perform all Board of Directors and committee responsibilities. When reviewing potential director candidates, the Governance Committee considers the following factors:

- § The appropriate size of our Board of Directors and its committees;
- § The perceived needs of our Board of Directors for particular skills, background, and business experience;
- § The skills, background, reputation, and business experience of nominees in relation to the skills, background, reputation, and business experience already possessed by other members of our Board of Directors;
 - § Nominees’ independence from management;
 - § Nominees’ experience with accounting rules and practices;
 - § Nominees’ background with regard to executive compensation;
- § Applicable regulatory and listing requirements, including independence requirements and legal considerations, such as antitrust compliance;
 - § The benefits of a constructive working relationship among directors; and
- § The desire to balance the considerable benefit of continuity with the periodic injection of the fresh perspective provided by new members.

The Governance Committee may also consider from time to time, such other factors as it may deem to be in the best interests of our business and shareholders. Other than considering the factors listed above, we have no stated

minimum criteria for director nominees. The Governance Committee does, however, believe it appropriate for at least one member of our Board of Directors to meet the criteria for an “Audit Committee financial expert” as defined by SEC rules, and that a majority of the members of our Board of Directors meet the definition of “independent” director under Nasdaq Marketplace Rules.

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The Governance Committee will review the qualifications and backgrounds of the current directors, as well as the overall composition of our Board of Directors, and recommend to our full Board of Directors the slate of directors to be nominated for election at the annual meeting of shareholders. In the case of incumbent directors whose terms of office are set to expire, the Governance Committee reviews such directors to determine whether to recommend these directors for re-election. In the case of new director candidates, the questions of independence and financial expertise are important to determine what roles can be performed by the candidate, and the Governance Committee determines whether the candidate meets the independence standards set forth in the Sarbanes-Oxley Act of 2002, and SEC and Nasdaq rules, and the level of the candidate's financial expertise. Candidates for nomination as director come to the attention of the Governance Committee from time to time through incumbent directors, management, shareholders, or third parties. These candidates may be considered at meetings of the Governance Committee at any point during the year. The evaluation process may also include interviews and additional background and reference checks for non-incumbent nominees, at the discretion of the Governance Committee.

Pursuant to the Governance Committee Charter, the Governance Committee will consider nominees recommended by shareholders. Any shareholder wishing to recommend a director candidate for consideration by the Governance Committee must provide written notice not later than September 30, 2010, to our Corporate Secretary at 206 Wild Basin Road South, Building B, Fourth Floor, Austin Texas 78746.

Director Attendance at Annual Meetings

Our policy is that all directors attend our annual meetings of shareholders either in person or telephonically. We take great care in scheduling meetings at times when all of our directors are available to attend such meetings either in person or telephonically. At our last annual shareholders meeting, which was held on April 6, 2009, all of our then-current directors attended in-person.

Majority-Voting Standard for Director Elections

Our Bylaws require that we use a majority-voting standard in uncontested director elections and contain a resignation requirement for directors who fail to receive the required majority vote. Under the majority-voting standard, a director nominee should receive more votes cast "for" than "against" his or her election in order to be elected to our Board of Directors. Any nominee who is not currently a member of our Board of Directors and who receives a greater number of votes "against" his or her election than "for" his or her election will not be elected to our Board of Directors. Additionally, in accordance with the majority-voting standard and resignation requirement, each nominee who is standing for reelection at the annual meeting has tendered an irrevocable resignation from our Board of Directors that will take effect if the nominee does not receive the required majority vote and our Board of Directors accepts the resignation. If an incumbent director fails to receive the required vote for re-election, the Governance Committee will act on an expedited basis to determine whether to accept the director's resignation and will submit such recommendation for prompt consideration by our Board of Directors. Our Board of Directors expects the director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Governance Committee and Board of Directors may consider any factors they deem relevant in deciding whether to accept a director's resignation. If our Board of Directors accepts the resignation, the nominee will no longer serve on our Board of Directors, and if our Board of Directors rejects the resignation, the nominee will continue to serve until his or her successor has been duly elected and qualified or until his or her earlier disqualification, death, resignation, or removal.

Shareholder Communications with Our Board of Directors

Shareholders may communicate with our Board of Directors by transmitting correspondence by mail to the address below, or electronically through the "Investor Relations – Corporate Governance Communications" form located on our website, which is www.multimediasgames.com.

Multimedia Games, Inc.
ATTN: Chairman of the Board of Directors
206 Wild Basin Road South
Building B, Fourth Floor
Austin, Texas 78746

The communications will be transmitted to the appropriate leadership of our Board of Directors as soon as practicable, unless our Corporate Secretary, in consultation with our legal counsel, determines there are safety or security concerns that mitigate against further transmission of the communication. Our Board of Directors shall be advised of any communication withheld for safety or security reasons as soon as practicable.

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Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics applicable to our officers, directors, and employees and which includes a separate, additional Code of Ethics for our principal executive officer, principal financial officer, and principal accounting officer. This code, including the separate, additional code for our principal executive officer, principal financing officer, and principal accounting officer, is available free of charge by writing to our Corporate Secretary at 206 Wild Basin Road South, Building B, Fourth Floor, Austin, Texas 78746, or is publicly available on the “Investor Relations” page (under Corporate Governance) of our Internet website located at <http://www.multimedialogames.com>. If we make any amendments to this code other than technical, administrative, or other non-substantive amendments, or grant any waivers, including implicit waivers, from a provision of the code to our principal executive officer, principal financial officer, principal accounting officer, or controller, or other persons performing similar functions that requires disclosure by law or Nasdaq listing standard, we will disclose the nature of the amendment or waiver, its effective date and to whom it applies on our website or in a report on Form 8-K filed with the SEC.

