

MULTIMEDIA GAMES INC  
Form DEF 14A  
March 09, 2009

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)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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| (3) | Filing Party:                                 |
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March 19, 2009

Dear Shareholder:

You are cordially invited to attend the annual meeting of shareholders of Multimedia Games, Inc., a Texas Corporation, to be held on Monday, April 6, 2009 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.

Details of the business to be conducted at the annual meeting are provided in the attached Notice of Annual Meeting of Shareholders and Proxy Statement for Annual Meeting of Shareholders. A copy of our Annual Report on Form 10-K, including Amendment No. 1 thereto on Form 10-K/A, for our fiscal year ended September 30, 2008 is also enclosed. On March 6, 2009, we filed Amendment No. 2 to our Annual Report on Form 10-K for our fiscal year ended September 30, 2008. A copy of Amendment No. 2, as filed with the Securities and Exchange Commission, may be obtained by any shareholder without charge by visiting our website located at [HTTP://IR.MULTIMEDIAGAMES.COM/FINANCIALS.CFM](http://IR.MULTIMEDIAGAMES.COM/FINANCIALS.CFM) or by directing a written request to our Corporate Secretary at 206 Wild Basin Road South, Building B, Fourth Floor, Austin, Texas 78746.

Whether or not you attend the annual meeting, it is important that your shares be represented and voted at the meeting. To assure that your vote is counted, please sign, date, and promptly return your proxy card in the enclosed postage-prepaid envelope, or vote your shares as promptly as possible by Internet, pursuant to the instructions set forth on the proxy card. If you decide to attend the annual meeting and vote in person, your proxy will be revoked automatically and only your vote at the annual meeting will be counted.

**YOUR SHARES CANNOT BE VOTED UNLESS YOU SIGN AND RETURN THE ENCLOSED PROXY CARD, VOTE YOUR SHARES BY TELEPHONE OR INTERNET, OR ATTEND THE ANNUAL MEETING IN PERSON.**

I sincerely hope that you can find the time to attend this annual meeting. I look forward to seeing you.

Respectfully yours,

/s/ Anthony M. Sanfilippo

Anthony M. Sanfilippo,  
Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS  
TO BE HELD APRIL 6, 2009

TO THE SHAREHOLDERS OF MULTIMEDIA GAMES, INC.:

NOTICE IS HEREBY GIVEN that the 2009 Annual Meeting of Shareholders of Multimedia Games, Inc., a Texas corporation, will be held on April 6, 2009, 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: Neil E. Jenkins, Michael J. Maples, Sr., Emanuel R. Pearlman, Robert D. Repass, Anthony M. Sanfilippo, Justin A. Orlando, and Stephen J. Greathouse;
2. To ratify the appointment of BDO Seidman, LLP as our independent registered public accountants for our fiscal year ending September 30, 2009; and
3. To transact such other business as may properly come before the annual meeting or any adjournment or adjournments thereof.

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 February 5, 2009 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, 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 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.

By order of the Board  
of Directors,

/s/ Anthony M.  
Sanfilippo  
Anthony M. Sanfilippo,  
Chief Executive Officer

Austin, Texas  
March 19, 2009

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 APRIL 6, 2009

General

The accompanying proxy is solicited on behalf of the Board of Directors of Multimedia Games, Inc., a Texas corporation, for use at our 2009 annual meeting of shareholders. The annual meeting will be held on Monday, April 6, 2009, 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 March 19, 2009 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 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. 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; and

§ FOR the ratification of the appointment of BDO Seidman, LLP, as our independent registered public accountants for our fiscal year ending September 30, 2009.

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 nonroutine matters. Routine matters include the election of directors, increases in authorized common stock for general corporate purposes, and ratification of auditors. Nonroutine matters include approvals of and amendments to stock plans.

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:

§ Execute and return a subsequently dated revised proxy card;

§ Deliver an executed written notice of revocation to us addressed to Uri L. Clinton, 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 February 5, 2009 (the "record date") are entitled to notice of and to vote at the annual meeting. On the record date, there were 26,642,942 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. If a quorum is present, the 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 the matter, is required to approve proposal two regarding the ratification of our independent accountants for our fiscal year ending September 30, 2009.

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. See "Corporate Governance Matters — Majority-Voting Standard for Director Elections" on page 8.

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.

What happens if a director nominee does not receive the required majority vote?

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, 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.

#### 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 such beneficial owners.





## 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.

Current director John M. Winkelman has decided not to stand for re-election this year.

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 Nominating and Corporate Governance Committee, or the Governance Committee, and approved by the unanimous vote of our independent directors.

Name of Nominee	Age	Positions and Offices	Director Since
		Director, Chairman of the Board of	
Michael J. Maples, Sr. (1)(2)	66	Directors	2004
Robert D. Repass (1)(2)	48	Director	2002
Neil E. Jenkins (3)	59	Director	2006
Emanuel R. Pearlman (1)(3)	48	Director	2006
Anthony M. Sanfilippo	50	Director	2008
Stephen J. Greathouse	58	Director	n/a
Justin A. Orlando	38	Director	n/a

(1) Currently a member of the Governance Committee (Mr. Pearlman serves 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. Mr. Maples also currently serves on the boards of Motive, Inc., a service management software company, 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.

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, or SEC, and financial reporting experience. Mr. Repass received a B.S. in Accounting from Virginia Tech.

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.

Emanuel R. Pearlman has been a director of ours since October 2006. He has more than 20 years of experience in the investment community. Mr. Pearlman is the founder and Chief Executive Officer of Liberation Investment Group LLC, a New York-based investment management firm. Prior to founding Liberation, Mr. Pearlman was the Chief Operating Officer of Vornado Operating Corporation. For 14 years, Mr. Pearlman ran Gemini Partners, which specialized in strategic block investing and financial consulting. Mr. Pearlman's experience in the gaming industry includes consulting to Jackpot Enterprises and to Bally Entertainment Corporation, where he advised the companies on their business and financial activities. Mr. Pearlman received a B.A. in Economics from Duke University and an MBA from the Harvard Graduate School of Business.

Anthony M. Sanfilippo joined us as Chief Executive Officer and director in June 2008. Mr. Sanfilippo brings to us more than 20 years' experience 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.

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 is 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.

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.

#### Nominee Recommendations

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

The Governance Committee has proposed Stephen J. Greathouse as a nominee to fill the vacancy created by Mr. Winkelman, who notified our Board of Directors that he did not wish to stand for re-election in order to pursue other business opportunities. The Governance Committee selected Mr. Greathouse as a nominee after soliciting the names of potential nominees from management and the existing directors. Mr. Greathouse's name was suggested by our Chief Executive Officer, Mr. Sanfilippo. Mr. Greathouse 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. Greathouse met or exceeded our director nominee criteria (see "Corporate Governance Matters - Director Nominations" on page 7), and, if elected, would strengthen our Board of Directors and benefit us because of his experience.

The Governance Committee has proposed Justin A. Orlando as a nominee to fill a newly created seat on our Board of Directors. The Governance Committee selected Mr. Orlando as a nominee after he was recommended for election to our Board of Directors by Dolphin Limited Partnership III, L.P. and certain related entities, which beneficially owned approximately 7.1% of the outstanding shares of our common stock as of February 23, 2009. Mr. Orlando 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. Orlando met or exceeded our director nominee criteria (see "Corporate Governance Matters - Director Nominations" on page 7), and, if elected, would strengthen our Board of Directors and benefit us because of his experience.

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

#### Agreement with Liberation Investments

Each of Messrs. Pearlman and 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., 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 SEC, on October 26, 2006. The agreement does not require our Board of Directors' nomination of, or recommendation of a vote in favor of, either of Messrs. Pearlman or Jenkins for election as directors at the 2009 annual shareholders meeting, and our Board of Directors' nomination and recommendation of Messrs. Pearlman and Jenkins for election as directors at the 2009 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.

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## CORPORATE GOVERNANCE

### Determination of Independence

Our Board of Directors has determined that Messrs. Maples, Repass, Winkelman, Jenkins, Pearlman, Orlando and Greathouse 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, 2008, our Board of Directors held 19 meetings. 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. Maples, Repass, and Winkelman. 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 auditor’s 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. Robert D. 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 16 times during our fiscal year ended September 30, 2008.

Compensation Committee. The Compensation Committee currently is comprised of Messrs. Winkelman, Jenkins and Pearlman. 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, 2008, the Compensation Committee met seven times and acted by written consent two times.

Nominating and Corporate Governance Committee. The Governance Committee is currently comprised of Messrs. Maples, Repass, and Pearlman. Mr. Pearlman 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 June 2004, 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 one time during our fiscal year ended September 30, 2008.

#### 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.

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 November 19, 2009, 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. We take great care in scheduling meetings at times when all of our directors are available to attend such meetings. At our last annual meeting, which was held on April 29, 2008, all of our then-current directors were in attendance.

#### 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 must 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.

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## 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](http://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.

## 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.multimediasgames.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 Corporate 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. Historically, the members of the Compensation Committee each received \$5,000 per year for serving on the Compensation Committee, except for the Chairman of the Compensation Committee, who received \$10,000 per year. Effective as of October 1, 2008, the annual payment for serving on the Compensation Committee was increased to \$15,000, except for the Chairman, who will receive \$25,000 per year. 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 such shares. These restrictions on the sale of the underlying shares lapse with respect to 25% of the shares annually.

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 Corporation Act.

#### DIRECTOR COMPENSATION TABLE FOR OUR FISCAL YEAR ENDED SEPTEMBER 30, 2008

The following table provides a summary of total compensation paid to the Company's outside directors during the fiscal year ended September 30, 2008.

Name	Fees Earned or Paid in Cash (1) (\$)	Stock Awards (\$)	Option Awards (2) (\$)	All Other Compensation (\$)	Total (\$)
Neil E. Jenkins	67,300	–	43,378	–	110,678
Michael J. Maples, Sr. (3)	108,600	–	43,378	–	151,978
Emanuel R. Pearlman	51,600	–	43,378	–	94,978
Robert D. Repass	81,500	–	43,378	–	124,878
John M. Winkelman	90,400	–	43,378	–	133,778

(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 the grant date fair value of option grants made to each director during the fiscal year ended September 30, 2008. The fair value was estimated using the Black-Scholes option pricing model in accordance with SFAS 123R.

(3) Mr. Maples serves as the Company's non-executive Chairman of the Board of Directors.

