
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

1800 Washington Blvd., Suite 330, Baltimore, Maryland 21230

COMMISSION REPORT



Masque Publishing, Inc.

MANUFACTURER LICENSE RENEWAL APPLICANT

Report Date: August 10, 2022

“Commission Presentation”

Introduction

Role of the Maryland Lottery and Gaming Control Commission ("Commission")

The Commission is required to determine whether manufacturer license applicants have proven, by clear and convincing evidence, that they meet the qualifications for licensure under the Gaming Law. Requirements for qualification include: (1) applicant's financial stability and integrity; (2) integrity of any financial backers related to the application; (3) applicant's good character, honesty, and integrity; (4) applicant's business ability and experience; and (5) whether there are any mandatory disqualifiers that prevent the applicant from proving its qualifications by clear and convincing evidence. The Commission cannot issue a license unless it determines that the applicant is qualified.

The Regulatory Licensing and Investigations Division of the Maryland Lottery and Gaming Control Agency ("Agency") conducts the required background investigation of an applicant's qualifications. A report of the background investigation is provided to the Commission to assist it in determining whether the applicant described in this Report has proven that it is qualified.

Manufacturer License Renewal Commission Report
Masque Publishing, Inc. – August 10, 2022

The full report is confidential, and is available to the Commission on the Agency's shared drive. The Executive Summary that will be presented by Staff at the Commission meeting is a public document, which will be provided in the Commission packets, and is also available on the Agency website with other Commission meeting documents.

Process

As a prerequisite to being eligible for the renewal of a video lottery facility manufacturer license ("manufacturer license"), a manufacturer of a video lottery terminal ("VLT"), table game, or associated equipment must submit a Manufacturer License Renewal Application to the Commission. The applicant must prove to the Commission that it meets the qualification criteria set forth in the Annotated Code of Maryland, State Gov't Article ("SG"), § 9-1A-01, *et seq.* ("the Gaming Law"). Specifically, an applicant for a manufacturer license must prove, by clear and convincing evidence, that it is qualified under SG § 9-1A-07(c), and not disqualified under SG § 9-1A-08. SG § 9-1A-15. An applicant must provide all information to the Commission that is necessary for a qualification determination as to the applicant, its principals, and its principal entities as provided for in and Code of Maryland Regulations ("COMAR") 36.03.02.13.

Manufacturer License Renewal Commission Report
Masque Publishing, Inc. – August 10, 2022

The Maryland Lottery and Gaming Control Agency ("MLGCA, " "we" or "our"), conducted a suitability background license investigation of Masque Publishing, Inc. ("the Applicant" or "the Company") in connection with its application for renewal of its manufacturer license. The Company has maintained its initial five-year manufacturer license in good standing and has not been subject to any disciplinary sanctions by the Commission.

You (the Commissioners) have been provided with the complete investigative report on Masque Publishing, Inc. You have also received a copy of the public report that was in your packets and made available to everyone on the agency website. I will summarize the reports that have been given to you.

Background

The Company was incorporated in Colorado in 1993. Masque Publishing, Inc. is a developer and publisher of casino, card and casual games for Windows and Mac operating systems.

Masque Publishing, Inc. is a privately-owned company with 23,579,905 shares of common stock issued and outstanding. As of January 15, 2022, the individuals who held 5% or more of the Company's outstanding stock were:

- James M. Wisler (69.4%)
- David F. Zinger (14.1%)

**Manufacturer License Renewal Commission Report
Masque Publishing, Inc. – August 10, 2022**

Both Messrs. Wisler and Zinger have submitted Principal Employee License applications to the Maryland Lottery and Gaming Control Commission.

Impact of the COVID-19 Pandemic

The COVID-19 pandemic had a significant adverse impact on the Company's sales and operating activities, mainly in calendar year 2020, due to extensive shutdowns in the gaming industry. To address the matter, the Company cut costs by reducing annual bonuses paid to corporate officers. In addition, the Company obtained two loans from the Paycheck Protection Program available under the Coronavirus Aid, Relief and Economic Security Act. Masque Publishing, Inc. has received full forgiveness for both of these loans.

Review of Financial Operating Results

To assist in our evaluation of Masque Publishing, Inc.'s operating performance and financial condition, we performed a review of the Company's unaudited financial statements for the five-year period from January 1, 2017 to December 31, 2021. Based on our review, we offer the following comments and observations:

Masque Publishing, Inc.'s overall operating performance during the five-year period reviewed can be characterized as marginal. Income growth in earlier years was negatively impacted in calendar year 2020 by the COVID-19

**Manufacturer License Renewal Commission Report
Masque Publishing, Inc. – August 10, 2022**

pandemic, but has since rebounded and exceeds pre-pandemic levels. However, the Company's operating costs have historically consumed a relatively high percentages of income, resulting in narrow operating profit margins. Masque Publishing, Inc. has benefitted in recent years from other sources of income, mainly in the form of paycheck protection program loan forgiveness, which has improved its net profits. Despite its somewhat lackluster operating performance, the Company's financial condition is exceptionally strong and has remained so throughout the review period. The Company has extensive amounts of liquid resources in the form of cash and investments and very low debt levels, and is well positioned to satisfy its financial obligations and continue to make distributions to shareholders for the foreseeable future. Additionally, its financial ratios and margins are generally sound and compare favorably with those of its competitors. There are no financial concerns with Masque Publishing, Inc., financials for a Gaming Manufacturer Renewal License.

FINDINGS

The MLGCA conducted a complete and thorough background investigation as authorized under the Gaming Law by analyzing corporate records and documents, scrutinizing the business operations, practices, and transactions of Masque Publishing, Inc. for the five-year period since the

Manufacturer License Renewal Commission Report
Masque Publishing, Inc. – August 10, 2022

renewal of its manufacturer license by the Commission and we offer the following comments:

- 1) Masque Publishing, Inc. was found to have financial stability, integrity and responsibility
- 2) There were no material issues involving the known financial backers
- 3) Masque Publishing, Inc. possesses the requisite good character, honesty and integrity
- 4) Masque Publishing, Inc. has sufficient business ability and experience
- 5) There were no potential disqualifying factors

APPLICANT and PRINCIPAL ENTITIES

The Applicant and its principal entities satisfy the applicable qualification criteria under SG § 9-1A-07(c)(7), and is not disqualified under SG § 9-1A-08(d).

PRINCIPAL QUALIFIERS

We identified the following natural person qualifiers (“principals”) who are associated with the Applicant. We conducted an extensive due diligence investigation on each qualifier, as described in our full report. We found that

**Manufacturer License Renewal Commission Report
Masque Publishing, Inc. – August 10, 2022**

these principals have satisfied the applicable qualification criteria under SG § 9-1A-07(c)(7), and that none are disqualified under SG § 9-1A-08(d).

1. James M. Wisler – President
2. David F. Zinger– Board Member
3. Donna Adam – Semi-retired- Vice-President

CONCLUSIONS and OPINION

MLGCA’s investigation has confirmed that the Applicant has sufficient financial resources and found no derogatory information regarding the Applicant’s qualifications. Based on the criteria in SG §§ 9-1A-07(c)(7), COMAR 36.03.02.13, and SG § 9-1A-08(d), we conclude that the Applicant and its principals have established by clear and convincing evidence their qualifications for the renewal of its Manufacturer License.