Director Compensation and Indemnification

We maintain a plan to compensate the members of our Board of Directors for their services as directors, including serving on committees of our Board of Directors. Under the Director Compensation Plan, each of our directors receives \$37,500 per year, except for the Chairman of our Board of Directors, who receives \$75,000 per year. In addition, each director receives \$500 for each Board of Directors meeting attended in person and \$250 for each Board of Directors meeting attended by telephone. Directors also receive the following amounts for serving on committees of our Board of Directors:

Audit Committee. The members of the Audit Committee each receive an additional \$15,000 per year for serving on the Audit Committee, except for the Chairman of the Audit Committee, who receives \$25,000 per year for serving on the Audit Committee as its chairman. Each Audit Committee member also receives \$400 for each Audit Committee meeting attended in person and \$200 for each Audit Committee meeting attended by telephone.

Nominating and Governance Committee. The members of the Governance Committee each receive an additional \$7,500 per year for serving on the Governance Committee, except for the Chairman of the Governance Committee, who receives \$15,000 per year for serving on the Governance Committee as its chairman. Each Governance Committee member also receives \$400 for each Governance Committee meeting attended in person and \$200 for each Governance Committee meeting attended by telephone.

Compensation Committee. The members of the Compensation Committee each receive \$15,000 per year for serving on the Compensation Committee, except for the Chairman of the Compensation Committee, who receives \$25,000 per year for serving on the Compensation Committee as its chairman. Each Compensation Committee member also receives \$400 for each Compensation Committee meeting attended in person and \$200 for each Compensation Committee meeting attended by telephone.

Other Committees of Our Board of Directors. The members of any other committee of our Board of Directors which may be established from time to time, each receive an additional \$5,000 per year for serving on any such committee, except for the chairman of any such committee, who receives \$10,000 per year for serving as chairman. Each member of any such committee also receives \$400 for each meeting of such committee attended in person and \$200 for each meeting of such committee attended by telephone.

In general, each sitting outside director will receive an option grant on an annual basis for 10,000 shares of common stock that will vest six months from the date of grant, subject to restrictions which prevent the sale of shares issuable upon exercise of such options. These restrictions on the sale of the underlying shares lapse with respect to 25% of the

shares annually.

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Our Articles of Incorporation, as amended, limit the personal liability of our directors for breaches of fiduciary duties. Our Bylaws require us to indemnify our directors to the fullest extent permitted by Texas law. We have entered into indemnification agreements with our directors and officers. These indemnification agreements are intended to permit indemnification of our directors and officers to the fullest extent now or hereafter permitted by the Texas Business Organizations Code.

**DIRECTOR COMPENSATION TABLE FOR OUR
FISCAL YEAR ENDED SEPTEMBER 30, 2009**

The following table provides a summary of total compensation paid to the Company's non-employee directors during the fiscal year ended September 30, 2009.

Name	Fees Earned or Paid in Cash (1) (\$)	Stock Awards (\$)	Option Awards (2)(3)(4)(5) (\$)	All Other Compensation (\$)	Total (\$)
Neil E. Jenkins	71,450	–	26,861	–	98,311
Michael J. Maples, Sr. (6)	108,900	–	26,861	–	135,761
Emanuel R. Pearlman	78,050	–	26,861	–	104,911
Robert D. Repass	81,800	–	26,861	–	108,661
John M. Winkelman (7)	39,550	–	26,861	–	66,411
Stephen J. Greathouse	31,500	–	11,854	–	43,354
Justin A. Orlando	31,500	–	11,854	–	43,354

- (1) Reflects the amount of cash compensation earned by directors, including annual retainers for Board of Directors and committee service, and meeting fees.
- (2) Represents the dollar amount recognized for financial statement reporting purposes with respect to fiscal year ended September 30, 2009 in accordance with ASC Topic 718 "Compensation-Stock Comparison" (formerly SFAS No. 123(R) "Share Based Payment"), disregarding any estimate of forfeitures related to serviced-based vesting conditions. The fair value was estimated using the Black-Scholes option pricing model in accordance with ASC Topic 718 "Compensation-Stock Comparison" (formerly SFAS No. 123(R) "Share Based Payment").
- (3) Note 1, "Summary of Significant Accounting Policies," in the Notes to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009 sets forth the relevant assumptions used to determine the valuation of our option awards.
- (4) For each director the grant date fair value for each option award granted during fiscal year ended September 30, 2009 (computed in accordance with ASC Topic 718 "Compensation-Stock Comparison" (formerly SFAS No. 123(R) "Share Based Payment")) was as follows: Mr. Jenkins \$26,861; Mr. Maples \$26,861; Mr. Pearlman \$26,861; Mr. Repass \$26,861; Mr. Winkelman \$26,861; Mr. Greathouse \$11,854; Mr. Orlando \$11,854.
- (5) As of September 30, 2009, each of our non-employee directors had the following number of outstanding options: Mr. Jenkins 30,000; Mr. Maples 77,500; Mr. Pearlman 30,000; Mr. Repass 202,500; Mr. Winkelman 222,000; Mr. Greathouse 10,000; Mr. Orlando 10,000.
- (6) Mr. Maples serves as the Company's non-executive Chairman of the Board of Directors.
- (7) Mr. Winkelman did not stand for re-election at the April 6, 2009 meeting of shareholders. His directorship terminated as of that date.