#### Compensation Committee Interlocks and Insider Participation

During the fiscal year ended September 30, 2008, the Compensation Committee of our Board of Directors consisted of Mr. Winkelman and Mr. Mr. Pearlman. Neither 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

## 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, 2009. 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.

	2008	2007
Audit Fees	\$ 892,947	\$ 952,870
Audit-Related Fees	145,000	155,900
Tax Fees	128,251	108,883
All Other Fees	—	—
Total	\$ 1,166,198	\$ 1,217,653

**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 that are reasonably related to the attendance at the Audit Committee meetings and our Annual Shareholders' Meeting. 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, 2008, and September 30, 2007.

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.

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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 public accountants for our fiscal year ending September 30, 2009.

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.

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## 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 February 23, 2009 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 32, 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)	9.8%
PAR Investment Partners, L.P.	2,344,723(4)	8.8%
Dolphin Limited Partnership III, L.P.	1,887,935(5)	7.1%
Dimensional Fund Advisors, Inc.	1,767,623(6)	6.6%
Epoch Investment Partners, Inc.	1,624,383(7)	6.1%
Anthony M. Sanfilippo	1,751,800(8)	6.3%
Randy Cieslewicz	118,825(9)	*
Clifton E. Lind	1,103,534(10)	4.0%
Gary L. Loebig	227,602(11)	*
P. Howard Chalmers	151,248(12)	*
Scott Zinnecker	168,750(13)	*
Michael J. Maples, Sr.	97,500(14)	*
Robert D. Repass	192,500(15)	*
John M. Winkelman	240,000(16)	*
Neil E. Jenkins	20,000(17)	*
Emanuel R. Pearlman	43,891(18)	*
Justin A. Orlando	—(19)	*
Stephen J. Greathouse	—	*
All executive officers and directors (16 persons) as a group	5,390,650(20)	17.2%

\* 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 26,642,942 shares of common stock outstanding on February 23, 2009. Shares of common stock subject to stock options which are currently exercisable or will become exercisable within 60 days after February 23, 2009, 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/MA 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 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, 2008, 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 (excludes expired options to purchase 20,000 shares) and shared dispositive power over 1,887,935 shares and that its address is 156 W. 56th Street, Suite 1203, New York, New York 10019.
- (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 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) 451,800 shares owned by Mr. Sanfilippo, and (ii) 1,300,000 shares issuable upon the exercise of stock options that are currently exercisable.
- (9) Consists of (i) 13,200 shares owned by Mr. Cieslewicz, and (ii) 105,625 shares issuable upon the exercise of stock options that are currently exercisable.
- (10) Consists of (i) 63,560 shares owned by Mr. Lind, (ii) 997,024 shares issuable upon the exercise of options that are currently exercisable, (iii) 27,000 shares held in various retirement accounts, and (iv) 15,950 shares held by the Lind Family Partnership.
- (11) Consists of (i) 1,000 shares owned by Mr. Loebig, and (ii) 226,602 shares issuable upon the exercise of stock options that are currently exercisable.
- (12) Consists of 151,248 shares issuable upon the exercise of stock options that are currently exercisable.
- (13) Consists of 168,750 shares issuable upon the exercise of stock options that are currently exercisable.
- (14) Consists of (i) 30,000 shares owned by Mr. Maples, and (ii) 67,500 shares issuable upon the exercise of stock options that are currently exercisable.
- (15) Consists of 192,500 shares issuable upon the exercise of stock options that are currently exercisable.
- (16) Consists of (i) 20,000 shares owned by Mr. Winkelman, and (ii) 220,000 shares issuable upon the exercise of stock options that are currently exercisable.
- (17) Consists of 20,000 shares issuable upon the exercise of stock options that are currently exercisable.
- (18) Pursuant to Schedule 13D/A filed with the Securities and Exchange Commission on January 14, 2009, Mr. Pearlman's interest consists of (i) 3,931 shares owned by Liberation Investment Group, LLC, (ii) 19,960 shares owned by Beach Lane Opportunity, LLC, and (iii) 20,000 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.
- (19) Mr. Orlando, as a member of a "group" for the purposes of Rule 13d-5(b)(1) of the 1934 Act, is deemed to beneficially own the shares beneficially owned by the other members of the group affiliated with Dolphin Limited Partnership III, L.P. Mr. Orlando disclaims beneficial ownership of the shares owned in the aggregate by the other members of the group.
- (20) Consists of (i) 604,560 shares owned directly, (ii) 66,841 shares owned indirectly, and (iii) 4,719,249 shares issuable upon the exercise of stock options that are currently exercisable.

REPORT OF THE AUDIT COMMITTEE

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 management's assessment and the operating effectiveness of 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, 2008;
- § Discussions with our management regarding our audited financial statements;
- § Receipt of written disclosures and the letter from our independent registered public accounting firm required by Independence Standards Board Standard No. 1;
- § Discussions with our independent registered public accounting firm regarding the firm's independence and the matters required to be discussed by the Statement on Auditing Standards 61 and 90; and
- § Other matters the Audit Committee deemed relevant and appropriate.

The Audit Committee recommended to our Board of Directors that the audited financial statements as of and for our fiscal year ended September 30, 2008, be included in our Annual Report on Form 10-K for our fiscal year ended September 30, 2008, for filing with the SEC.

AUDIT  
COMMITTEE

Robert D. Repass,  
Chairman  
Michael J.  
Maples, Sr.  
John M.  
Winkelman



## OFFICERS AND DIRECTORS

Set forth below is information regarding the executive officers and directors of the Company as of February 23, 2009.

Name	Age	Positions and Offices
Michael J. Maples, Sr. (1)(2)	66	Director, Non-Executive Chairman of the Board
John M. Winkelman (2)(3)(4)	62	Director
Robert D. Repass (1)(2)	48	Director
Emanuel R. Pearlman (1)(3)	48	Director
Neil E. Jenkins (3)	59	Director
Anthony M. Sanfilippo	50	President, Chief Executive Officer and Director
Adam D. Chibib	42	Senior Vice President and Chief Financial Officer
Patrick J. Ramsey	35	Senior Vice President and Chief Operating Officer
Virginia E. Shanks	48	Senior Vice President and Chief Marketing Officer
Uri L. Clinton	36	Senior Vice President, General Counsel, and Corporate Secretary
Mick D. Roemer	56	Senior Vice President of Sales

(1) Member of the Nominating and Corporate Governance Committee.

(2) Member of the Audit Committee.

(3) Member of the Compensation Committee.

(4) Mr. Winkelman 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 Chief Executive Officer and director in June 2008. Mr. Sanfilippo brings to Multimedia Games more than 20 years' experience 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 18 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.

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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-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.

Mick D. Roemer became our Senior Vice President of Sales in January 2009, bringing more than 25 years of gaming equipment sales and marketing experience to the Company. Since 2007, Mr. Roemer has consulted with gaming companies in the areas of game content, intellectual property, and sales and marketing planning, and has worked in an advisory capacity with Multimedia Games since May 2008 in support of the Company's efforts to expand its penetration into the Class III gaming market. Prior to 2007, Mr. Roemer served as Senior Vice President of Sales, Marketing and Product Development for Bally Technologies (2000-2007), contributing to Bally's significant increase in market share with gaming units shipped growing from fewer than 9,000 units in 2000 to more than 22,000 units in 2007. Mr. Roemer also previously served as Vice President of Marketing for International Gaming Technologies (IGT), Vice President of Sales for Powerhouse/VLC and Senior Vice President and General Manager of Anchor Gaming. Mr. Roemer holds a B.S. in Marketing from Oklahoma State University.

#### Directors

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

#### Section 16(A) Beneficial Ownership Reporting Compliance

Based solely on a review of Forms 3, 4 and 5 submitted to us during and with respect to our fiscal year ended September 30, 2008, we believe all statements of beneficial ownership that were required to be filed with the SEC were timely filed, except Mr. Clinton filed a Form 4 on August 25, 2008 reporting a transaction that occurred on August 16, 2008.

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## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

#### Introduction

This Compensation Discussion and Analysis provides information regarding the following:

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

§ The roles and responsibilities of management and the Compensation Committee in the governance of our executive compensation program;

§ The elements of our executive compensation program and its purposes; and

§ The Compensation decisions with respect to our fiscal year ended September 30, 2008.

#### Objectives of the Executive Compensation Programs

The objective of our executive compensation program is to align the compensation paid to our executive officers with shareholder and customer interests (on both a short-term and long-term basis); attract, retain and motivate highly qualified executive talent; and provide appropriate rewards for achievement of business objectives and growth in shareholder value. It is the Company's objective that executive compensation be directly related to the achievement of our planned goals, and the enhancement of corporate and shareholder value. The Compensation Committee recognizes that the industry sector in which we operate is both highly competitive and is challenged by significant legal and regulatory uncertainty. In addition, the technology-related experience and skills of our executive officers have applications to many other industry sectors besides our own. As a result, there is substantial demand for qualified, experienced executive personnel of the type we need to achieve our objectives. The Compensation Committee considers it crucial that the Company be assured of retaining and rewarding our senior executives, who are essential to the attainment of our long-term goals.

For these reasons, the Compensation Committee believes the Company's executive compensation arrangements must remain competitive with those offered by other companies of similar size, scope, performance levels and complexity of operations.

For the purposes of this Compensation Discussion and Analysis, the capitalized term "Named Executive Officers" (or "NEOs") refers to the executives who are named in the Summary Compensation Table below. Included among the NEOs are Messrs. Clifton E. Lind, Gary L. Loebig, P. Howard Chalmers and Scott A. Zinnecker. Mr. Lind served as our President and Chief Executive Officer until his resignation from such offices and as a director of the Company effective March 31, 2008. Mr. Lind remained an employee of the Company following his resignation as an executive officer and director of the Company until his termination from the Company effective May 1, 2008. Mr. Loebig served as our Interim President and Chief Executive Officer from March 31, 2008, until the hiring of Mr. Sanfilippo, effective June 15, 2008. Mr. Loebig remained an employee of the Company until his resignation from the Company effective September 19, 2008. Mr. Chalmers served as our Senior Vice President of Planning and Corporate Communications until August 31, 2008 when his role and responsibilities were revised such that he was no longer an executive officer; Mr. Chalmers remained an employee of the Company until his termination effective December 31, 2008. Mr. Zinnecker served in various roles with the Company until his termination effective September 30, 2008; most recently, he held the role of Executive Vice President and Acting Chief Operating Officer.

