
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

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

COMMISSION REPORT



Acres Manufacturing Company

**MANUFACTURER LICENSE
APPLICANT**

Report Date: December 15, 2022

“COMMISSION PRESENTATION”

INTRODUCTION

Role of the Maryland Lottery and Gaming Control Commission (“Commission”)

The Commission is required to determine whether applicants have proven, by clear and convincing evidence, that they meet the qualifications for licensure under the Sports Wagering and Gaming Laws. 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 (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 Licensing 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.

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.

We are conducting a hearing on the manufacturer license application submitted by Acres Manufacturing Company (“Applicant”, “AMC” or “the Company”). The Maryland Lottery and Gaming Control Agency is required by “The Gaming Law” to conduct an investigation to determine if Acres Manufacturing Company is qualified to be awarded a manufacturer license.

You (the Commissioners) have been provided with the complete investigative report on Acres Manufacturing Company. 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.

Process

As a prerequisite to being eligible for a video lottery facility manufacturer license (“manufacturer license”), an applicant must submit a Manufacturer License Application to the Maryland Lottery and Gaming Control Commission (“the Commission”). The applicant must prove to the Commission, by clear and convincing evidence, that it meets the qualification

criteria set forth in State Gov't ("SG") § 9-1A-01, *et seq.* ("the Gaming Law"). Specifically, the applicant must prove that it is qualified under SG § 9-1A-07(c)(7)(i) through (v), and not disqualified under SG § 9-1A-08(d). An applicant must provide all information to the Commission that is necessary for a qualification determination as to the applicant, its principals, and its principal entities.

The Maryland Lottery and Gaming Control Agency ("MLGCA," "we" or "our"), conducted a suitability background license investigation of Acres Manufacturing Company ("Applicant", "AMC" or "the Company") in connection with its application for a manufacturer license filed with the Commission.

Background

Acres Manufacturing Company was formed in the State of Washington on May 3, 2018, and is headquartered in Las Vegas, Nevada. The Company manufactures, distributes and maintains a casino management technology system called Foundation. This system consists of hardware and software which provides casinos with a cashless transmission solution, allowing players to send cash credits to gaming machines and table games directly from their bank accounts and credit cards. Additionally, the Foundation system allows casinos to analyze player experiences and instantly deploy targeted incentives

and bonuses to gaming machines. The system can be expanded to accommodate sports betting as well as online gaming.

The Applicant is wholly-owned by Mr. John Acres and has contracted with Penn National Gaming, Inc. to provide its Foundation system. AMC is currently licensed by gaming regulatory authorities in 13 states and by 16 tribal gaming commissions and agencies. Acres Manufacturing Company has submitted a Gaming Manufacturer License Application and Mr. John Acres has submitted a Principal Employee Application to the Commission.

Impact of the COVID-19 Pandemic and the Company's Response

Throughout most of calendar years 2020 and 2021, the COVID-19 pandemic had an adverse impact on certain of AMC's operations. In 2020, the Company lost revenue due to forced casino closures and delayed planned expansion of its business into new markets. In addition, AMC relies heavily on third-party suppliers and manufacturers in China for parts needed to manufacture its products, and supply chain issues caused by the COVID-19 outbreak resulted in the Company experiencing production delays.

Financial Performance

Although Acres Manufacturing was formed in May 2018, the Company

was in its development stages through all of calendar year 2019 and had no sales, and minimal assets and liabilities. As such, we limited our review of AMC's operating performance and financial condition to calendar years 2020 and 2021, and the first six months of 2022.

Conclusion

Acres Manufacturing Company's operating performance during its brief history has been poor, with net losses totaling \$3.2 million during the period from January 1, 2020 to June 30, 2022. Although the Company acquired Penn National Gaming, Inc. as its first major customer in 2021, it continues to invest heavily in marketing its casino management technology system in an attempt to attract new customers. Additionally, the COVID-19 pandemic impacted AMC's manufacturing operations and affected business growth opportunities. Although the Company is generating positive cash flows from operations mainly in the form of customer deposits, its financial condition is marginal and its shareholder deficit continues to grow. However, AMC is not highly leveraged and has available borrowing capacity should the need arise. The Company has produced a significant amount of inventory and is well positioned to quickly meet any increase in customer demand for its products. AMC's auditors have not expressed any concerns with the Company's operations, financial condition or continuation as a going concern. In addition,

the Company's founder has an extensive history of launching and growing successful companies in the gaming industry. It is not uncommon for new companies to face the types of challenges the Applicant is experiencing. However, the Company's ability to remain viable is dependent on growing its customer base and generating sufficient revenues and cash flows from operations which it has yet to prove it is capable of doing. While there are no overwhelming factors that would lead us to believe that Acres Manufacturing Company is financially unsuitable for licensure as a Gaming Manufacturer, it is recommended that we conduct an annual review of the Company's operating performance and financial condition for the foreseeable future.

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 Acres Manufacturing Company for the two and half years and we offer the following comments:

1) Financial stability, integrity and responsibility

A comprehensive review was conducted of all of the consolidated financial statements for the last two and a half years. Acres Manufacturing

Company, Inc. satisfies the standards for financial stability, integrity and responsibility.

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

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

3) Good character, honesty, and integrity

MLGCA found that Acres Manufacturing Company possesses the requisite good character, honesty and integrity.

4) Sufficient business ability and experience

Acres Manufacturing Company has sufficient business ability and experience.

5) Potential Disqualifying factors

The Applicant is not disqualified from being issued a manufacturer license based on any of the criterion listed in section 9-1A-08(d). The Applicant is qualified to be awarded a license by the Commission.

PRINCIPAL QUALIFIERS

We identified the below listed natural person qualifier (“principal”) who is associated with the Applicant. We conducted an extensive due diligence investigation on each qualifier. The applicant, Acres Manufacturing Company is wholly-owned by Mr. John Acres. We found that this principal has satisfied the applicable qualification criteria under SG § 9-1A-07(c)(7), and that he is not disqualified under SG § 9-1A-08(d).

1. John Acres - Owner

CONCLUSIONS and OPINION

MLGCA’s investigation has confirmed that the Applicant has sufficient financial resources and found no significant derogatory information regarding the Applicant’s qualifications. MLGCA has not found any disqualifying factors that would preclude the Applicant from being issued a Manufacturer License. Based on the criteria in SG §§ 9-1A-07(c)(7) and 9-1A-08(d), we conclude that the Applicant and its principal have established by clear and convincing evidence their qualifications for a Manufacturer License.