

MULTIMEDIA GAMES INC
Form 10-K/A
January 30, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K/A

Amendment No. 1

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended: September 30, 2005

Or

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-14551

Multimedia Games, Inc.

(Exact name of Registrant as specified in its charter)

Texas

74-2611034

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(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

206 Wild Basin Road, Building B, Fourth Floor
Austin, Texas
(Address of principal executive offices)

78746
(Zip Code)

Registrant's telephone number, including area code: (512) 334-7500

Registrant's website: www.multimedialogames.com

Securities Registered Pursuant to Section 12(b) of the Exchange Act:

None

Securities Registered Pursuant to Section 12(g) of the Exchange Act:

Common Stock, \$0.01 par value

Preferred Share Purchase Rights

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

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Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold as of the last business day of the registrant's most recently completed second fiscal quarter (March 31, 2005) was \$206,545,390, based upon the last sales price reported for such date on the NASDAQ National Market System. For purposes of this disclosure, shares of common stock held by officers and directors of the registrant have been excluded because such persons may be deemed to be affiliates. This determination is not necessarily conclusive.

As of January 15, 2006, the registrant had 26,969,516 outstanding shares of common stock.

DOCUMENTS INCORPORATED BY REFERENCE

None.

EXPLANATORY NOTE

Multimedia Games, Inc. (the Company, we, us, or our) is filing this Amendment No. 1 on Form 10-K/A (this Amendment) to our Annual Report on Form 10-K for the fiscal year ended September 30, 2005, as filed with the Securities and Exchange Commission on December 14, 2005 (the Original Report), for the purpose of including information that was to be incorporated by reference from our definitive proxy statement. We will not file our proxy statement within 120 days of the end of our fiscal year, and therefore are amending Items 10, 11, 12, 13 and 14 of Part III of our Original Report to add the information contained herein. As required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, we are filing new certifications by the Company's principal executive officer and principal financial officer as exhibits to this Form 10-K/A under Item 15. We have also amended the cover page of the Original Report to reflect Securities and Exchange Commission form requirements and to correctly state the required aggregate market value of the voting and non-voting common equity of the Company held by non-affiliates.

Except as described above, this Amendment does not modify or update other disclosures in the Original Report, including the nature and character of such disclosures, to reflect events occurring after the filing date of the Original Report. Accordingly, this Form 10-K/A should be read in conjunction with our filings made with the Securities and Exchange Commission.

PART III
ITEM 10. Directors and Executive Officers of the Registrant

As of September 30, 2005, our executive officers, directors, and significant employees and their respective ages and positions with us were as follows:

<u>Name</u>	<u>Age</u>	<u>Positions and Offices</u>
Thomas W. Sarnoff	78	Director, Chairman of the Board
Clifton E. Lind	59	President, Chief Executive Officer and Director
Craig S. Nouis	43	Vice President and Chief Financial Officer
Gary L. Loebig	57	Executive Vice President of Sales
Brendan M. O'Connor	46	Executive Vice President and Chief Technology Officer
Robert F. Lannert	50	Executive Vice President of Class II Gaming
P. Howard Chalmers	62	Senior Vice President of Planning and Corporate Communications
Scott A. Zinnecker	57	Senior Vice President, Human Resources and Central Operations
Randy S. Cieslewicz	34	Vice President of Tax, Budget, and Corporate Compliance
Steven E. Kent	39	Vice President of Quality
James A. Bannerot	60	Legal Coordinator
Dirk D. Heinen	44	Development Executive
Michael J. Maples, Sr.	67	Director
Robert D. Repass	45	Director
John M. Winkelman	59	Director

Thomas W. Sarnoff has been a director of ours since December 1997. He also served as the Interim Chairman of our board of Directors from December 2003 until February 2004, at which time he was elected Chairman of the Board. Mr. Sarnoff was employed by the National Broadcasting Company, Inc., or NBC, for over 25 years, holding positions that included Vice President, Production and Business Affairs, Executive Vice President of West Coast activities, and last serving as President of NBC Entertainment Corporation from 1969 to 1977. Since retiring from NBC in 1977, Mr. Sarnoff has been engaged in the production of television and film entertainment, primarily through Sarnoff