The Company entered into certain agreements with Messrs. Lind, Loebig, Chalmers and Zinnecker upon the termination of their employment. Information regarding these agreements is provided below in the section titled “Employment And Termination Arrangements And Change-In-Control Benefits.

#### Determining Executive Compensation

Management. Our management sets the strategic direction for the Company and strives to design and maintain compensation programs that motivate behaviors among the executive officers that are consistent with the Company’s strategic goals and objectives. Each year, the Chief Executive Officer, with assistance from other members of management, as appropriate, conducts a review process covering each of the executive officers reporting to the Chief Executive Officer. This annual review process focuses on an evaluation of overall Company performance and the performance of each such executive officer, including an evaluation of compensation levels delivered through each element of compensation (as described below), competitive practices and trends, and specific compensation issues as they arise. Based on the outcomes of this review process, the Chief Executive Officer makes recommendations to the Compensation Committee regarding the compensation of each of the executive officers reporting directly to him. This recommendation typically provides information regarding adjustments, if any, to base salaries, annual incentive bonus award payments, and equity-based incentive awards.

During fiscal year 2008, the Company successfully recruited several individuals to join the Company in senior executive roles. The compensation arrangements with these new Executive Officers are described below in the section titled "Employment and Termination Arrangements and Change-In-Control Benefits." The Board of Directors believes the addition of these executives is critical to the development and execution of strategic objectives that will guide the Company's future and support the creation of shareholder value.

Compensation Committee. The Company's Board of Directors established the Compensation Committee in 1996 at the time of our initial public offering. The Compensation Committee operates pursuant to a charter, which is available on the "Investor Relations" page of the Company's website at [www.multimediasgames.com](http://www.multimediasgames.com). As stated in the charter, the purpose of the Compensation Committee is to discharge the Board's responsibilities relating to compensation and benefits of the Company's executive officers and directors. The current members of the Compensation Committee are Messrs. Jenkins (Chairman), Pearlman and Winkelman, who are each "independent" directors, as required by Nasdaq Marketplace Rules. The Compensation Committee convened seven times during fiscal year 2008 to discuss Company compensation programs and issues. The Compensation Committee also took action by written consent twice during the fiscal year ended September 30, 2008.

The Compensation Committee has overall responsibility for the approval of executive and director compensation programs that are appropriate, consistent with the Company's compensation philosophy, and support the Company's business goals and objectives. Specifically, the Compensation Committee has authority and responsibility for the review, evaluation and approval of the compensation structure and levels for all of the executive officers. The Compensation Committee also approves all employment, severance, or change-in-control agreements, and special or supplemental benefits or provisions applicable to executive officers. The Compensation Committee is also responsible for reviewing and making periodic recommendations to the Board regarding the compensation of directors.

Each year, the Compensation Committee reviews the compensation recommendations submitted by the Chief Executive Officer. In general, the Chief Executive Officer's recommendations consider the following:

- § Performance versus stated individual and Company business goals and objectives;
- § Internal equity (i.e., considering the pay for similar jobs and jobs at different levels within the Company) and the critical nature of each Executive Officer to the Company's past and future success;
- § The need to retain talent; and

§ The compensation history of each Executive Officer, including the value and number of stock options awarded in prior years.

The Compensation Committee believes that input from management provides useful information and perspective to assist the Committee with the determination of its own views on compensation. Although the Compensation Committee receives information and recommendations regarding the design and level of compensation of the executive officers from management, the Compensation Committee makes the final decisions as to the plan design and compensation levels for these executives.

In making decisions on each executive officer's compensation, the Committee considers the nature and scope of all elements of the executive officer's total compensation package, the executive officer's responsibilities, and the competitive posture of the executive officer's current compensation. The Committee also evaluates each executive officer's performance through reviews of objective results (both Company and individual results), reports from the Chief Executive Officer and other senior management regarding the executive's effectiveness in supporting the Company's key strategic, operational and financial goals and, in some cases, personal observation.

With respect to the compensation of the Chief Executive Officer, the Committee is responsible for the periodic review and approval of his total compensation, including annual incentive bonus awards and equity-based incentive compensation. The Committee also develops annual performance goals and objectives, and conducts an evaluation of the Chief Executive Officer's performance relative to these goals and objectives. The Committee considers and discusses the Chief Executive Officer's compensation in executive session without the Chief Executive Officer present.

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The Compensation Committee has the sole authority to obtain advice from consultants, legal counsel, accounting, or other advisors, as appropriate, to perform the Committee's duties and responsibilities. The Committee did not engage a compensation consultant to assist with the evaluation or review of the compensation programs for its executive officers for the fiscal year ended September 30, 2008.

#### Elements of Executive Compensation

Management and the Compensation Committee strive to implement executive compensation programs that are designed to attract and retain individuals who possess the qualities necessary to successfully execute the Company's business strategy, and to support the Company's long-term financial success and drive shareholder value. The key elements of our executive compensation program are as follows:

Element	Objectives and Basis	Form
Base Salary	Provide base compensation that reflects each Executive Officer's responsibilities, tenure and performance and is competitive for each role.	Cash
Annual Incentive Bonus	Annual incentive to drive Company and individual performance.	Cash
Equity-Based Incentives	Long-term incentives to drive Company performance and align the Executive Officers' interests with shareholders' interests; retain Executive Officers through vesting and potential wealth accumulation.	Stock options
Health and Welfare Benefits	Provide for the health and wellness of our Executive Officers.	Various plans (described below)
Retirement and Savings Plan	Assist employees with retirement savings and capital accumulation on a tax-advantaged basis.	401(k) Plan, with Company matching contributions.
Perquisites	On a very limited basis, support Company business interests.	Club membership
Discretionary Bonuses and Awards	Attract top executive talent from outside the Company; retain Executive Officers through vesting and potential wealth accumulation; and recognize promotions and significant individual contributions to the Company.	Cash and stock options
Severance and Change-in-Control Benefits	Provide financial security to Executive Officers and protect Company interests in the event of the termination of	Cash severance and acceleration of vesting of nonvested

employment; attract and retain top  
executive talent.

outstanding stock  
options

## Cash Compensation

The Company believes that annual cash compensation should be paid commensurate with attained performance. Accordingly, our cash compensation consists of fixed base compensation, paid in the form of an annual base salary, and an annual incentive bonus program that is designed to motivate and serve as a reward for the Company's overall performance. The Compensation Committee supports management's compensation philosophy of moderate fixed compensation with the potential for significant bonuses for achieving performance-related goals. Base salary and bonus award decisions are made as part of the Company's structured annual review process.

**Base Salary.** Base salaries are paid to our executive officers to provide an appropriate fixed component of compensation. The base salary paid to each executive officer generally reflects the officer's responsibilities, tenure, individual job performance, measurable contribution to our success, special circumstances, and pay levels of similar positions with comparable companies in the industry. Management and the Compensation Committee review the base salary of each executive officer, including the Chief Executive Officer, on an annual basis. When reviewing each executive officer's base salary, the Compensation Committee considers the level of responsibility and complexity of the executive officer's job, whether individual performance in the prior year was particularly strong or weak, how the executive officer's salary compares to the salaries of other Company executives, and salaries paid for the same or similar positions. In addition to these annual reviews, management and the Committee may, at any time, review the salary of an executive officer who has received a significant promotion, whose responsibilities have been increased significantly, or who is the object of competitive recruitment. Any adjustments are based on increases in the cost of living, job performance of the executive officer over time, and the expansion of duties and responsibilities, if any. No pre-determined weight or emphasis is placed on any one of these factors.

The following table summarizes the base salaries for each of the Named Executive Officers during the fiscal year ended September 30, 2008:

Name	Annual Base Salary Effective 10/01/2007		Adjustments	Annual Base Salary Effective 09/30/2008	
Anthony M. Sanfilippo (1)	—		—	\$	450,000
Gary L. Loebig (2)	\$	194,250	—		—
Clifton E. Lind (2)	\$	450,000	—		—
Randy S. Cieslewicz (3)	\$	212,500	\$ 22,500 (+10.6)%	\$	235,000
P. Howard Chalmers (4)	\$	189,000	\$ (75,600) (-40.0)%	\$	113,400
Scott A. Zinnecker (2)	\$	189,000	—		—

- (1) Mr. Sanfilippo was hired as President, Chief Executive Officer and a director the Company effective June 15, 2008. Additional details regarding the terms of his employment are provided below.
- (2) Messrs. Loebig, Lind and Zinnecker each terminated their employment with the Company on or before September 30, 2008.
- (3) Mr. Cieslewicz received a market-based adjustment to his salary effective July 28, 2008. On December 1, 2008, Mr. Cieslewicz resigned from the Company effective February 15, 2009.
- (4) Effective August 31, 2008, the role and responsibilities of Mr. Chalmers were revised such that he was no longer an executive officer of the Company. Consistent with this change, his salary was reduced. He remained an employee of the Company until his termination effective December 31, 2008.

The base salaries for each of the recently-hired executive officers (i.e., Messrs. Sanfilippo, Ramsey, Clinton, Roemer, and Ms. Shanks) were the result of negotiations between the Company and each individual. In each case, the Company believes that the salaries are appropriate, competitive, and were necessary to attract the caliber of executive-level talent that each of these individuals possess. Specific salary levels were agreed to based upon each individual's salary level at their previous employers, the roles and positions each would be assuming with Multimedia Games, and other career opportunities that they were considering.

Annual Incentive Bonus. The Company's annual incentive bonus program is intended to motivate the NEOs to achieve superior Company financial performance, recognize and reward the executive officers for their contributions when superior annual performance is achieved, and provide compensation opportunities which are aligned with competitive practices. The program is designed so that the annual incentive bonus can potentially be the largest component of cash compensation only if the executive and the Company are able to meet or exceed performance-related goals that, if attained, are expected to result in an increase in overall company and shareholder value. Bonus award payments are typically made in the first quarter of the fiscal year following the year in which they were earned.

Historically under our annual incentive bonus program, the NEOs did not have pre-set performance goals or annual bonus targets, expressed as a percentage of base salary. Rather, an annual incentive bonus pool was funded as a percentage of the Company reported pre-tax income, which was the sole corporate measure of performance for the funding of an incentive bonus pool. The bonus pool funding percentage was developed and approved by the Board of Directors periodically, based on the Company's expected performance and an assessment of appropriate awards the annual incentive bonus pool might generate given different performance levels. If the Company's performance resulted in the funding of the annual incentive bonus pool, then the Chief Executive Officer would have recommended to the Compensation Committee a bonus award amount for each of the other NEOs. The Chief Executive Officer's recommendations would have been based on his assessment of each such NEOs contribution to the execution of the Company's business plans. The Compensation Committee would have considered the Chief Executive Officer's recommendations, and made changes to the recommended award amounts, as appropriate. The Chief Executive Officer's bonus award was determined solely by the Compensation Committee based on its evaluation of his performance.