Compensation Committee Interlocks and Insider Participation

During the fiscal year ended September 30, 2009, the Compensation Committee of our Board of Directors consisted of Mr. Jenkins, Mr. Pearlman and Mr. Orlando. Mr. Orlando filled the vacancy on the Compensation Committee of the

Board of Directors caused by Mr. Winkelman's decision not to stand for re-election at the April 6, 2009 meeting of shareholders. None of these individuals has served at any time as an officer or employee of the Company or is an Executive Officer at any company where an Executive Officer of the Company serves on the Compensation Committee.

PROPOSAL TWO
APPROVAL OF CONSOLIDATED EQUITY INCENTIVE PLAN

We are asking you to approve the Multimedia Games Consolidated Equity Incentive Plan (the “Consolidated Plan”) which the Board adopted effective January 25, 2010. The primary purpose of the Consolidated Plan is to ease our company’s administration of its equity incentive programs by combining the share reserves currently available under our “Prior Plans” (defined below) into the Consolidated Plan. In that regard, we specifically note that we are not requesting the reserve of shares additional to those shares already reserved under our Prior Plans. The maximum number of common shares that may be issued or transferred pursuant to awards under the Consolidated Plan equals 1,161,213, plus the amount of common shares subject to outstanding awards under the Prior Plans that expire, are terminated or are cancelled without having been exercised or settled in full. Upon shareholder approval of the Consolidated Plan, the Prior Plans will become frozen so that no further awards can be made under the Prior Plans. The Prior Plans and their share reserves are as follows:

Prior Plans	Available Share Reserve as of December 31, 2009
2000 Stock Option Plan	1,215
2001 Stock Option Plan	212,098
2002 Stock Option Plan	200,414
2003 Outside Director Stock Option Plan	652,500
2008 Employment Inducement Award Plan	94,986
Total:	1,161,213

Another purpose of the Consolidated Plan is to promote the success and enhance the value of our company by linking the personal interests of employees and the members of our Board to those of our shareholders. We believe that to be successful, our employees need to think like owners. Consistent with this philosophy, our equity program continues to be broad-based to provide us with a competitive advantage in our efforts to hire and retain top talent. In order to continue to make grants of equity in accordance with the compensation philosophy adopted by the Compensation Committee, our Compensation Committee and the Board have approved and are asking you to approve the Consolidated Plan.

The Consolidated Plan is drafted to comply with Section 162(m) of the U.S. Internal Revenue Code, as amended (“Code”), which generally disallows a tax deduction to public companies for certain compensation in excess of \$1 million paid to certain of our executive officers unless such compensation is based on objective performance goals that are approved by our shareholders. To qualify under Section 162(m), the material terms under which the particular performance-based compensation is to be paid, including (1) the performance goals, (2) the group of employees whose compensation would be subject to the performance goals, and (3) the maximum amount payable to an executive officer, must be disclosed to, and approved by, our shareholders. Section 162(m) requires that the disclosure to our shareholders be specific enough for them to determine the maximum amount of compensation that could be payable to the employee under a performance goal during a specified period.

Material Terms of the Consolidated Plan

The material terms are as follows:

Authorized Shares; Limits on Awards; Lapsed Awards. The maximum number of common shares that may be issued or transferred pursuant to awards under the Consolidated Plan equals 1,161,213, plus the amount of common shares subject to outstanding awards under the Prior Plans that expire, are terminated or are cancelled without having been exercised or settled in full. The maximum number of shares that may be subject to incentive stock option treatment is 1,161,213. The total number of shares that may be issued for awards to any single participant during a calendar year (i) for stock options and Stock Appreciation Rights ("SARs") is 580,606, (ii) for restricted stock, restricted stock units performance shares, performance units and other stock-based awards (excluding stock options and SARs) is 580,606, and (iii) for cash awards is \$2,000,000.

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Eligible. Persons eligible to receive awards under the Consolidated Plan include our officers, employees, consultants and member of our Board. The Administrator determines from time to time the participants to whom awards will be granted.

Performance Goals. The performance goals for awards intended to qualify as “performance-based compensation” under Section 162(m) will be based on measurable and attainable financial targets selected by the compensation committee from the following list with respect to the company or its subsidiaries, divisions or other business units: net income; cash flow; cash flow on investment; pre-tax or post-tax profit levels or earnings; operating income or earnings; return on investment; earned value added; expense reduction levels; free cash flow; free cash flow per share; earnings per share; net earnings per share; net earnings from continuing operations; sales growth; sales volume; economic profit; expense reduction; controlled expenses; return on assets; return on net assets; return on equity; return on capital; return on sales; return on invested capital; organic revenue; growth in managed assets; total shareholder return; stock price; stock price appreciation; EBITA; adjusted EBITA; EBITDA; adjusted EBITDA; return in excess of cost of capital; profit in excess of cost of capital; net operating profit after tax; operating margin; profit margin; adjusted revenue; revenue; net revenue; operating revenue; net cash provided by operating activities; net cash provided by operating activities per share; cash conversion percentage; new sales; net new sales; cancellations; gross margin; gross margin percentage; and revenue before deferral.

Material Features of the Consolidated Plan

The following summary of the principal terms of the Consolidated Plan is qualified in its entirety by the full text of such Consolidated Plan, which has been filed as an exhibit to this Proxy Statement that was filed electronically with the SEC and can be reviewed on the SEC’s website at www.sec.gov. You may also obtain, free of charge, a copy of the Consolidated Plan by writing to our Corporate Secretary at Multimedia Games, Inc., 206 Wild Basin Road South, Building B, Austin, Texas 78746.

