
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

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

COMMISSION REPORT



Cummins-Allison Corporation

MANUFACTURER LICENSE RENEWAL APPLICANT

Report Date: June 7, 2016

Public Report

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Introduction

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 Maryland Lottery and Gaming Control Commission (“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)(7)(i) through (v), and not disqualified under SG § 9-1A-08(d). 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.

The Maryland Lottery and Gaming Control Agency (“MLGCA,” “we” or “our”), conducted a suitability background license investigation of Cummins-Allison Corporation (“the Applicant” or “the Company”) in connection with its application for renewal of its manufacturer license. The Company was initially approved for a manufacturer license by the Commission on August 25, 2011. The Company has maintained its initial

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five-year manufacturer license in good standing and has not been subject to any penalties or sanctions by the Commission.

Background

The Company has been in business since 1887 and was incorporated in Indiana in 1921. The Company develops advanced technology and equipment for counting, sorting, imaging and authenticating currency, checks and coins. Its products and services are marketed mainly to banks, vending companies, retail stores, and gaming establishments. The Company's headquarters is located in Mt. Prospect, Illinois. Cummins-Allison Corporation is the parent company of the following wholly-owned subsidiaries:

- Cummins-Allison Limited (United Kingdom)
- Cummins-Allison GmbH (Germany)
- Cummins-Allison Investment Company (Delaware)
- Cummins-Allison ULC (Canada)
- Cummins-Allison Ireland, Ltd. (Ireland)
- Cummins-Allison SAS (France)
- Cummins-Allison Pty Ltd. (Australia)

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The Company is currently licensed by 13 state regulatory gaming authorities and 82 tribal gaming commissions and agencies.

Ownership of Applicant

Cummins-Allison Corporation is a privately held company with 8,000 shares of voting stock and 900,000 shares non-voting stock authorized. Of the shares authorized, approximately 46 voting shares and 4,946 non-voting shares are issued and outstanding. The Company's manufacturer license renewal application disclosed the following trusts and individuals owning 5% or more of its voting and non-voting stock:

- Paul A. Jones Stock Trust dtd 10/25/2000 – 10.0 voting shares (21.7%)
- William J. Jones Stock Trust dtd 10/25/2000 – 10.0 voting shares (21.7%)
- Anne J. White Stock Trust dtd 10/25/2000 – 10.0 voting shares (21.7%)
- Paul A. Jones Descendant's Trust dtd 11/7/2012 – 3.425 voting shares (7.43%)
- William J. Jones Descendant's Trust dtd 11/7/2012 – 3.425 voting shares (7.43%)
- Anne White Descendant's Trust dtd 11/7/2012 – 3.425 voting shares (7.43%)

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- Jennifer Tucker – 309.05 non-voting shares (6.25%)
- William Jones – 256.45 non-voting shares (5.18%)
- The Pasich-Tucker Trust – 309.05 non-voting shares (6.25%)
- John E. Jones 1984 Exemption Trust fbo Paul A. Jones – 274.56 non-voting shares (5.55%)
- John E. Jones 1984 Exemption Trust fbo William J. Jones – 274.56 non-voting shares (5.55%)
- John E. Jones 1984 Exemption Trust fbo Anne J. White – 274.56 non-voting shares (5.55%)
- Paul A. Jones Trust dtd 11/15/1989 – 273.351 non-voting shares (5.53%)
- Anne J. White 1994 Trust – 268.349 non-voting shares (5.43%)

The trustees of each of the trusts owning 5% or more of the Applicant's voting or non-voting shares are either Paul A. Jones, William J. Jones or Anne J. White. These four individuals and Jennifer L. Tucker have submitted Principal Employee Renewal Applications to the Maryland Lottery and Gaming Control Commission. Additionally, the John E. Jones 1984 Exemption Trust fbo Paul A. Jones, the John E. Jones 1984 Exemption Trust fbo William J. Jones, the John E. Jones 1984 Exemption Trust fbo Anne J.

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White, and The Pasich-Tucker Trust have all filed Principal Entity Disclosure Forms with the Commission.

Discussion of Recent Financial Performance

We performed a detailed analysis of the Applicant's operating performance and financial condition for the periods ended December 31, 2011 through December 31, 2015. We reviewed the following:

Revenue and Cost of Goods Sold –

Operating Expenses and Net Income –

Assets and Liabilities –

Liquidity and Cash Flow

Notes Payable

Long-Term Debt

Trend Analysis and Comparative Performance

- **Current Ratio and Quick Ratio**
- **Asset to Sales and Sales to Net Working Capital**
- **Operating Profit Margin and Net Profit Margin**
- **Return on Equity and Return on Assets**
- **Debt to Equity Ratio and Debt Ratio**

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Independent Audit of Annual Consolidated Financial Statements

Dun & Bradstreet

Litigation

Tax Returns

Financial Analysis

Overall, Cummins-Allison Corporation's operating performance and financial position can be characterized as very positive for the five-year period reviewed. The Company has experienced slow but steady revenue growth and demonstrated an ability to control costs, resulting in consistent profitability and growth in shareholder equity. The Company's ability to consistently generate profits and positive cash flows from operations has enabled the Company to fund capital purchases and limit its reliance on long-term debt to satisfy its financial demands. This demonstrates a strong level of financial strength and is an indication that the Company is well positioned to continue to use its own financial resources to fund future operating requirements or expansions within the next twelve months. Additionally, the Company's financial ratios and margins are comparable to those of other companies operating in its industry. There is no indication that Cummins-Allison Corporation is experiencing any financial distress, and the Company's independent auditors have not expressed any concerns with its financial

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condition. There are no financial concerns with the Company's financial suitability for license renewal.

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 Cummins-Allison Corporation and conducting interviews of key personnel, focusing on required qualification criteria involving integrity and financial stability. The MLGCA adhered to well-defined and approved investigative protocols in assembling the factual information incorporated in this report. The results of the investigation for the specific qualification criteria enunciated in SG §§ 9-1A-07(c)(7), 9-1A-08(d), and 9-1A-15 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. The Applicant satisfies the standards for financial stability, integrity and responsibility. MLGCA also concludes that the individual qualifiers (principals) satisfy the Gaming Law's

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qualification criteria in connection with the Manufacturer License Renewal 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 the Applicant 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 the Applicant's record of regulatory compliance or litigation matters.

4) Sufficient business ability and experience

The Applicant has established itself as a leading provider of advanced technology and equipment for counting, sorting, imaging and authenticating currency, checks and coins. Its products and services are marketed mainly to banks, vending companies, retail stores, and gaming establishments. The Applicant clearly possesses the requisite business ability and experience.

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5) Potential Disqualifying factors

The Applicant is not disqualified from being issued a manufacturer license based on any of the criteria listed in SG § 9-1A-08(d). The Applicant is qualified for its manufacturer license to be renewed by the Commission.

APPLICANT and PRINCIPAL ENTITIES

The Applicant satisfies 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 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. Frank Janezic – Executive V.P. - Field Offices
2. Paul Jones – Director
3. William Jones – Chairman / CEO
4. Robert Jordan – Executive V.P. / CFO

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5. Douglas Mennie – President / COO

7. Jennifer Tucker – Shareholder

8. Anne White – Shareholder

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) and 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.