With the hiring of several new executive officers during fiscal year 2008, the Company is implementing a new annual incentive approach. Under this approach, each of the Executive Officers is assigned a target annual bonus opportunity, expressed as a percentage of the executive's annual base salary. Subject to the achievement of pre-established performance targets, the Executives Officers may earn an annual incentive bonus award above or below the bonus target opportunity. The Compensation Committee determined that a target-based annual incentive approach would allow for greater alignment between annual bonus awards and Company performance than the previous approach. Specifically, the Compensation Committee believes that the proposed target-based annual incentive approach will facilitate the use of performance measures that are aligned with the creation of shareholder value, and thus provide a direct incentive for Executive Officers to perform.

We anticipate the Compensation Committee will evaluate potential annual incentive bonuses for fiscal year 2009 based on a number of factors, including but not limited to, achievement of operational goals, the Company's EBITDA performance (EBITDA is defined as Earnings Before Interest, Taxes, Amortization, Depreciation and Accretion of Contract Rights) and EBITDA less capital expenditures, relative to predetermined targets.

For fiscal year 2008, two NEOs earned bonuses. Pursuant to the terms of his Employment Agreement dated May 29, 2008, Mr. Loebig was awarded a bonus in the aggregate amount of \$119,231 (consisting of \$69,231 in additional compensation related to his term as Interim Chief Executive Officer and a \$50,000 cash bonus at the completion of his term) in recognition of his service as the Company's Interim President and Chief Executive Officer. This bonus was paid to Mr. Loebig on June 20, 2008. Mr. Sanfilippo earned a bonus award of \$181,731 in recognition of his service during fiscal year 2008 under the terms of his employment agreement, which provides him with a target bonus opportunity equal to 150% of his base salary, and a maximum bonus opportunity of 300% of his base salary. For fiscal year 2008, Mr. Sanfilippo's performance was evaluated based on the following objectives set forth shortly after his employment with the Company: (i) review the current profitability and future viability of each of the Company's product lines; (ii) assess the Company's organizational structure; (iii) establish relationships with stakeholders of the Company; and (iv) review the Company's expense structure. The Board of Directors' assessment of his performance following the completion of the year determined that, in the aggregate, Mr. Sanfilippo met these

objectives, and thus awarded him a bonus award equal to 150% of the base salary he earned during the fiscal year 2008. The bonus will be paid to Mr. Sanfilippo during fiscal year 2009. These awards are reflected in the "Bonus" column in the Summary Compensation Table.

Due to the dynamic nature of the Company's industry, which is driven by economic and regulatory conditions, and customer preferences, the Company believes that the periodic use of discretion in the determination of bonus award amounts is appropriate and optimizes the overall value of the bonus program. This approach facilitates teamwork and collaboration among the executive officers, and allows them to not be limited to pre-established goals should operating conditions change during the year.

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## Equity-Based Incentives

We provide our Executive Officers with long-term compensation in the form of equity-based incentives, which are intended to align the interests of our Executive Officers with the interest of the Company's shareholders by supporting the creation of long-term value for the organization, facilitate significant long-term retention, and be consistent with competitive market practices. Over time, it is the Compensation Committee's intent that equity-based compensation should represent a significant portion of each executive officer's total compensation, and the primary equity-based incentive vehicle we have used has been stock options. Nonqualified and incentive stock options have been granted to the Company's executive officers and other employees. The Company expects to continue to issue stock options to new employees as they are hired, as well as to current employees as incentives from time to time. Our rationale for granting stock options is as follows:

§ We believe that stock options are highly effective at aligning the long-term interests of our Executive Officers with the interests of our shareholders;

§ The grant of stock options to Executive Officers has been an essential ingredient to enabling us to achieve our growth and attain our business objectives; and

§ We regularly face significant legal, regulatory and competitive challenges to our business that require extraordinary commitments of time and expertise by the Executive Officers, who have met these challenges and made these extraordinary commitments, largely because of the reward and incentive provided by the historical and prospective grant of stock options.

The Compensation Committee periodically reviews the need to make grants of stock options to the executive officers, typically based on recommendations from management. When approving the grants of stock options, the Compensation Committee considers the number and terms of options previously granted, industry practices, the executive officer's level of responsibility, and assumed potential stock value in the future.

The Company's equity-based incentive awards are designed to comply with Section 162(m) of the IRS code to allow tax deductibility of the awards. Stock options are awarded under the Company's stock plans – the 1996 Stock Incentive Plan, the 2000, 2001, 2002, 2003 Stock Option Plans, and an Ad Hoc Stock Option Plan. Our Board of Directors has also adopted a 2008 Employment Inducement Award Plan. Individual grants of options are documented by stock option agreements which contain the specific terms and provisions pertaining to each grant, including vesting, option term, exercise price, and termination provisions. Options granted to the Executive Officers and other employees generally vest over four years and expire seven years from the date of grant. The exercise price of stock options granted to executive officers is equal to the market value of a share of Company common stock on the date of grant. Therefore, our executive officers will receive no benefit from the stock options unless the value of a share of common stock exceeds the exercise price.

Stock option grants to Executive Officers and other employees have historically consisted of a combination of incentive stock options, or ISOs, and nonqualified stock options, or NQSOs. The use of ISOs has allowed recipients to take advantage of certain tax benefits the ISOs afford under Section 422 of the Internal Revenue Code (and any successor provision of the Code having a similar intent).

During the fiscal year ended September 30, 2008, the Compensation Committee approved grants of stock options to Messrs. Loebig, Cieslewicz and Zinnecker, consisting of a combination of ISOs and NQSOs. The options will vest and become exercisable over four years. The Compensation Committee approved these grants as an incentive to retain the services of these individuals during a period of transition, to keep them engaged in the Company's day-to-day operations, and to contribute institutional knowledge which was valuable to the new executive team as they developed

a new strategy for the Company.

Upon commencement of their employment with the Company, the Compensation Committee approved grants of stock options to Mr. Sanfilippo and the other recently-hired Executive Officers (i.e., Messrs. Ramsey, Clinton, Roemer, and Ms. Shanks). These grants were made to provide an immediate incentive for these individuals to focus on the creation of shareholder value. In addition, the Company believes the level of these equity awards were necessary to attract these executives, and in some instances, replace certain equity opportunities they had at their previous employers. Details of Mr. Sanfilippo's stock option grant are provided below in the section titled "Compensation of the Chief Executive Officer." Additional information is also provided in the section titled "Employment and Termination Arrangements and Change-In-Control Benefits."

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Other than the stock option awards described above, none of the other Named Executive Officers received grants of stock options or any other form of equity-based incentives during the fiscal year ended September 30, 2008.

The Company does not currently maintain required levels of stock ownership by the Executive Officers. The Company does have in place “Procedures and Guidelines Governing Securities Trades by Company Personnel,” in order to comply with federal and state securities laws governing (a) trading in Company securities while in the possession of “material nonpublic information” concerning the Company, and (b) tipping or disclosing material nonpublic information to outsiders. In order to prevent even the appearance of improper trading or tipping, the Company has adopted this policy for all of its directors, officers and employees, venture capital and other entities (such as trusts and corporations) over which such employees, officers or directors have or share voting or investment control and specially designated outsiders who have access to the Company’s material nonpublic information

#### Benefit Programs and Perquisites

We provide our executive officers with benefits that are intended to be a part of a competitive total compensation package and that will permit us to attract and retain highly-qualified executives. These benefits include health and welfare benefits, a retirement and savings plan, and a perquisite limited to the Chief Executive Officer. Each of these benefits is described below.

Health and Welfare Benefits. The Company’s benefits program is designed to provide employees (including the executive officers) and their families with security and well being, and is an important part of the total compensation package. These benefits are divided into the following major categories:

§ Health Care Benefits – medical, dental and vision insurance coverage;

§ Life and disability Benefits – basic, optional life and accident insurance as well as short and long-term disability coverage;

§ Flexible Spending Accounts – health care and dependent care tax-free accounts; and

§ Work Life Benefits – employee assistance with everyday issues, financial and legal issues, parenting, childcare, education and elder care.

Executive officers participate in these benefits programs on the same relative basis as our other employees.

Retirement and Savings. The Company maintains an employee retirement and savings plan pursuant to Section 401(k) of the Internal Revenue Code, or the 401(k) Plan. The purpose of the 401(k) Plan is to permit employees, including executive officers, to accumulate funds for retirement on a tax-advantaged basis. Specifically, the 401(k) Plan permits each eligible employee to contribute on a pre-tax basis a portion of his compensation to the 401(k) Plan (for calendar year 2008, the maximum amount of compensation that may be contributed to the 401(k) Plan was \$15,500). The Company makes a matching contribution to the 401(k) Plan that is equal to 100% of the first 3% of compensation contributed by employees and 50% of the next 2% of compensation contributed by employees to the 401(k) Plan.

The Company does not maintain a tax-qualified defined benefit retirement plan. In addition, the Company does not maintain any non qualified supplemental retirement plans or deferred compensation plans for the executive officers.

Perquisites. The Company does not provide perquisites to executive officers, except for monthly club membership dues that were paid on behalf of Mr. Lind during his tenure as President and Chief Executive Officer. Two club memberships were primarily used for business purposes, including sales and customer entertainment and Board of

Directors dinners. The value of this benefit to Mr. Lind in the fiscal year ended September 30, 2008, is included in the "All Other Compensation" column in the Summary Compensation Table.

#### Compensation of the Chief Executive Officer

Mr. Sanfilippo commenced employment with the Company as President and Chief Executive Officer, effective June 15, 2008. In accordance with the terms of his employment agreement (key terms of which are described below), Mr. Sanfilippo receives an annual base salary of \$450,000. In addition, he has an opportunity to earn an annual bonus equal to 150% of his base salary upon achievement of certain performance targets approved by the Company's Board of Directors, and up to a maximum of 300% of his base salary for overachievement of such performance targets. As noted above, Mr. Sanfilippo earned a bonus award of \$181,731 in recognition of his service during the fiscal year. Upon the execution of his employment agreement, Mr. Sanfilippo was granted 1,300,000 stock options. The options became immediately exercisable, but are subject to a vesting over four years in equal quarterly installments. Mr. Sanfilippo's total compensation package was determined as the result of a negotiation process between Mr. Sanfilippo and the Compensation Committee. The Compensation Committee believes the structure of the compensation package, as well as the targeted and potential value of the package, provides a competitive opportunity that is strongly aligned with shareholder interests.