Purpose. The purpose of our Consolidated Plan is to attract and retain employees by providing them with additional incentives, and to promote the success of our company's business.

Administration. Our Board or one or more committees appointed by our Board will administer the Consolidated Plan. For this purpose our Board has delegated general administrative authority for the Consolidated Plan to the Compensation Committee. A committee may delegate some or all of its authority with respect to the Consolidated Plan to another committee of directors and may delegate certain limited award grant authority to one or more officers of our company. (The appropriate acting body, be it our board of directors, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this summary as the “Administrator.”) The Administrator determines the number of shares that are subject to awards and the terms and conditions of such awards, including the price (if any) to be paid for the shares or the award. Along with other authority granted to the Administrator under the Consolidated Plan, the Administrator may (i) determine fair market value, (ii) select recipients of awards, (iii) determine the number of shares subject to awards, (iv) approve form award agreements, (v) determine the terms and conditions of awards, (vi) amend outstanding awards, and (vii) allow participants to satisfy withholding tax obligations through a reduction of shares.

Adjustments or Changes in Capitalization. In the event of any change in the outstanding shares of common stock by reason of a stock split, stock dividend or other non-recurring dividends or distributions, recapitalization, merger, consolidation, spin-off, combination, repurchase or exchange of stock, reorganization, liquidation, dissolution or other similar corporate transaction that affects our common stock, the aggregate number of shares of common stock available under the Consolidated Plan or subject to outstanding awards (including the exercise price of any awards) will be adjusted as the Administrator deems necessary or appropriate. In addition the Administrator may adjust the terms and conditions of awards in recognition of unusual or nonrecurring events affecting us or in response to changes in applicable laws, regulations or accounting principles.

Incentive Awards. The Consolidated Plan authorizes stock options, SARs, restricted stock, restricted stock units, performance-based awards, as well as other awards (described in the Consolidated Plan) that are responsive to changing developments in management compensation. The Consolidated Plan retains the flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Any award may be paid or settled in cash. An option or SAR will expire, or other award will vest in accordance with the schedule set forth in the applicable award agreement.

Stock Option. A stock option is the right to purchase common shares at a future date at a specified price per share generally equal to, but no less than, the fair market value of a share on the date of grant. An option may either be an Incentive Stock Option (“ISO”) or a nonstatutory stock option (“NSO”). ISO benefits are taxed differently from NSOs, as described under “Federal Income Tax Treatment of Awards under the Consolidated Plan,” below. ISOs also are subject to more restrictive terms and are limited in amount by the Code and the Consolidated Plan. Full payment for shares purchased on the exercise of any option must be made at the time of such exercise in a manner approved by the Administrator.

SARs. A SAR is the right to receive payment of an amount equal to the excess of the fair market value of a common share on the date of exercise of the SAR over the base price of the SAR. The base price will be established by the Administrator at the time of grant of the SAR but will not be less than the fair market value of a share on the date of grant. SARs may be granted in connection with other awards or independently.

Restricted Stock. A restricted stock award is typically for a fixed number of common shares subject to restrictions. The Administrator specifies the price, if any, the participant must pay for such shares and the restrictions (which may include, for example, continued service and/or performance standards) imposed on such shares. A stock bonus may be granted by the Administrator to any eligible person to reward exceptional or special services, contributions or achievements in the manner and on such terms and conditions (including any restrictions on such shares) as determined from time to time by the Administrator. The number of shares so awarded shall be determined by the Administrator and may be granted independently or in lieu of a cash bonus.

Restricted Stock Units. A restricted stock unit is similar to a SAR except that it entitles the recipient to receive an amount equal to the fair market value of a common share.

Acceleration of Awards; Possible Early Termination of Awards. Subject to the terms of the award agreement, upon a change in control of our company, outstanding awards under the Consolidated Plan will be assumed or substituted on the same terms. However, if the successor corporation does not assume or substitute the outstanding awards, then vesting of these awards will fully accelerate, and in the case of options or stock appreciation rights, will become immediately exercisable. For this purpose a change in control is defined to include certain changes in the majority of our Board, the sale of all or substantially all of our company's assets, and the consummation of certain mergers or consolidations.

Transfer Restrictions. Subject to certain exceptions, awards under the Consolidated Plan are not transferable by the recipient other than by will or the laws of descent and distribution and are generally exercisable, during the recipient's lifetime, only by him or her.

Termination of or Changes to the Consolidated Plan. Our Board may amend or terminate the Consolidated Plan at any time and in any manner. Unless required by applicable law or listing agency rule, shareholder approval for any amendment will not be required. Unless previously terminated by our Board, the Consolidated Plan will terminate on March 23, 2020. Generally speaking, outstanding awards may be amended, subject, however, to the consent of the holder if the amendment materially and adversely affects the holder.

Federal Income Tax Treatment of Awards under the Consolidated Plan

Federal income tax consequences (subject to change) relating to awards under the Consolidated Plan are summarized in the following discussion. This summary is not intended to be exhaustive and, among other considerations, does not describe the deferred compensation provisions of Section 409A of the Code to the extent an award is subject to and does not satisfy those rules, nor does it describe state, local, or international tax consequences.