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Entertainment Corporation, which was formed in 1981. Mr. Sarnoff serves on many civic and charitable organizations and is currently Chairman Emeritus and a member of the Board of Directors of the Academy of Television Arts & Sciences Foundation. Mr. Sarnoff received a Bachelor of Science in Electrical Engineering from Stanford University.

Clifton E. Lind has been our Chief Executive Officer since February 2003. From June 1998 until February 2003, Mr. Lind was our President and Chief Operating Officer. Mr. Lind has been a director of ours since May 2000. From

1991 to 1993, Mr. Lind was the Executive Vice President, Chief Operating Officer and Chief Financial Officer of KDT Industries, a high-tech manufacturing and services company. From 1994 until January 1997, Mr. Lind was the President and Chief Executive Officer of KDT Industries. From January 1997 until joining us as President, Mr. Lind was President of Celmark, Inc., an Austin, Texas based company owned by Mr. Lind which provided management and financial consulting services. Mr. Lind received a Bachelor of Business Administration in Finance and a Master of Business Administration from the University of Texas at Austin.

Craig S. Nouis joined us as Vice President and Chief Financial Officer in August 2001. From January 2001 until August 2001, Mr. Nouis served as an independent contractor to us and others, providing financial and accounting services. For more than five years prior to that, Mr. Nouis was employed by BDO Seidman, LLP, last serving as audit partner. Mr. Nouis received a Bachelor of Science in Accounting from the University of Houston at Clear Lake.

Gary L. Loebig became our Vice President for New Market Development upon joining us in December 1998 and was elected Executive Vice President of Sales in December 2001. From 1984 until joining us in December 1998, Mr. Loebig was employed by Stuart Entertainment, doing business as Bingo King, a publicly traded company engaged in the manufacture and sale of bingo cards and related equipment and products. With Bingo King, Mr. Loebig served in various capacities, beginning as general sales manager and last serving as Senior Vice President Market and Product Development. Mr. Loebig received both Bachelor and Master of Business Administration degrees from the University of Iowa.

Brendan M. O Connor became our Senior Vice President and Chief Technical Officer upon joining us in January 2002 and was elected Executive Vice President in July 2003. From January 2001 until January 2002, Mr. O Connor worked as a technical consultant for us. From 1995 until January 2001, Mr. O Connor was a Senior Software Architect at The Boeing Company's Space and Communications Group, where he led a team that developed software for satellite ground systems. He has over 18 years of experience developing software systems. Mr. O Connor received a Bachelor of Arts in Chemistry from New College of Florida and Master of Arts in Chemistry and Master of Science in Aerospace Engineering degrees from the University of Texas at Austin.

Robert F. Lannert was our Vice President of Computer and Data Processing Operations from August 1997 until being elected Executive Vice President of Class II Gaming in December 2001. Mr. Lannert has been employed by us since June 1996, and was supervisor of computer and data processing operations until being elected Vice President of Class II Gaming. From 1988 until August 1995, Mr. Lannert was Director of Data Processing for DeBartolo Racing at Remington Park in Oklahoma City, and from August 1995 until joining us, Mr. Lannert was Vice President of Operations for Spector Entertainment Group. Mr. Lannert received a Bachelor of Science in Political Science from Arizona State University.

P. Howard Chalmers joined us in February 2003 as Senior Vice President of Planning and Corporate Communications, after serving as a management consultant to us for several years. From 1978 to 2003, he served as President and Principal Consultant for Chalmers & Co., where he gained a national reputation for providing strategic planning and organizational development support to a broad range of both entrepreneurial companies and nonprofit organizations. Mr. Chalmers is active in civic and charitable organizations, having served as Chairman of the Board of KLRU, Austin's public television station, and as President and Chief Executive Officer of the Lance Armstrong Foundation. He was instrumental in creating *Austin City Limits*, currently the longest-running music program on television, and served as Executive Producer of that program in its early years. Mr. Chalmers received a Bachelor of Arts from the University of Texas at Austin.