Mr. Loebig was appointed Interim President and Chief Executive Officer on March 31, 2008, a position he held until the hiring of Mr. Sanfilippo effective June 15, 2008. In connection with his appointment to such offices, the Company entered into an Employment Agreement with Mr. Loebig, which is described below in the section titled "Employment and Termination Arrangements and Change-In-Control Benefits." Pursuant to the terms of Mr. Loebig's Employment Agreement, he received a bonus award of \$119,231 (consisting of \$69,231 in additional compensation related to his term as Interim Chief Executive Officer and a \$50,000 cash bonus at the completion of his term) in recognition of his service during the fiscal year. On July 14, 2008, Mr. Loebig was granted 80,000 stock options. The grant consisted of a combination of 23,643 ISOs and 56,357 NQSOs. One-fourth of the options will vest on the first anniversary of the grant date; the remaining options will vest in equal quarterly increments over the following three years.

Mr. Lind served as the Company's President and Chief Executive Officer until his resignation from such offices, effective March 31, 2008. He remained an employee of the Company until his termination on May 1, 2008, at which time he and the Company entered into certain agreements related to his termination. Key terms of these agreements are described below. Mr. Lind's annual base salary was \$450,000 for the period during which he was employed by the Company in fiscal year 2008. Mr. Lind did not receive a bonus award for his service during the fiscal year, nor did the Company grant options to him during fiscal 2008.

#### EMPLOYMENT ARRANGEMENTS AND CHANGE-IN-CONTROL BENEFITS

The Company is party to employment agreements with a total of six current executive officers, including Mr. Sanfilippo. In addition, we entered into certain agreements with Messrs. Lind, Loebig, Chalmers and Zinnecker to define certain arrangements regarding their terminations from the Company. The following paragraphs provide summaries of the agreements with the Named Executive Officers.

**Agreements with Anthony M. Sanfilippo.** On June 15, 2008, the Company entered into certain agreements with Mr. Sanfilippo, including an employment agreement that sets forth certain terms and conditions relating to his employment as President and Chief Executive Officer of the Company. Mr. Sanfilippo's employment agreement provides that he will receive an annual base salary of \$450,000, subject to covenants in the employment agreement and in an Agreement Regarding Proprietary Developments, Confidential Information and Non-Solicitation. The annual salary will be subject to an annual review by the Board of Directors or Compensation Committee. In addition, he has an opportunity to earn an annual bonus equal to 150% of his base salary upon achievement of certain performance targets approved by the Company's Board of Directors, and up to a maximum of 300% of his base salary for overachievement of such performance targets. The employment agreement also specifies that Mr. Sanfilippo will be eligible to enroll in the Company's benefit programs and vacation policies as they are established from time-to-time for senior-level executive employees, or be reimbursed for the cost to purchase comparable coverage at a benefit level consistent with other senior-level executive employees. Mr. Sanfilippo will also be reimbursed for the cost of co-payments under his current health and medical benefit plans, and annual physical examinations for Mr. Sanfilippo and his spouse.

For a period of six months following the effective date of the employment agreement, the Company paid expenses related to Mr. Sanfilippo's commuting between Austin, Texas (the Company's home office location) and each of his home offices in Germantown, Tennessee and Salt Lake City, Utah; as well reasonable costs of a furnished executive apartment in Austin, Texas, car rental and other related and reasonable expenses. The Company will pay for the reasonable moving expenses for Mr. Sanfilippo's relocation to Austin, Texas, excluding any costs associated with buying or selling a home.

Upon the execution of the employment agreement, Mr. Sanfilippo was granted 1,300,000 stock options. The options became immediately exercisable, but are subject to a vesting over four years in equal quarterly installments. In addition, he agreed to purchase 250,000 shares of the Company's Common Stock pursuant to a Stock Purchase

Agreement, under which the shares were purchased at a price of \$4.68 per share, such price being the fair market value of each such share on the effective date of the agreement.

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In the event of Mr. Sanfilippo's death or disability, voluntary termination, or termination for cause (each as defined within the employment agreement), he shall not be entitled to receive any severance, other than accrued but unpaid salary, vacation, vested benefits, and unreimbursed expenses. Further, the Company's other obligations under the employment agreement shall cease. In the event of Mr. Sanfilippo's termination without cause or his termination of employment for good reason (each as defined within the employment agreement), the Company: (i) shall pay Mr. Sanfilippo (a) in the event that the termination occurs on or before June 15, 2009, one year of base salary continuation and target bonus, or (b) in the event that the termination occurs after June 15, 2009, two years of base salary continuation and two years of target bonus; and (ii) if Mr. Sanfilippo elects to continue health coverage under the Consolidated Omnibus Budget Reconciliation Act ("COBRA"), the Company will pay the premiums in an amount sufficient to maintain the level of health benefits in effect on his last day of employment, for a period of up to one year after the termination. The same termination benefits would apply in the event of Mr. Sanfilippo's termination without cause or his termination for good reason, within one year following a Change of Control. In addition, the stock options granted to Mr. Sanfilippo upon the commencement of his employment with the Company would become fully vested in the event of his termination without cause or his termination for good reason, within one year following a Change of Control. The Company's obligation to provide the severance benefits set forth above is contingent upon Mr. Sanfilippo's execution of a mutual release of claims satisfactory to the Company.

Agreements with Gary L. Loebig. Upon his resignation on September 19, 2008, the Company entered into certain agreements with Mr. Loebig, including a Termination of Employment Agreement and a Separation and Release Agreement. The Termination of Employment Agreement provides for the termination of an employment agreement between the Company and Mr. Loebig, dated May 29, 2008. That Employment Agreement outlined the terms and conditions of his employment as the Company's Interim President and Chief Executive Officer, roles he held from March 31, 2008 until the hiring of Mr. Sanfilippo effective June 15, 2008. Under the terms of the Employment Agreement, Mr. Loebig's salary was unchanged; however, he was entitled to receive a bonus (the "Cash Bonus") in the amount of \$25,000 per month for the period during which he held the titles of Interim President and Chief Executive Officer. As described above, Mr. Loebig received payment of the Cash Bonus pursuant to these terms.

The Termination of Employment Agreement provided for the payment to Mr. Loebig of one-half of the annual base salary defined in the employment agreement, as well as any accrued but unpaid salary, vacation, vested benefits, and unreimbursed expenses through the date of his termination.

The Separation and Release Agreement also provides for the continuation of the terms and provisions of Stock Option Agreements between the Company and Mr. Loebig, in existence upon his termination. In the event of a Change of Control, these stock option agreements provide for full vesting of all nonvested stock options held by Mr. Loebig.

The Company and Mr. Loebig also entered into a Consulting Agreement, under which he will provide consulting services a minimum of one day per month and a maximum of four days per month, at the request of the Company's Chief Executive Officer or the Company's Board of Directors. The agreement will terminate on September 19, 2009. In consideration for his consulting services, Mr. Loebig will receive a fee in the amount of \$3,200 per month. In addition, he will continue his participation in the Company's health care benefit plans for himself and his spouse for the term of the agreement.

Agreements with Clifton E. Lind. Upon his resignation on May 1, 2008, the Company entered into certain agreements with Mr. Lind, including a Termination of Employment Agreement and a Separation and Release Agreement. The Termination of Employment Agreement provides for the termination of an employment agreement between the Company and Mr. Lind, dated September 9, 2004, as well as payment to Mr. Lind of any accrued but unpaid salary, vacation, vested benefits, and unreimbursed expenses through the date of his termination. The Separation and Release Agreement provided for the termination of the severance provisions of Mr. Lind's employment agreement with the Company, as well as the reimbursement of up to an aggregate of \$7,500 for the fees and expenses of a single special

counsel to Mr. Lind, incurred in the course of negotiating the Separation and Release Agreement, the Termination of Employment Agreement, and a Consulting Agreement.

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The Separation and Release Agreement also provides for the continuation of the terms and provisions of Stock Option Agreements between the Company and Mr. Lind, in existence upon his termination. In the event of a Change of Control, these stock option agreements provide for full vesting of all nonvested stock options held by Mr. Lind.

The Company and Mr. Lind also entered into a consulting agreement, under which he will provide consulting services a minimum of four days per month and a maximum of twelve days per month, at the request of the Company's Chief Executive Officer or the Company's Board of Directors. The agreement will terminate on May 31, 2011. In consideration for his consulting services, Mr. Lind will receive fees in the amount of \$30,000 per month for the period May 2008 through October 2008; \$25,000 per month for the period November 2008 through April 2009; \$22,500 per month for the period May 2009 through October 2010; and \$20,000 per month for the period November 2010 through May 2011. In addition, he will continue his participation in the Company's health care benefit plans for himself and his spouse for the term of the agreement.

Agreement with P. Howard Chalmers. Effective August 31, 2008, the role and responsibilities of Mr. Chalmers were revised such that he was no longer an Executive Officer of the Company. Effective on that date, the Company entered into an agreement with Mr. Chalmers, under which he agreed to a reduction in the annual rate of his base salary from \$189,000 to \$113,400, continuing through the earlier of (i) December 31, 2008 or, (ii) his acceptance of other employment or consulting engagement requiring a majority of his business time and attention with compensation at an annual rate aggregating more than \$150,000. The agreement also provided that he would continue to be eligible for Company benefits consistent with those he received prior to the agreement.

In addition, the agreement established that beginning January 1, 2009, Mr. Chalmers would provide consulting services to the Company as reasonably requested for a period ending June 30, 2009. During that consulting period, he would receive consulting fees at an hourly rate, or a project fees to be determined for services actually rendered, but not receive salary, benefits, or other compensation from the Company. The agreement also provides, in exchange for the confirmation and execution of a general release of all claims against the Company, for the continuation of the terms and provisions of Stock Option Agreements between the Company and Mr. Chalmers in existence upon his termination.

Mr. Chalmers remained an employee of the Company until his termination effective December 31, 2008, and has subsequently commenced consulting services to the Company in accordance with the terms of the agreement.