For “NSOs”, our company is generally entitled to deduct (and the optionee recognizes taxable income in) an amount equal to the difference between the option exercise price and the fair market value of the shares at the time of exercise. For ISOs, our company is generally not entitled to a deduction nor does the participant recognize income at the time of exercise. The current federal income tax consequences of other awards authorized under the Consolidated Plan generally follow certain basic patterns: SARs are taxed and deductible in substantially the same manner as NSOs; nontransferable restricted stock subject to a substantial risk of forfeiture results in income recognition equal to the excess of the fair market value over the price paid (if any) only at the time the restrictions lapse (unless the recipient elects to accelerate recognition as of the date of grant); bonuses and performance share awards are generally subject to tax at the time of payment; cash-based awards are generally subject to tax at the time of payment; and compensation otherwise effectively deferred is taxed when paid. Our company will generally have a corresponding deduction at the time the participant recognizes income. However, as for those awards subject to ISO treatment, our company would generally have no corresponding compensation deduction.

If an award is accelerated under the Consolidated Plan in connection with a change in control (as this term is used under the Code), our company may not be permitted to deduct the portion of the compensation attributable to the acceleration (“parachute payments”) if it exceeds certain threshold limits under the Code (and certain related excise taxes may be triggered). Furthermore, the aggregate compensation in excess of \$1,000,000 attributable to awards which are not “performance-based” within the meaning of Section 162(m) of the Code may not be permitted to be deducted by our company in certain circumstances.

New Plan Benefits

Awards are subject to the discretion of the Administrator. Therefore, it is not possible to determine the benefits that will be received in the future by participants in the Consolidated Plan.

Equity Compensation Plan Information

The following provides certain aggregate information with respect to our equity compensation plans in effect as of December 31, 2009.

Plan Category(1)	Number of securities to be issued upon exercise of outstanding options, warrants, and rights (#)	Weighted-average exercise price of outstanding options, warrants, and right (\$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in the first column) (#)
Equity compensation plans approved by security holders (1)	4,306,359	\$ 6.26	1,066,227
Equity compensation plans not approved by security holders (2)	2,465,014	4.40	94,986
Total	6,771,373	\$ 5.59	1,161,213

(1) Includes the 1996 Stock Incentive Plan, 2000 Stock Option Plan, the 2001 Stock Option Plan, the 2002 Stock Option Plan, and the 2003 Outside Director Stock Option Plan.

(2) Represents 94,986 shares of common stock reserved for issuance under our 2008 Employment Inducement Plan.

Vote Required

The affirmative vote of the holders of the majority of the shares entitled to vote on, and who vote for, against, or expressly abstain with respect to Proposal Two, is required to approve adoption of the Consolidated Equity Incentive Plan.

Recommendation of Our Board of Directors

Upon the recommendation of the Compensation Committee, our Board of Directors recommends that the shareholders vote “FOR” the approval of the Consolidated Equity Incentive Plan.

PROPOSAL THREE
RATIFICATION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTANTS

The Audit Committee of our Board of Directors has selected BDO Seidman, LLP as independent registered public accountants to audit our consolidated financial statements for the fiscal year ending September 30, 2010. BDO Seidman, LLP has served as our independent registered public accountants since their appointment in our 1999 fiscal year. A representative of BDO Seidman, LLP is expected to be present at the annual meeting, with the opportunity to make a statement if the representative desires to do so, and is expected to be available to respond to appropriate questions.

	Year Ended 2009	Year Ended 2008
Audit Fees	\$ 694,048	\$ 892,947
Audit-Related Fees	128,500	145,000
Tax Fees	132,349	128,251
All Other Fees	—	—
Total	\$ 934,897	\$ 1,166,198

Audit Fees. Audit Fees represent fees for professional services provided in connection with the audit of our annual financial statements and of management’s assessment and the operating effectiveness of internal control over financial reporting including in our Form 10-K, the quarterly reviews of financial statements included in our Form 10-Q filings and other statutory or regulatory filings.

Audit-Related Fees. Audit-Related Fees are fees for assurance and related services. This category includes fees related to assistance in employee benefit and compensation plan audits, SAS 70 audits and consulting on financial accounting/reporting standards.

Tax Fees. Tax Fees primarily include professional services performed with respect to preparation and review of our original and amended tax returns and those of our consolidated subsidiaries, and for state, local and international tax consultation. Tax fees also include professional fees related to research and development tax credit studies.

All Other Fees. All other Fees includes the aggregate fees for products and services provided by BDO Seidman, LLP that are not reported under “Audit Fees,” “Audit Related Fees” or “Tax Fees.” There were no other fees in the fiscal years ended September 30, 2009 and 2008.

The Audit Committee has also adopted procedures for pre approving all audit and non-audit services provided by BDO Seidman, LLP. These procedures include reviewing a budget for audit and permitted non-audit services. The budget includes a description of, and a budgeted amount for, particular categories of non-audit services that are recurring in nature, and therefore anticipated at the time the budget is submitted. Audit Committee approval is required to exceed the budget amount for a particular category of non-audit services, and to engage the independent auditor for any non-audit services not included in the budget. For both types of pre-approval, the Audit Committee considers whether such services are consistent with the SEC’s rules on auditor independence. The Audit Committee has considered whether the provision by BDO Seidman, LLP of non-audit services included in the fees set forth in the table above is compatible with maintaining the independence of BDO Seidman, LLP, and has concluded that such services are compatible with BDO Seidman, LLP’s independence as our auditors.

Shareholder ratification of the appointment of BDO Seidman, LLP as our independent registered public accountants is not required by our bylaws or other applicable legal requirement. However, the appointment of BDO Seidman, LLP is being submitted to the shareholders for ratification. If the shareholders fail to ratify the appointment, the Audit

Committee will reconsider whether or not to retain the firm. Even if the appointment is ratified, the Audit Committee at its discretion may direct the appointment of a different independent registered public accountant at any time during the year if it determines that such a change would be in the best interests of the Company and its shareholders.

