
**MARYLAND LOTTERY and
GAMING CONTROL COMMISSION**

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

COMMISSION REPORT



Pockaj d.o.o. / dba Alfastreet

MANUFACTURER LICENSE APPLICANT

Report Date: January 12, 2017

“Public Report”

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Introduction

As a prerequisite to being eligible for 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 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 Pockaj d.o.o. / dba Alfastreet (“the Applicant” or “the Company”) in connection with its application for a manufacturer license.

Background

Pockaj d.o.o. is a Slovenian Limited Liability Company formed on July 9, 1992. Pockaj d.o.o. does business under its brand name “Alfastreet” and is a developer and manufacturer of multi-player electronic gaming instruments which are sold in numerous countries worldwide. The Company’s main office and production facilities are located in Kozina, Slovenia. Pockaj d.o.o. is currently licensed by state regulatory gaming authorities in Mississippi and Florida, and is registered or authorized to do business in New Jersey and Maryland. The Company is also licensed by agencies and gaming authorities in four countries. Pockaj d.o.o. is a privately held company majority owned by its managing director Iztok Pockaj (99.8878%) and the remainder held by Pockaj d.o.o. (0.1122%). Iztok Pockaj has submitted a Principal Employee Application to the Maryland Lottery and Gaming Control Commission.

Discussion of Financial Performance

We performed a detailed analysis of the Company’s financial performance for the calendar years ended December 31, 2015 and 2014. Note the Company’s financial statements were prepared in Slovenia. The financial statement figures presented in this report have been converted from Euros to

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US dollars using the Federal Reserve Bank of New York's foreign currency exchange rates. We reviewed the following:

Revenue

Cost of Goods Sold

Operating Expenses

Other Revenue and Expenses

Operating & Net Income

Assets, Liabilities, and Shareholder Equity

Liquidity and Cash Flow

Long-Term Debt

Other Related-Party Loans and Receivables

Review of Financial Operating Results

- **Revenues and Expenses**
- **Balance Sheet**

Trend Analysis and Comparative Performance

- **Current Ratio and Quick Ratio Return on Equity and Assets**
- **Operating Profit Margin and Net Profit Margin**
- **Debt to Equity Ratio and Debt Ratio**
- **Accounts Receivable**
- **Working Capital Turnover Ratio**

- **Interest Coverage Ratio**

Independent Audit of Annual Financial Statements

Tax Returns

Litigation

Financial Analysis

The decline in Pockaj d.o.o's liquidity position has resulted in limited long-term borrowing and an extension of short-term affiliate loans to longer repayment periods. Additionally, the Company's assets include questionable receivables from its affiliate Alfastreet d.o.o. Sezana in the amount of \$1.39 million and other accounts receivable totaling \$887,000, which represent 11.55% of the Company's total assets. The Company's independent auditors were not able to determine the probability of the collection of these receivables, and should the Company be unable to collect the associated funds its financial position and operating cash flows will be adversely impacted.

Although the Company's operations have been negatively impacted by various market conditions, its operating performance and operating cash flows improved in calendar year 2015. This was due particularly to its aggressive marketing and expansion efforts which provided an increase in international sales revenue and net profit during the year. The Company explained that it has invested in the development and release of new products, and that it has

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expanded into new markets applying a different sales strategy to meet changing demands. In addition, the Company's management believes that its profitability will increase and that it will experience positive returns on investments within the next two years. The Company is not highly leveraged and currently has sufficient working capital to meet its obligations over the next twelve months, and there are no significant areas of concern with Pockaj d.o.o.'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 Pockaj d.o.o. 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 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 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 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

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The Applicant develops and manufactures multi-player electronic gaming instruments which are sold in numerous countries worldwide. The Applicant 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 criteria listed in SG § 9-1A-08(d). The Applicant is qualified to be awarded a license by the Commission.

APPLICANT and PRINCIPAL ENTITIES

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

PRINCIPAL QUALIFIERS

We identified the following natural person qualifiers (“principals”) who are associated with the Applicant and its principal entities. 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).

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1. Iztok Pockaj – General Manager
2. Tjasa Luin Peric – Chief Executive Officer
3. Jure Jakofici – Chief Technical Officer
4. Albert Radman – Sales Director

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, its principal entities, and principals, have established by clear and convincing evidence their qualifications for a manufacturer license.