Agreements with Scott A. Zinnecker. Upon his resignation on September 30, 2008, the Company entered into certain agreements with Mr. Zinnecker, including a Separation, Release and Indemnification Agreement. In consideration for his execution of the agreement, Mr. Zinnecker received a severance payment of \$58,153.92, equal to four months of his annual base salary, less customary payroll deductions, as well as any accrued but unpaid salary, vacation, vested benefits, and unreimbursed expenses through the date of his termination. The agreement also provides for the continuation of the terms and provisions of Stock Option Agreements between the Company and Mr. Zinnecker in existence upon his termination.

The Company and Mr. Zinnecker also entered into a consulting agreement, under which he will provide consulting services at the request of the Company's Chief Executive Officer or the Company's Board of Directors. The agreement will terminate on July 15, 2009. In consideration for his consulting services, Mr. Zinnecker will receive a fee in the amount of \$150 per hour for all services provided upon the Company's request. There is no minimum number of hours required as part of the consulting agreement, and there are certain limits as to the maximum days per month which Mr. Zinnecker may provide services.

Agreements with Virginia E. Shanks. On July 22, 2008, the Company entered into an executive employment agreement with Ms. Shanks, which sets forth certain terms and conditions relating to her employment as the

Company's Senior Vice President and Chief Marketing Officer. Ms. Shanks' employment agreement provides that she will receive an annual base salary of \$250,000, subject to covenants in the employment agreement and in an Agreement Regarding Proprietary Developments, Confidential Information and Non-Solicitation. The annual salary will be subject to an annual review by the Company's Chief Executive Officer. In addition, she has an opportunity to earn an annual bonus equal to 60% of her base salary upon achievement of certain performance targets approved by the Company's Chief Executive Officer, and up to a maximum of 100% of her base salary for overachievement of such performance targets. The employment agreement also specifies that Ms. Shanks will be eligible to enroll in the Company's benefit programs and vacation policies as they are established from time-to-time for senior-level executive employees.

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Pursuant to the employment agreement, on July 22, 2008 the Company granted Ms. Shanks 250,000 stock options pursuant to the Company's 2008 Employment Inducement Award Plan. The options became immediately exercisable, but are subject to vesting over four years. Specifically, one-sixteenth (1/16) of the options vest on October 22, 2008, with the remaining options vesting one-sixteenth (1/16) quarterly until fully vested.

Ms. Shanks will serve as Vice President of Sales until her successor is chosen and qualified or until her death, resignation, retirement, disqualification or removal. If there is a Change of Control of the Company, Ms. Shanks may, in certain circumstances, receive one year of base salary and one year of a target bonus payment; provided, however, that if the Change of Control occurs after July 22, 2009, Ms. Shanks would, in such circumstances, receive two years of base salary and two years of target bonus payments. Ms. Shanks is eligible to receive a gross-up payment in the event that any payment by the Company to or for the benefit of Ms. Shanks is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

Agreements with Uri L. Clinton. On August 16, 2008, the Company entered into an executive employment agreement with Mr. Clinton, which sets forth certain terms and conditions relating to his employment as the Company's General Counsel. Mr. Clinton's employment agreement provides that he will receive an annual base salary of \$250,000, subject to covenants in the employment agreement and in an Agreement Regarding Proprietary Developments, Confidential Information and Non-Solicitation. The annual salary will be subject to an annual review by the Company's Chief Executive Officer. In addition, he has an opportunity to earn an annual bonus equal to 60% of his base salary upon achievement of certain performance targets approved by the Company's Chief Executive Officer, and up to a maximum of 100% of his base salary for overachievement of such performance targets. The employment agreement also specifies that Mr. Clinton will be eligible to enroll in the Company's benefit programs and vacation policies as they are established from time-to-time for senior-level executive employees.

Pursuant to the employment agreement, on August 16, 2008 the Company granted Mr. Clinton 250,000 stock options pursuant to the Company's 2008 Employment Inducement Award Plan. The options became immediately exercisable, but are subject to vesting over four years. Specifically, one-sixteenth (1/16) of the option vests on November 16, 2008, with the remaining options vesting one-sixteenth (1/16) quarterly until fully vested.

Mr. Clinton will serve as General Counsel until his successor is chosen and qualified or until his death, resignation, retirement, disqualification or removal. If there is a Change of Control of the Company, Mr. Clinton may, in certain circumstances, receive one year of base salary and one year of a target bonus payment; provided, however, that if the Change of Control occurs after August 16, 2009, Mr. Clinton would, in such circumstances, receive two years of base salary and two years of target bonus payments. Mr. Clinton is eligible to receive a gross-up payment in the event that any payment by the Company to or for the benefit of Mr. Clinton is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

Agreements with Patrick R. Ramsey. On September 14, 2008, the Company entered into an executive employment agreement with Mr. Ramsey, which sets forth certain terms and conditions relating to his employment as the Company's Senior Vice President and Chief Operating Officer. Mr. Ramsey's employment agreement provides that he will receive an annual base salary of \$300,000, subject to covenants in the employment agreement and in an Agreement Regarding Proprietary Developments, Confidential Information and Non-Solicitation. The annual salary will be subject to an annual review by the Company's Chief Executive Officer. In addition, he has an opportunity to earn an annual bonus equal to 60% of his base salary upon achievement of certain performance targets approved by the Company's Chief Executive Officer, and up to a maximum of 100% of his base salary for overachievement of such performance targets. The employment agreement also specifies that Mr. Ramsey will be eligible to enroll in the Company's benefit programs and vacation policies as they are established from time-to-time for senior-level executive employees.

For a period of six months following the effective date of the employment agreement, the Company will pay expenses related to Mr. Ramsey's commuting between Austin, Texas (the Company's home office location) and Las Vegas, Nevada; as well reasonable costs of an apartment in Austin, Texas, car rental and other related and reasonable expenses. The Company will pay for the reasonable moving expenses for Mr. Ramsey's relocation to Austin, Texas.

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Pursuant to the employment agreement, on September 14, 2008 the Company granted Mr. Ramsey 300,000 stock options pursuant to the Company's 2008 Employment Inducement Award Plan. The options became immediately exercisable, but are subject to vesting over four years. Specifically, one-fourth (1/4) of the options vest on September 14, 2009 and the remaining options vest in equal quarterly installments until fully vested.

Mr. Ramsey will serve as Chief Operating Officer until his successor is chosen and qualified or until his death, resignation, retirement, disqualification or removal. If there is a Change of Control of the Company, Mr. Ramsey may, in certain circumstances, receive one year of base salary and one year of a target bonus payment; provided, however, that if the Change of Control occurs after September 14, 2009, Mr. Ramsey would, in such circumstances, receive two years of base salary and two years of target bonus payments. Mr. Ramsey is eligible to receive a gross-up payment in the event that any payment by the Company to or for the benefit of Mr. Ramsey is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

Agreement with Mick Roemer. On January 12, 2009, the Company entered into an executive employment agreement with Mr. Roemer, which sets forth certain terms and conditions relating to his employment as Senior Vice President of Sales of the Company. Mr. Roemer's employment agreement provides that he will receive an annual base salary of \$200,000, subject to covenants in the employment agreement and in an Agreement Regarding Proprietary Developments, Confidential Information and Non-Solicitation. The annual salary will be subject to an annual review by the Company's Chief Executive Officer. In addition, he is entitled to receive a quarterly incentive bonus (the "Incentive Bonus") upon the achievement of new sales and new placement goals mutually agreed to by and between Mr. Roemer and the Company's Chief Executive Officer for each quarter. The Incentive Bonus shall not exceed \$100,000 in any individual twelve (12) month period. In addition to the Incentive Bonus, Mr. Roemer has an opportunity to earn an annual bonus equal to 60% of his base salary upon achievement of certain performance targets approved by the Company's Chief Executive Officer, and up to a maximum of 100% of his base salary for overachievement of such performance targets. The employment agreement also specifies that Mr. Roemer will be eligible to enroll in the Company's benefit programs and vacation policies as they are established from time-to-time for senior-level executive employees.

Pursuant to the employment agreement, the Company granted Mr. Roemer 200,000 stock options pursuant to the Company's 2008 Employment Inducement Award Plan. The options became immediately exercisable, but are subject to vesting over four years. Specifically, one-fourth (1/4) of the options will vest on the first anniversary of the grant date and the remaining options vest in equal quarterly installments until fully vested.

Mr. Roemer will serve as Senior Vice President of Sales until his successor is chosen and qualified or until his death, resignation, retirement, disqualification or removal. If there is a Change of Control of the Company, Mr. Roemer may, in certain circumstances, receive one year of base salary and one year of a target bonus payment; provided, however, that if the Change of Control occurs after January 12, 2009, Mr. Roemer would, in such circumstances, receive two years of base salary and two years of target bonus payments. Mr. Roemer is eligible to receive a gross-up payment in the event that any payment by the Company to or for the benefit of Mr. Roemer is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

Agreement with Adam D. Chibib. On February 1, 2009, the Company entered into an executive employment agreement with Mr. Chibib, which sets forth certain terms and conditions relating to his employment as Senior Vice President and Chief Financial Officer of the Company, effective as of February 10, 2009. Mr. Chibib's employment agreement provides that he will receive an annual base salary of \$250,000, subject to covenants in the employment agreement and in an Agreement Regarding Proprietary Developments, Confidential Information and Non-Solicitation, and a sign-on bonus of \$15,000. The annual salary will be subject to an annual review by the Company's Chief Executive Officer. In addition, he has an opportunity to earn an annual bonus equal to 60% of his base salary upon achievement of certain performance targets approved by the Company's Chief Executive Officer, and up to a

maximum of 100% of his base salary for overachievement of such performance targets. In addition, beginning on April 1, 2009, Mr. Chibib will be eligible for a separate discretionary bonus in an amount up to but not exceeding \$20,000 per quarter, based upon criteria for quarterly objectives as set by the Company's Chief Executive Officer. The employment agreement also specifies that Mr. Chibib will be eligible to enroll in the Company's benefit programs as they are established from time-to-time for senior level executive employees.

Pursuant to the employment agreement, on February 10, 2009, the Company granted Mr. Chibib 250,000 stock options pursuant to the Company's 2008 Employment Inducement Award Plan. The options became immediately exercisable, but are subject to vesting over four years. Specifically, one-fourth (1/4) of the options vest on February 10, 2010, and the remaining options vest in equal quarterly installments until fully vested.

Mr. Chibib will serve as Senior Vice President and Chief Financial Officer until his successor is chosen and qualified or until his death, disability, resignation, retirement, disqualification or removal. In the event that a Change of Control occurs after February 10, 2009, Mr. Chibib would, in certain circumstances, receive two years of base salary and two years of target bonus payments. Mr. Chibib is eligible to receive a gross-up payment in the event that any payment by the Company to or for the benefit of Mr. Chibib is subject to the excise tax imposed by Section 4999 of the Internal Revenue Code.