Vote Required

Affirmative vote of the holders of a majority of the shares present or represented at the annual meeting, and that actually vote for or against Proposal Three.

Recommendation of Our Board of Directors

Upon the recommendation of the Audit Committee, our Board of Directors recommends that the shareholders vote “FOR” the ratification of BDO Seidman, LLP as our independent registered public accountants for our fiscal year ending September 30, 2010.

OTHER MATTERS

We know of no other matters to be submitted to the shareholders at the annual meeting. If any other matters properly come before the annual meeting, it is the intention of the persons named in the enclosed proxy to vote the shares they represent as our Board of Directors may recommend, or, in the absence of a recommendation, as such persons deem advisable. Discretionary authority with respect to such matters is granted by execution of the enclosed proxy.

OWNERSHIP OF SECURITIES

Security Ownership of Management and Certain Beneficial Owners

The following table sets forth information known to us with respect to the beneficial ownership of our common stock as of January 22, 2010 by (i) each person known by us to own beneficially more than 5% of the outstanding shares of our common stock, (ii) each director and director nominee, (iii) each Named Executive Officer as identified on page 22, and (iv) all of our directors and executive officers as a group:

Beneficial Owner (1)	Number of Shares Beneficially Owned	Percent of Class (2)
Baupost Group LLC/MA	2,600,000(3)	9.5%
PAR Investment Partners, L.P.	2,344,723(4)	8.6%
Dolphin Limited Partnership III, L.P.	1,887,935(5)	6.9%
Dimensional Fund Advisors, Inc.	1,767,623(6)	6.5%
Epoch Investment Partners, Inc.	1,624,383(7)	6.0%
Anthony M. Sanfilippo	2,061,800(8)	7.1%
Randy S. Cieslewicz	0	*
Adam D. Chibib	298,333(9)	1.1%
Patrick J. Ramsey	365,000(10)	1.3%
Virginia E. Shanks	310,000(11)	1.1%
Uri L. Clinton	325,000(12)	1.1%
Michael J. Maples, Sr.	107,500(13)	*
Robert D. Repass	202,500(14)	*
Neil E. Jenkins	30,000(15)	*
Emanuel R. Pearlman	50,160(16)	*
Justin A. Orlando	1,897,935(17)	7.0%
Stephen J. Greathouse	35,000(18)	*
All executive officers and directors (13 persons) as a group	5,933,228(19)	19.3%

*

Represents beneficial ownership of less than one percent.

- (1) Unless otherwise noted, the address for all officers and directors is the address of our principal executive offices at 206 Wild Basin Road South, Building B, Fourth Floor, Austin, Texas 78746.
- (2) Percentages of ownership are based on 27,310,795 shares of common stock outstanding on January 22, 2010. Shares of common stock subject to stock options which are currently exercisable or will become exercisable within 60 days after January 22, 2010, are deemed outstanding for computing the percentage for the person or group holding such options, but are not deemed outstanding for computing the percentage for any other person or group.
- (3) Pursuant to Schedule 13G/A dated February 12, 2009, filed with the Securities and Exchange Commission, Baupost Group, LLC/MMA reported that as of December 31, 2008, it had sole voting power over 2,600,000 shares and sole dispositive power of 2,600,000 shares and that its address is 10 St. James Avenue, Suite 1700, Boston, Massachusetts 02116.
- (4) Pursuant to Schedule 13G/A dated February 17, 2009, filed with the Securities and Exchange Commission, PAR Investment Partners, L.P. reported that as of December 31, 2008, it had sole voting power over 2,344,723 shares and sole dispositive power of 2,344,723 shares and that its address is One International Place, Suite 2401, Boston, Massachusetts 02110.
- (5) Pursuant to Schedule 13D/A dated January 8, 2009, filed with the Securities and Exchange Commission, Dolphin Limited Partnership III, L.P. reported that as of December 26, 2008, it and certain related entities had shared

voting power over 1,887,935 shares and shared dispositive power over 1,887,935 shares. Dolphin Limited Partnership III, L.P.'s address is 96 Cummings Point Road, Stamford CT 06902.

- (6) Pursuant to Schedule 13G/A dated February 9, 2009, filed with the Securities and Exchange Commission, Dimensional Fund Advisors, Inc. reported that as of December 31, 2008, it had sole voting power over 1,722,617 shares and sole dispositive power over 1,767,623 shares and that its address is 1299 Ocean Avenue, Santa Monica, California 90401.
- (7) Pursuant to Schedule 13G/A dated February 17, 2009, filed with the Securities and Exchange Commission, Epoch Investment Partners, Inc. reported that as of December 31, 2008 it and certain related entities had shared voting power over 1,624,383 shares and shared dispositive power of 1,624,383 shares and that its address is 640 5th Avenue, 18th Floor, New York, New York 10019.
- (8) Consists of (i) 461,800 shares owned by Mr. Sanfilippo, and (ii) 1,600,000 shares issuable upon the exercise of stock options that are currently exercisable.

