

---

**MARYLAND LOTTERY and  
GAMING CONTROL COMMISSION**

---

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

**COMMISSION REPORT**



**South Jersey Precision Tool & Mold, Inc.**

**MANUFACTURER LICENSE APPLICANT**

**Report Date: January 13, 2016**

**“Commission Presentation”**

**Manufacturer License Commission Report**  
**SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

**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”). An 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 South Jersey Precision Tool & Mold, Inc. (“the Applicant” or “the Company”) in connection with its application for a manufacturer license submitted to the Commission.

**Manufacturer License Commission Report  
SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

**Background**

South Jersey Precision Tool & Mold, Inc. is a New Jersey corporation formed on April 13, 1992. The Company is a full service design, mold making, machine shop and plastic injection molding company. The Company operates in the gaming industry through the manufacturing of Pai Gow Tiles. The company is the only American manufacturer of Pai Gow Tiles. The Company is currently licensed by state regulatory gaming authorities in New Jersey, Pennsylvania, Connecticut, and in Canada. The Company is a privately held company owned by Robert Rone (37.5%), Wayne Reeves (25%), Victor F. Rone (22.5%), and June Rone (15%). These individuals have submitted Principal Employee Applications to the Commission.

**Discussion of Recent Financial Performance**

We performed a detailed analysis of the Company's financial performance for the calendar years 2014 and 2013. We reviewed the following:

**Revenue** Total revenue in 2014 was \$743,000 compared to \$906,000 in 2013, an 18% decrease. This decrease resulted from cyclical fluctuations in customer purchasing patterns which resulted in a decrease in Pai Gow Tile

**Manufacturer License Commission Report  
SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

sales of approximately \$146,000, and a decrease in sales from the Company's mold making shop of \$77,000.

**Cost of Sales**

**Operating Expenses**

**Other Income and Expenses**

**Operating & Net Income**

**Assets and Liabilities**

**Liquidity and Cash Flow**

**Long-Term Debt**

**Five-Year Review of Financial Operating Results**

**Revenues and Expenses**

**Balance Sheet**

**Trend Analysis and Comparative Performance**

**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**

**Accounts Receivable Turnover**

**Working Capital Turnover Ratio**

**Manufacturer License Commission Report  
SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

**Interest Coverage Ratio**

**Independent Audit of Annual Financial Statements**

**Internet Litigation Search**

**Tax Returns**

**Dun & Bradstreet**

We obtained a Dun & Bradstreet investigative report on South Jersey Precision Tool & Mold, Inc. The report indicates that the Company is prompt in paying its debts, noting that no payments reviewed were paid late over a twelve-month period. D&B assigned the Company a viability risk score of “3” on a scale of 1 (low risk) to 9 (high risk), and a financial stress score of “2” on a scale of 1 (lowest) to 5 (highest), indicating that there is little risk that the Company will go out of business or file for bankruptcy within the next twelve months. D&B reports a credit score of 590 for South Jersey Precision Tool & Mold, Inc. on a scale of 101 to 670. The D&B report disclosed no bankruptcies filed by South Jersey Precision Tool & Mold, Inc., and no judgments, liens or lawsuits filed against the Company. No derogatory information was disclosed in the D&B report.

**Political Contributions**

**Manufacturer License Commission Report**  
**SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

**Financial Analysis**

South Jersey Precision Tool & Mold, Inc.'s operating performance over the review period can be characterized as inconsistent due to fluctuations in its sales revenue, resulting in a lack of sustainable profitability. The inconsistent financial performance is attributable to the cyclical nature of the casinos ordering in Pai Gow Tile. In addition, the Company has struggled to control its cost of sales and its operating expense, thus inhibiting the Company's ability to generate profits as revenues fluctuate. The Company's inability to control increases in costs in relation to revenue growth is a major factor contributing to its inconsistent operating performance. However, its operations have historically provided sufficient liquidity without having to rely extensively on debt financing to meet its financial demands. The Company is not highly leveraged, incurs a minimal amount of interest expense, and does have borrowing capacity available to it should the need arise. Additionally, the Company's financial strength has shown slow but steady improvement over the period reviewed as overall debt has decreased. There is no indication that South Jersey Precision Tool & Mold, Inc. is currently having any difficulty meeting its financial obligations as indicated in the Dun & Bradstreet report. The Company's auditors have not expressed any concerns with the Company's financial condition, and there

**Manufacturer License Commission Report**  
**SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

are no significant areas of concern with the Company'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 South Jersey Precision Tool & Mold, 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 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 all of the individual qualifiers (principals) satisfy the Gaming

**Manufacturer License Commission Report  
SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

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 South Jersey Precision Tool & Mold, Inc.'s record of regulatory compliance or litigation matters.

**4) Sufficient business ability and experience**

The Applicant has established itself as a leading provider of gaming equipment and clearly possesses the requisite business ability and experience.

**5) Potential Disqualifying factors**

**Manufacturer License Commission Report  
SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

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, South Jersey Precision Tool & Mold, Inc. 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. Victor Rone – President
2. Robert Rone – Vice President
3. Wayne Reeves – General Manager
4. June Rone – Ownership Interest

**Manufacturer License Commission Report  
SOUTH JERSEY PRECISION TOOL & MOLD, INC.**

**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 a manufacturer license.