

## REPORT OF BACKGROUND INVESTIGATION

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MARYLAND LOTTERY & GAMING  
CONTROL AGENCY

# COMMISSION REPORT



MASQUE PUBLISHING, INC.

GAMING MANUFACTURER LICENSE APPLICATION

Report Date: April 4, 2017

**“Public Report”**

## **Introduction**

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 and its principals.

The Maryland Lottery and Gaming Control Agency (“MLGCA,” “we” or “our”), conducted a suitability background license investigation of Masque Publishing Inc. (“the Applicant”) in connection with its application for a manufacturer license filed with the Commission.

## **Background**

Masque Publishing, Inc. (the “Company”) was incorporated in Colorado on January 4, 1993 and has its principal office located at 8400 Park Meadows Drive, Lone Tree, Colorado USA 80124. Masque Publishing, Inc. is a developer and publisher of casino, card and casual games for Windows and Mac operating systems. In addition to developing games in-house, the Company publishes games from independent developers, ranging from arcade-style action, strategy and role-playing games to casual games and challenging puzzles. The Company also develops boxed products for brick and mortar retail outlets. The Company is currently licensed by 19 state regulatory gaming authorities, 27 tribal gaming commissions and agencies, and gaming authorities in Canada and Puerto Rico.

Masque Publishing, Inc. is privately owned by James Wisler, President and Treasurer (80.263%), Donna Adam, Vice President and Director (2.943%), and David Zinger, Corporate Secretary and Legal Counsel (16.304%), all of whom have submitted Principal Employee applications to the Maryland Lottery and Gaming Control Commission.

## **Financial Suitability Review**

### **Review of Long-Term 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 financial statements over the five-year period from January 1, 2011 to December 31, 2015. We reviewed the following:

#### **Revenues and Expenses**

#### **Balance Sheet**

#### **Supplemental Discussion of Recent Financial Performance**

We performed a review of the Company's financial performance for the first nine months of calendar year 2016 compared to its performance for the first nine months of 2015.

#### **Liquidity and Cash Flow**

#### **Trend Analysis and Comparative Performance**

We conducted a trend analysis of Masque Publishing, Inc.'s operating performance and financial strength over the past five years, and compared its recent performance to industry benchmarks:

**Current Ratio and Quick Ratio –**

**Operating Profit Margin and Net Profit Margin –**

**Return on Equity and Return on Assets –****Debt to Equity Ratio and Debt Ratio –****Internet Litigation Search****Tax Returns****Dun & Bradstreet****Financial Analysis**

Masque Publishing, Inc.'s operating performance during the period reviewed was marginal as it experienced overall declining revenues from the sale of disk software games due to the advent of tablets and smartphones. As the Company's revenues declined, operating expenses as a percentage of total revenue remained relatively high which negatively impacted on its operating and net profit margins, and indicates some weakness in operating efficiency. Nevertheless, the Company generated small operating profits in most years reviewed. Additionally, its operating performance improved slightly during the first nine months of 2016 as revenue has increased while operating expenses remained relatively unchanged. The Company advised that it has adjusted its product offerings to meet the changing demands of its industry, and believes that the release of new products will have a positive impact on its operations moving forward. Masque's financial performance has also been bolstered by material capital gains from the sale of investment

securities in most years reviewed. Although the sale of investments is outside of Masque's normal business operations, it has provided sufficient cash flow and liquidity to enable the Company to readily meet its financial demands and make substantial distributions to shareholders. Furthermore, the Company's financial condition has remained very positive throughout the period reviewed as it is virtually debt free with no long-term obligations. There are no overwhelming financial concerns with Masque Publishing, Inc.'s financial suitability for licensure as a Manufacturer.

### **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., and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. MLGCA adhered to well defined and approved investigative protocols in assembling the information incorporated in this report. The results of the investigation for the specific qualification criteria enunciated in SG §§ 9-1A07(c) (7) and 9-1A-08(d) are summarized as follows:

**1) Financial stability, integrity and responsibility**

A comprehensive review was conducted of all of the consolidated financial statements for the last five years. Masque Publishing Inc. satisfies the standards for financial stability, integrity and responsibility. MLGCA also concludes that all of the individual qualifiers (principals) satisfy the Gaming Law's qualification criteria in connection with the manufacturer license application.

**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 Masque Publishing Inc. possesses the requisite good character, honesty and integrity. No significant issues surfaced concerning the qualifications of the Applicant or its individual qualifiers. There were no material issues discovered pertaining to Masque Publishing, Inc.'s record of regulatory compliance or litigation matters.

#### **4) Sufficient business ability and experience**

Masque Publishing, Inc. manufactures, markets, distributes software products like development software, educational software, industry specific software, network applications software, network management software, networking software, operating environment software and device driver software. Masque Publishing, Inc. is also an entertainment software publishing and developer, specializing in family entertainment and casino games. Masque Publishing, Inc. titles including slots, featuring 50 different IGT slot machines, Solitaire Antics Deluxe, Bingo with Keno, and clearly possesses the requisite 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 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 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 Wisler – President, Treasurer – Director (80.26% shares)
2. David Zinger Corporation Secretary/Legal Counsel – Director (16.34% shares)
3. Donna Adam Wisler – Vice President – Director (2.943% shares)

### **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. MLGCA has not found any disqualifying factors that would preclude Masque Publishing, Inc. 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 principals, have established by clear and convincing evidence their qualifications for a Manufacturer License.