- (9) Consists of (i) 15,000 shares owned by Mr. Chibib, and (ii) 283,333 shares issuable upon the exercise of stock options that are currently exercisable.
 - (10) Consists of 365,000 shares issuable upon the exercise of stock options that are currently exercisable.
 - (11) Consists of 310,000 shares issuable upon the exercise of stock options that are currently exercisable.
 - (12) Consists of 325,000 shares issuable upon the exercise of stock options that are currently exercisable.
- (13) Consists of (i) 30,000 shares owned by Mr. Maples, and (ii) 77,500 shares issuable upon the exercise of stock options that are currently exercisable.
 - (14) Consists of 202,500 shares issuable upon the exercise of stock options that are currently exercisable.
 - (15) Consists of 30,000 shares issuable upon the exercise of stock options that are currently exercisable.
- (16) Mr. Pearlman's interest consists of (i) 19,960 shares owned by Beach Lane Opportunity, LLC, (ii) 200 shares of which are directly owned by Mr. Pearlman and (iii) 30,000 shares issuable upon the exercise of stock options. Mr. Pearlman is the Chief Executive Officer and majority member of Liberation Investment Group, LLC and managing member of Beach Lane Opportunity, LLC, and may be deemed to share voting and dispositive power over the shares held by each of Liberation Investment Group, LLC and its related entities and Beach Lane Opportunity, LLC.
- (17) Consists of (i) 1,887,935 shares held by Dolphin Limited Partnership III, L.P. (see Footnote 5 above) and (ii) 10,000 shares issuable upon the exercise of stock options that are currently exercisable. Mr. Orlando may be deemed to share voting and dispositive power with respect to the shares held by Dolphin Limited Partnership III, L.P. Mr. Orlando disclaims beneficial ownership in such shares except to the extent of his pecuniary interest therein.
- (18) Consists of (i) 25,000 shares owned by Mr. Greathouse, and (ii) 10,000 shares issuable upon the exercise of stock options that are currently exercisable.
- (19) Consists of (i) 542,000 shares owned directly, (ii) 1,907,895 shares owned indirectly, and (iii) 3,483,333 shares issuable upon the exercise of stock options that are currently exercisable.

AUDIT COMMITTEE REPORT

The Audit Committee oversees our accounting and financial reporting process on behalf of our Board of Directors. Management has the primary responsibility for the financial statements and the reporting process, including internal control systems. Our independent registered public accounting firm is responsible for performing an independent audit of our consolidated financial statements in accordance with the standards of the Public Accounting Oversight Board (United States) and for issuing a report thereon. Additionally, the independent registered public accounting firm is responsible for performing an independent audit of the operating effectiveness of the Company's internal controls over financial reporting and for issuing a report thereon.

Based on the Audit Committee's:

- § Review of our audited consolidated financial statements for our fiscal year ended September 30, 2009;
- § Discussions with our management regarding our audited financial statements;
- § Discussion with our independent registered public accounting firm regarding matters required to be discussed by Statement on Auditing Standards No. 114 ("The Auditor's Communication With Those Charged With Governance"), as amended, as adopted by the Public Company Accounting Oversight Board ("PCAOB"). In addition, the Audit Committee received from our independent registered public accounting firm the written disclosures and letter required by applicable requirements of the PCAOB regarding their communications with the Audit Committee concerning its independence, and has discussed with their independence from the Company and its management; and
- § Other matters the Audit Committee deemed relevant and appropriate.

The Audit Committee recommended to our Board of Directors that the audited consolidated financial statements as of and for our fiscal year ended September 30, 2009, be included in our Annual Report on Form 10-K for our fiscal year ended September 30, 2009, for filing with the SEC.

AUDIT COMMITTEE

Robert D. Repass, Chairman
Michael J. Maples, Sr.
Stephen J. Greathouse

OFFICERS AND DIRECTORS

Set forth below is information regarding the executive officers and directors of the Company as of January 28, 2010.

Name	Age	Positions and Offices
Anthony M. Sanfilippo	51	President, Chief Executive Officer and Director
Adam D. Chibib	43	Senior Vice President and Chief Financial Officer
Patrick J. Ramsey	36	Senior Vice President and Chief Operating Officer
Virginia E. Shanks	49	Senior Vice President and Chief Marketing Officer
Uri L. Clinton	37	Senior Vice President, General Counsel, and Corporate Secretary
Michael J. Maples, Sr.		
(1) (2)	67	Director, Non-Executive Chairman of the Board
Robert D. Repass (1) (2)	49	Director
Emanuel R. Pearlman		
(1) (3) (4)	49	Director
Neil E. Jenkins (3)	60	Director
Stephen J. Greathouse		
(2)	58	Director
Justin A. Orlando (3)	39	Director

- (1) Member of the Governance Committee. Mr. Pearlman is Chairman of the committee.
(2) Member of the Audit Committee. Mr. Repass is Chairman of the committee.
(3) Member of the Compensation Committee. Mr. Jenkins is Chairman of the committee.
(4) Mr. Pearlman is not standing for re-election as a member of the Board of Directors at the annual meeting.

Officers

Anthony M. Sanfilippo joined us as President, Chief Executive Officer and director in June 2008. Mr. Sanfilippo brings to Multimedia Games more than 25 years of gaming industry experience. Prior to joining Multimedia Games, Mr. Sanfilippo was employed with Harrah's Entertainment, Inc. (Harrah's), the world's largest casino company and a provider of branded casino entertainment. While at Harrah's, Mr. Sanfilippo served as President of both the Western Division (2003-2004) and the Central Division (1997-2002 and 2004-2007), overseeing the operations of more than two dozen casino and casino-hotel destinations. Mr. Sanfilippo was also part of the senior management team that led the successful integration of numerous gaming companies acquired by Harrah's, including Jack Binion's Horseshoe Casinos, the Grand Casino & Hotel brand, Players International, and Louisiana Downs Racetrack. In addition to his duties as divisional President, Mr. Sanfilippo was also President and Chief Operating Officer for Harrah's New Orleans and a member of the Board of Directors of Jazz Casino Corporation prior to its acquisition by Harrah's. Mr. Sanfilippo has directed tribal gaming operations in Arizona, California and Kansas, and has held gaming licenses in most states that offer legalized gambling.