**Change-in-Control Benefits.** Generally, the Company does not provide executive officers with any special benefits that are triggered solely upon a change-in-control. However, upon a change-in-control, virtually all of the Company's outstanding stock options, including those held by our executive officers, become fully vested. Change-in-control generally refers to certain corporate transactions involving the Company such as a merger or consolidation, sale of assets, dissolution or the acquisition by any person of at least 51% of our voting stock. The Compensation Committee believes that for senior executives, including the Named Executive Officers, accelerated vesting of stock options in the event of a change-in-control is generally appropriate because in some change-in-control situations, equity of the target company is cancelled making immediate acceleration necessary in order to preserve the value of the option grants. In addition, the Company relies on long-term incentive awards to provide our executive officers with the opportunity to accumulate substantial resources to fund their retirement income, and the Compensation Committee believes that a change in control event is an appropriate liquidation point for awards designed for such purpose.

**General Severance Plan.** In June 2007, the Company established the Multimedia Games, Inc. Severance Plan for Select Employees ("Severance Plan"). Under this plan, and other than for Mr. Sanfilippo and other executive officers with whom the Company has employment agreements, it is at the discretion of the Plan Administrator, and subject to approval by the Company's Chief Executive Officer, whether an executive officer, or any employee, would be entitled to receive any cash severance benefits due to an involuntary termination of employment. However, in no event may cash severance benefits exceed twice an executive officer's annual compensation (generally defined as base salary) for the calendar year preceding the calendar year during which the executive officer involuntarily terminated. The Severance Plan Administrator is the Company's Senior Vice President of Human Resources.

Under the Severance Plan, there are no commitments for the Company to make severance payments to any employee, including any of the Named Executive Officers. Any payments made pursuant to the Plan are determined on a case-by-case basis. No payments were made under the Severance Plan to any current or former executive officers during the fiscal year ended September 30, 2008.

**Compliance with Internal Revenue Code Section 162(m).** Section 162(m) of the Internal Revenue Code restricts deductibility of executive compensation paid to our Chief Executive Officer and each of the four other most highly compensated executive officers holding office at the end of any year to the extent such compensation exceeds \$1,000,000 for any of such officers in any year and does not qualify for an exception under Section 162(m) or related regulations. The Committee's policy is to qualify its executive compensation for deductibility under applicable tax laws to the extent practicable. Income related to stock options granted under our equity compensation plans generally qualifies for an exemption from these restrictions imposed by Section 162(m). In the future, the Committee will continue to evaluate the advisability of qualifying its executive compensation for full deductibility.

REPORT OF THE COMPENSATION COMMITTEE

We, the Compensation Committee of the Board of Directors, have reviewed and discussed the foregoing Compensation Discussion and Analysis with the management of the Company. Based on such review and discussion, we are of the opinion that the executive compensation policies and plans provide appropriate compensation to properly align the Company's performance and the interests of its shareholders through the use of competitive and equitable executive compensation in a balanced and reasonable manner, for both the short and long-term. Accordingly, we have recommended to the Board of Directors that the foregoing Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the year ended September 30, 2008, and in the proxy statement relating to the Company's 2009 Annual Meeting of Shareholders.

Submitted by the Compensation Committee of the Board of Directors:

COMPENSATION  
COMMITTEE

Neil E. Jenkins, Chairman of  
the Compensation  
Committee  
John M. Winkelman  
Emanuel R. Pearlman

## SUMMARY COMPENSATION TABLE

The following summary compensation table sets forth information concerning aggregate compensation earned by or paid to (i) the individual serving as our Chief Executive Officer during our 2008 fiscal year, (ii) the individuals serving as our Chief Financial Officer during our 2008 fiscal year, and (iii) our three other highly compensated executive officers who served in such capacities during fiscal year 2008 but were not serving in such roles as of September 30, 2008. We refer to these individuals as our “Named Executive Officers.” Except for Mr. Sanfilippo, our Chief Executive Officer, and Mr. Cieslewicz, our Chief Financial Officer, none of our Executive Officers employed by us at the end of fiscal year 2008 received compensation in excess of \$100,000 during fiscal year 2008.

Name and Principal Position	Fiscal Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity Incentive Compensation (\$)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (\$)	All Other Compensation (2) (\$)	Total (\$)
Anthony M. Sanfilippo (3) President and Chief Executive Officer	2008	121,154	181,731	—	211,610	—	—	30,844	545,339
Gary L. Loebig (4) Former President and Chief Executive Officer	2008	194,250	119,231	—	63,265	—	—	31,832	408,578
	2007	192,827	—	—	53,251	—	—	7,414	253,492
Clifton E. Lind (5) Former President and Chief Executive Officer	2008	275,192	—	—	—	—	—	119,383	394,575
	2007	450,000	—	—	80,220	—	—	17,493	547,713
Randy S. Cieslewicz (6) Vice President and Chief Financial Officer	2008	215,962	—	—	201,437	—	—	8,670	426,069
	2007	176,346	52,500	—	113,868	—	—	8,554	351,268
P. Howard Chalmers Former Senior Vice President of Planning and Corporate Communications	2008	182,505	—	—	23,896	—	—	7,331	213,732
	2007	187,616	—	—	56,707	—	—	7,625	251,948
Scott A. Zinnecker (7) Executive Vice President	2008	181,731	—	—	22,948	—	—	7,550	212,229

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- (1) Amounts disclosed in the “Option Awards” column relate to grants of stock options made under one or more of the Company’s stock option plans (See “Item 11. Executive Compensation”). With respect to each stock option grant, the amounts disclosed generally reflect the compensation cost that the Company recognized for financial accounting purposes in fiscal year 2008, in accordance with Statement of Financial Accounting Standards No. 123 (revised), “Share-Based Payment,” or SFAS 123(R). Generally, SFAS 123(R) requires the full grant-date fair value of a stock option award to be amortized and recognized as compensation cost over the service period that relates to the award.
- (2) Amounts disclosed in the “All Other Compensation” column include the following Company contributions to the 401(k) Plan accounts of each Named Executive Officer for fiscal years 2008 and 2007, respectively: Mr. Sanfilippo, \$4,154 and \$0; Mr. Loebig, \$10,448 and \$7,414; Mr. Lind, \$13,597 and \$15,931; Mr. Cieslewicz, \$8,640 and \$8,554; Mr. Chalmers, \$7,301 and \$7,625; and Mr. Zinnecker, \$7,280 (2008 only). Mr. Sanfilippo’s amount also includes relocation costs of \$26,690. Amounts for Messrs. Loebig and Lind include payouts in respect of unused vacation of \$21,354 and \$101,674, respectively. Amounts for Messrs. Lind and Zinnecker include reimbursement for health club fees under the Company’s “Good Health” program of \$138 and \$240, respectively. Amounts for Messrs. Loebig, Lind, Cieslewicz, Chalmers and Zinnecker include a \$30 gift card provided to all employees at Thanksgiving. The amount for Mr. Lind includes the Company’s direct payment and reimbursement for his payment of membership fees and costs related to business entertainment at certain clubs in the amount of \$3,944.
- (3) Mr. Sanfilippo commenced his employment with the Company effective June 15, 2008. In recognition of his service during fiscal year 2008, he was awarded a pro-rata bonus under the terms of his employment agreement.
- (4) Mr. Loebig was awarded a bonus in recognition of his service as the Company’s Interim President and Chief Executive Officer. This bonus was paid to Mr. Loebig prior to his termination from the Company, effective September 18, 2008.
- (5) Effective March 31, 2008, Mr. Lind resigned as President, Chief Executive Officer and a director of the Company and ceased to be an Executive Officer of the Company.
- (6) Mr. Cieslewicz received three cash payments during fiscal year 2007, each in the amount of \$17,500, in recognition of his efforts and service as the Company’s Interim Chief Financial Officer between May 2006 and April 2007.
- (7) Mr. Zinnecker was not a Named Executive Officer for the fiscal year ended September 30, 2007; as such, data is not provided for him for that fiscal year.



## GRANTS OF PLAN-BASED AWARDS IN OUR FISCAL YEAR ENDED SEPTEMBER 30, 2008

The following table provides information regarding grants of plan-based awards made to each of the Named Executive Officers during the fiscal year ended September 30, 2008.

Name	Grant Date	Date Award Approved	Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Option Awards:		Exercise or Base Price of Options Awarded (\$/Sh)	Grant Date Fair Value of Stock and Option Awards (\$ (1))
			Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares (#)	All Other Securities Underlying Units Options (#)		
Mr. Sanfilippo(2)	6/15/08	6/15/08	—	—	—	—	1,300,000	4.68	2,900,300
Mr. Loebig(3)	7/14/08	7/14/08	—	—	—	—	23,643	3.59	39,597
	7/14/08	7/14/08	—	—	—	—	56,357	3.59	94,387
Mr. Cieslewicz(3)	7/14/08	7/14/08	—	—	—	—	15,000	3.59	25,122
	7/14/08	7/14/08	—	—	—	—	65,000	3.59	108,862
P. Howard Chalmers	—	—	—	—	—	—	—	—	—
Mr. Zinnecker(3)	7/14/08	7/14/08	—	—	—	—	40,000	3.59	66,992

1. The amounts disclosed in the “Grant date fair value of stock and option awards” column were computed in accordance with SFAS 123(R).

2. On June 15, 2008, the Board of Directors approved an award to Mr. Sanfilippo of 1,300,000 nonqualified stock options, or NQSOs, in connection with his appointment as the Company’s President and Chief Executive Officer. These awards were issued under the Company’s 2008 Employment Inducement Award Plan. The options became immediately exercisable, but are subject to a vesting over four years in equal quarterly installments.

3. These awards were issued under the Company’s 2002 Stock Option Plan.

## OUTSTANDING EQUITY AWARDS AT OUR FISCAL YEAR ENDED SEPTEMBER 30, 2008

The following table provides information concerning the current holdings of stock options by the Named Executive Officers as of September 30, 2008. This table includes unexercised and unvested option awards. Individual equity grants are shown separately for each such Named Executive Officer.