Scott A. Zinnecker joined us in January 2003 as Vice President of Human Resources. In July of 2005, he became our Senior Vice President of Human Resources and Central Operations. Mr. Zinnecker, who has over 30 years of human resources experience, came to us from Activant Solutions, where he was Corporate Vice President of Human Resources from 1997 to 2003. From November 1986 to August 1997, he was Vice President of Human Resources for KDT Industries, Inc., and its spin-off company, Arrowsmith Technologies, Inc. Mr. Zinnecker received a Bachelor of Science in Sociology from Texas A&M University.

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Randy S. Cieslewicz joined us in March 2002 as Vice President of Tax and Budget. In July of 2005, he became our Vice President of Tax, Budget, and Corporate Compliance. Mr. Cieslewicz worked in public accounting from 1994 through 2002, last serving as a Tax Manager for BDO Seidman, LLP. Mr. Cieslewicz received his Bachelor of Business Administration in Accounting from Sam Houston State University.

Steven E. Kent joined us in January 1998 as Director of Software Quality Control and Lottery System Specification, and was elected Vice President of Quality in July of 2005. From 1992 until January of 1998, he was employed by

the Texas Lottery Commission in various capacities, including Director of Systems Administration. Mr. Kent was employed by the Missouri Lottery Commission as a Data Processing Investigator in the Security department from 1989 to 1992.

James A. Bannerot joined us as our Legal Coordinator in August of 2003. Mr. Bannerot maintains a law practice in the Bannerot Law Firm, P.C. that was formed in March 2004. Prior to that time, he worked as an attorney in his own private law practice in Austin, Texas for more than thirty years, where he represented individuals, corporations, and other business organizations in operating matters, commercial disputes, intellectual property issues, such as patent and trademark protection and infringement, as well as unfair competition claims and defenses. Mr. Bannerot received his Juris Doctor degree from the University of Texas School of Law.

Dirk D. Heinen served as our Senior Vice President of Operations from January 2003 to November 2005 and currently serves as a Development Executive with the Company. He joined us in February 2002 as a consultant. From 1998 through 2001, Mr. Heinen was a founder and Vice President of Operations for Wayport, Inc., a privately held company providing high-speed Internet access for business travelers in hotels and airports throughout North America and Europe. From 1987 through 1998, Mr. Heinen served in a variety of marketing positions for Advanced Micro Devices PC and its embedded-processor business units. Mr. Heinen received Bachelor of Arts and Master of Business Administration degrees from the University of Texas at Austin.

Michael J. Maples, Sr. has been a director of ours since August 2004. 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 and Chief Software Architect. Previously, he served as Director of Software Strategy for International Business Machines Corp. Mr. Maples also currently serves on the boards of PeopleSoft, an enterprise software applications company, 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. He 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 Bachelor of Science degree in Electrical Engineering from the University of Oklahoma and a Master of Business Administration 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 our Audit Committee. Mr. Repass was a managing partner in 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 and wireless communication device company, since April 2002. 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 twenty years of public accounting, Securities and Exchange Commission and financial reporting experience. Mr. Repass received a Bachelor of Science in Accounting from Virginia Polytechnic Institute and State University.

John M. Winkelman has been a director of ours since August 2000. From 1999 to 2000, Mr. Winkelman was the Chief Executive Officer of Viejas Casino and Turf Club, a casino owned and operated by the Viejas Tribe located in San Diego County, California. From 1989 to 1999, Mr. Winkelman was the Economic Development Advisor to the Viejas Tribal Council. He has worked exclusively with Native American enterprises for the past 20 years, with a primary focus on tribal gaming and related economic development. Mr. Winkelman received a Bachelor of Arts in Laws and a Juris Doctor degree from Thomas Jefferson School of Law, formerly Western State University.