Adam D. Chibib was appointed Chief Financial Officer of Multimedia Games in February 2009. Mr. Chibib brings over 20 years of financial management and technology industry experience to the Company, as well as relevant public company experience. Prior to joining us, Mr. Chibib ran a financial consulting practice as a sole proprietor, where he assisted early-stage technology companies with debt and equity fund raising, business model and process improvement implementation, and merger and acquisition advisory services. Mr. Chibib previously served as Chief Financial Officer at NetSpend Corporation (June 2007-July 2008); as Interim Chief Financial Officer at Internet RIET while also working as a consultant with GrowLabs, LLC (January 2006-June 2007); as Chief Financial Officer at Tippingpoint Technologies (January 2004-January 2006); as Chief Financial Officer at

Waveset Technologies (April 2003-December 2003); and as Chief Financial Officer at BroadJump, Inc. (November 1998-March 2003). In each case he was an integral member of the senior management teams that consistently improved revenues and cash flow and was responsible for all internal operations. In addition, as Controller at Tivoli Systems (February 1997-January 1999), Mr. Chibib's responsibilities included managing the worldwide accounting and treasury functions of a \$1 billion software company. Mr. Chibib has also held various positions, including senior level positions, at Coopers & Lybrand, LLP and Price Waterhouse, LLP. Mr. Chibib received a B.B.A. in Accounting from the University of Texas at Austin. He is a Certified Public Accountant.

Patrick J. Ramsey became our Chief Operating Officer in September 2008. Previously, Mr. Ramsey was employed as the Vice President and Executive Associate to the Vice Chairman of Harrah's Entertainment, Inc. from November 2007 through September 2008, where he worked on domestic and international development, design and construction, and sports and entertainment. Prior to joining the corporate office of Harrah's Entertainment in Las Vegas, Mr. Ramsey worked as the Vice President of Slot Operations, Slot Performance, and Security Operations at Caesars Atlantic City (May 2006-November 2007). Mr. Ramsey has held several other positions with Harrah's Entertainment, Inc., including roles in the Central Division headquarters based in Memphis (November 2004-May 2006) and at several of the Chicagoland properties (June 2003-November 2004). Mr. Ramsey received a B.A. in Economics from Harvard University and an MBA from the Kellogg School of Management at Northwestern University.

Virginia (Ginny) E. Shanks joined us as Chief Marketing Officer in July 2008. Ms. Shanks brings to Multimedia Games more than 25 years of marketing experience in gaming entertainment, most recently as Senior Vice President of Brand Management for Harrah's Entertainment, Inc., the world's largest casino company and provider of branded casino entertainment. During her time with Harrah's Entertainment, Ms. Shanks was responsible for maximizing the value of the company's key strategic brands – Caesars, Harrah's, and Horseshoe Casinos; the Total Rewards player loyalty program; and the World Series of Poker. In addition to setting overall corporate brand strategy, Ms. Shanks oversaw sports and entertainment marketing, strategic alliances, consumer insights, public relations, and nationwide casino promotions. Ms. Shanks holds a Bachelor of Science degree from University of Nevada-Reno.

Uri L. Clinton joined us as General Counsel and Secretary in August 2008. Mr. Clinton serves as chief legal counsel for all business operations, corporate governance, regulatory compliance and licensing in the Legal Affairs Department. Mr. Clinton's professional experience includes more than 10 years of business and legal experience including six years in the Law Department at Harrah's Entertainment, Inc. (August 2002-August 2008), most recently serving as Vice President of Legal Affairs for its Central Division. In that capacity and in earlier positions, Mr. Clinton served as business operations and regulatory compliance legal counsel for more than 13 casino/hotels located in seven Native American and commercial gaming jurisdictions. Additionally, Mr. Clinton served as lead counsel for several of Harrah's enterprise-wide departments and initiatives, including its National Casino Marketing Air Charter program, Risk Management Department, Corporate Diversity, and the 2004 integration of several Horseshoe branded casinos into the Harrah's corporate structure. Mr. Clinton received a B.A. in Political Science from the University of Nevada-Las Vegas in 1994, a Juris Doctorate from Gonzaga University School of Law in 1997, and an MBA from the Vanderbilt University Owen Graduate School of Management in 2007.

Directors

For additional information about the non-employee nominees for director, see “Proposal One-Election of Directors.”

Section 16(A) Beneficial Ownership Reporting Compliance

The members of our Board of Directors, the executive officers, and persons who hold more than 10% of our outstanding common stock are subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934 which requires them to file reports with respect to their ownership of the common stock and their transactions in such common stock. Based upon the copies of Section 16(a) reports which we prepared or for which we received from such persons for their fiscal year 2009 transactions in the common stock and their common stock holdings, we believe that all reporting requirements under Section 16(a) for such fiscal year were met in a timely manner by our directors, executive officers and greater than ten percent beneficial owners, except Mr. Roemer, the Company's Vice President of Sales, filed a Form 4 on January 27, 2009 reporting a transaction that occurred on January 13, 2009 and Mr. Sanfilippo filed a Form 4 on February 20, 2009 reporting a transaction that occurred on February 13, 2009.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis provides information regarding the following:

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§ The objectives of our executive compensation program, including the behaviors and results it is designed to encourage an