Name	Grant Date	Option Awards				Option Expiration Date
		Number of Securities Underlying Unexercised Options (#) Exercisable (1)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)	Option Exercise Price (\$)	(2)	
Mr. Sanfilippo (3)	6/15/08	1,300,000	—	4.6800	6/15/18	
	Total	1,300,000	—			
Mr. Loebig (4)	3/21/01	20,000	—	2.3959	3/21/11	
	3/21/01	19,102	—	2.3959	3/21/11	
	9/21/01	8,436	—	3.7667	9/21/11	
	9/21/01	141,564	—	3.7667	9/21/11	
	3/25/05	37,500	12,500	7.6100	3/25/15	
	7/14/08	—	23,643	3.5900	7/14/18	
	7/14/08	—	56,357	3.5900	7/14/18	
	Total	226,602	92,500			
Mr. Lind (3)	5/29/00	54,000	—	1.0000	5/29/10	
	3/21/01	133,024	—	2.3959	3/21/11	
	9/21/01	300,000	—	3.7667	9/21/11	
	9/21/01	30,000	—	3.7667	9/21/11	
	9/24/02	40,000	—	8.2750	9/24/12	
	11/13/02	10,774	—	9.2800	11/13/12	
	11/13/02	389,226	—	9.2800	11/13/12	
	9/24/03	40,000	—	16.8125	9/24/13	
	Total	997,024	—			
Mr. Cieslewicz	1/24/02	70,000	—	10.1500	1/24/12	
	3/25/05	3,125	3,125	7.6100	3/25/15	
	8/4/05	7,500	3,750	9.9700	8/4/15	
	4/6/07	3,304	20,324	11.7500	4/6/17	
	4/6/07	21,696	54,676	11.7500	4/6/17	
	7/14/08	—	15,000	3.5900	7/14/18	
	7/14/08	—	65,000	3.5900	7/14/18	
	Total	105,625	161,875			
Mr. Chalmers	11/13/02	32,322	—	9.2800	11/13/12	
	11/13/02	78,150	—	9.2800	11/13/12	
	11/13/02	2,026	—	9.2800	11/13/12	
	10/15/04	1	—	12.0950	10/15/14	
	10/15/04	19,999	—	12.0950	10/15/14	
	3/25/05	10,386	6,250	7.6100	3/25/15	
	3/25/05	8,364	—	7.6100	3/25/15	

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	Total	151,248	6,250		
Mr. Zinnecker	11/13/02	32,322	—	9.2800	11/13/12
	11/13/02	117,678	—	9.2800	11/13/12
	3/25/05	12,502	6,250	7.6100	3/25/15
	3/25/05	6,248	—	7.6100	3/25/15
	7/14/08	—	40,000	3.5900	7/14/18
	Total	168,750	46,250		

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(1) Stock options are generally subject to ratable vesting over four years. Options granted to Mr. Sanfilippo are exercisable immediately but vest over four years in equal quarterly installments. Options to other NEOs listed above vest 25% on each of the first four anniversaries of their grant date.

(2) The option exercise price is equal to the closing share price of the Company's stock on the day of grant.

#### OPTION EXERCISES AND STOCK VESTED IN OUR FISCAL YEAR ENDED SEPTEMBER 30, 2008

The following table provides information regarding stock options exercised during the fiscal year ended September 30, 2008, including the number of shares acquired upon exercise and the value (value of common stock in excess of exercise price at date of exercise) realized, before payment of applicable withholding tax.

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
Mr. Sanfilippo	—	—
Mr. Loebig	—	—
Mr. Lind (1)	37,500	227,779
Mr. Cieslewicz	—	—
Mr. Chalmers	—	—
Mr. Zinnecker	—	—

(1) Reflects the exercise of stock options by Mr. Lind on November 6, 2007. The options had an exercise price of \$1.2709 per share.

#### PENSION BENEFITS IN OUR FISCAL YEAR ENDED SEPTEMBER 30, 2008

The Company does not maintain a tax-qualified defined benefit retirement plan.

#### NONQUALIFIED DEFERRED COMPENSATION IN OUR FISCAL YEAR ENDED SEPTEMBER 30, 2008

The Company does not maintain any non-qualified supplemental retirement plans or deferred compensation plans for our executive officers.

#### POTENTIAL TERMINATION PAYMENTS

This section describes and quantifies potential payments that may be made or benefits that may be provided to each Named Executive Officer at, following, or in connection with the resignation, severance, retirement, or other termination of the Named Executive Officer or a Change of Control of the Company. For this purpose, it is assumed that each of the foregoing events occurred on the last day of the Company's fiscal year ended September 30, 2008. The determination of potential payments and benefits is based on specific factors and assumptions which are further discussed below. Since these factors and assumptions are subject to change, the payments and benefits that may actually be made to a Named Executive Officer may differ materially from the payments and benefits disclosed in this section.

Mr. Chalmers terminated his employment with the Company effective December 31, 2008. For purposes of this disclosure (which assumes certain termination events occurred on the last day of the Company's fiscal year) and pursuant to the Company's General Severance Plan, Mr. Chalmers would, at the discretion of the Plan Administrator,

have been eligible to receive cash severance benefits not to exceed twice his annual compensation (which was \$113,400 as of September 30, 2008) in the event of his Involuntary Termination without Cause, or Voluntary Resignation for Good Reason, or his Termination without Cause following a Change in Control. Details regarding actual termination arrangements for Mr. Chalmers are provided in the section titled "Employment And Termination Arrangements And Change-In-Control Benefits."

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Potential termination payment values are not provided for Messrs. Loebig, Lind and Zinnecker, each of whom terminated their employment with the Company on or before September 30, 2008; additional details regarding termination arrangements for Messrs. Loebig, Lind and Zinnecker are provided in the section titled “Employment And Termination Arrangements And Change-In-Control Benefits.”

Anthony M. Sanfilippo

Termination Event	Cash Severance (\$)	Acceleration and Other Benefits from Stock Options (1) (\$)	Other (\$)	Total (\$)
Retirement	—	—	—	—
Death or Disability	—	—	—	—
Voluntary Resignation	—	—	—	—
Termination for Cause	—	—	—	—
Involuntary Termination without Cause, or Voluntary Resignation for Good Reason (2)	1,125,000	—	—	1,125,000
Change in Control without Termination	—	—	—	—
Termination without Cause following a Change in Control (2)	1,125,000	—	—	1,125,000

(1)The amounts reflect the aggregate in-the-money value of all nonvested outstanding stock options, based on the Company’s closing share price of \$4.33 on September 30, 2008.

(2)Pursuant to Mr. Sanfilippo’s Employment Agreement (described in the section titled “Employment And Termination Arrangements And Change-In-Control Benefits”), in the event that the termination occurs on or before June 15, 2009, the Company would pay his one year of base salary continuation and target bonus; or in the event that the termination occurs after June 15, 2009, two years of base salary continuation and two years of target bonus.

Randy S. Cieslewicz

Termination Event	Cash Severance (\$)	Acceleration and Other Benefits from Stock Options (1) (\$)	Other (\$)	Total (\$)
Retirement	—	—	—	—
Death or Disability	—	59,200	—	59,200
Voluntary Resignation	—	—	—	—
Termination for Cause	—	—	—	—
Involuntary Termination without Cause, or Voluntary Resignation for Good Reason (2)	235,000	59,200	—	294,200
Change in Control without Termination	—	59,200	—	59,200
Termination without Cause following a Change in Control (2)	235,000	59,200	—	294,200

(1)The amounts reflect the aggregate in-the-money value of all nonvested outstanding stock options, based on the Company’s closing share price of \$4.33 on September 30, 2008.

(2)Pursuant to the Company’s General Severance Plan, Mr. Cieslewicz would, at the discretion of the Plan Administrator, be eligible to receive cash severance benefits not to exceed twice his annual compensation. For purposes of this disclosure, the amounts reflect the lump sum payment equal to 12 months of his annual base salary

of \$235,000 as of September 30, 2008.

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CERTAIN INFORMATION NOT DEEMED INCORPORATED BY REFERENCE  
IN ANY SECURITIES AND EXCHANGE COMMISSION FILINGS

Notwithstanding anything to the contrary set forth in any of our previous or future filings under the Securities Act of 1933, or the Securities Act, or the 1934 Act that might incorporate all or portions of future filings, including this Proxy Statement, with the SEC, in whole or in part, the Report of the Compensation Committee of our Board of Directors and the Report of the Audit Committee of our Board of Directors shall not be deemed to be incorporated by reference into any such filing or deemed to be "soliciting material" or "filed" with the SEC under the Securities Act or the 1934 Act, or subject to the liabilities of Section 18 of the 1934 Act. In addition, this Proxy Statement includes certain website addresses intended to provide inactive, textural references only. The information on these websites shall not be deemed part of this Proxy Statement.

DEADLINE FOR RECEIPT OF SHAREHOLDER PROPOSALS  
2010 ANNUAL MEETING

Shareholders who, in accordance with SEC Rule 14a-8, wish to present proposals for inclusion in our proxy statement and form of proxy for our next annual meeting must submit their proposals so that they are received by us at our principal executive offices, addressed to our Corporate Secretary, no later than November 19, 2009. Shareholder proposals not submitted for inclusion in next year's proxy statement and form of proxy, but instead sought to be presented directly at our next annual meeting of shareholders, may be brought before the annual meeting so long as we receive notice of the proposal, addressed to the Corporate Secretary, at our principal executive offices, no later than November 19, 2009. If received after November 19, 2009, such proposals will be considered untimely. Unless we receive notice in the manner and by the dates specified above, the proxy holders shall have discretionary authority to vote for or against any such proposal presented at our next annual meeting of shareholders.

ANNUAL REPORT

A copy of our annual report for our fiscal year ended September 30, 2008, including Amendment No. 1 thereto, has been mailed concurrently with this Proxy Statement to all shareholders entitled to notice of and to vote at the annual meeting. The annual report, including the amendment thereto, is not incorporated into this Proxy Statement and is not considered proxy solicitation material.

FORM 10-K

We filed an annual report on Form 10-K with the SEC on December 15, 2008, an Amendment No. 1 on Form 10-K/A thereto with the SEC on January 28, 2009, and an Amendment No. 2 on Form 10-K/A thereto with the SEC on March 6, 2009. Shareholders may obtain a copy of our annual report, including the amendments thereto, without charge, by writing to our Corporate Secretary at our principal executive offices, located at 206 Wild Basin Rd South, Bldg B, Suite 400, Austin, Texas 78746.

By order of the Board of  
Directors,

/s/ Anthony M. Sanfilippo  
Anthony M. Sanfilippo  
President and Chief  
Executive Officer

Austin, Texas



March 19, 2009

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