Each director is elected annually and holds office until such director's successor is elected, or until such director's death, resignation or removal from office.

No family relationship exists between any of our directors, executive officers or any person nominated or chosen by us to become a director or executive officer.

Audit Committee Composition and Audit Committee Financial Expert

Our Board of Directors has appointed Messrs. Maples, Repass and Winkelman as members of the Audit Committee of the Board of Directors. All Audit Committee members are independent as defined and required under the Nasdaq listing standards and the rules and regulations of the Securities and Exchange Commission. All Audit Committee members also possess the level of financial literacy required by all applicable laws and regulations. The Board 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 Securities and Exchange Commission.

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 fiscal 2005, all statements of beneficial ownership that were required to be filed with the Securities and Exchange Commission were timely filed, except that each of our outside directors (Mssrs. Maples, Repass, Winkleman and Sarnoff) failed to timely file a Form 4 in connection with his receipt on October 3, 2005 of a stock option for the purchase of 10,000 shares of our common stock at an exercise price per share of \$9.56 (the fair market value as of the date of grant).

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics that is applicable to all employees. We have also adopted a Code of Ethics for Senior Financial Officers that is applicable to the Chief Executive Officer and all Senior Financial Officers, and that meets the requirements of Item 406 of Regulation S-K as promulgated by the Securities and Exchange Commission. Our Code of Business Conduct and Ethics, including the Code of Ethics for Senior Financial Officers, is available free of charge by writing to our Director of Corporate Publications at 206 Wild Basin Road, Building B, Fourth Floor, Austin, Texas 78746.

ITEM 11. Executive Compensation**Summary Compensation Table**

The following table sets forth information concerning the annual compensation for our Chief Executive Officer and for each of our four most highly compensated executive officers other than our Chief Executive Officer whose salary and bonus exceeded \$100,000 for services rendered to us during the fiscal years ended September 30, 2005, September 30, 2004 and September 30, 2003 (the Named Executive Officers):

Name and Principal Position	Fiscal Year	Annual Compensation		Long Term Compensation	All Other Compensation (\$)
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	
Clifton E. Lind President and CEO	2005	467,553	17,000		
	2004	437,885	25,000		
	2003	373,384	250,000	440,000	
Gary L. Loebig Executive Vice President of Sales	2005	182,885	34,000	50,000	
	2004	153,000	37,500		
	2003	157,618	150,000		
Brendan M. O Connor Executive Vice President and Chief Technical Officer	2005	183,066	21,250	40,000	
	2004	158,006	37,500		
	2003	157,875	150,000		
Craig S. Nouis Vice President and CFO	2005	220,615	17,000	25,000	
	2004	209,694	27,500		
	2003	208,788	150,000		
Dirk D. Heinen ⁽¹⁾ Development Executive	2005	191,020	11,900	30,000	
	2004	181,731	27,500		
	2003	130,038	75,000	40,000	59,808

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- (1) Mr. Heinen served as the Company's Senior Vice President of Operations during fiscal year 2005. In November, 2005 Mr. Heinen ceased serving in such capacity, and since such date has served as a Development Executive with the Company, a part-time position. Prior to joining our Company in January 2003, Mr. Heinen rendered services to the Company during our 2003 fiscal year pursuant to a consulting arrangement. The listed amount of Mr. Heinen's other compensation for fiscal year 2003 reflects \$59,808 paid under this arrangement.

Option Grants in Last Fiscal Year

The following table sets forth information concerning the grants of stock options during the fiscal year ended September 30, 2005 to the Named Executive Officers identified in the Summary Compensation Table.

<u>Name</u>	<u>Individual Grants⁽¹⁾</u>	<u>Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term⁽²⁾</u>
	Number	