
MARYLAND LOTTERY and GAMING CONTROL COMMISSION

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

COMMISSION REPORT



TABLE TRAC, INC.

MANUFACTURER LICENSE APPLICANT

Report Date: June 16, 2017

“PUBLIC REPORT”

Manufacturer License Public Report
TABLE TRAC, 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”). 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 and its principals.

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

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Background

Table Trac, Inc. was incorporated in Nevada on June 27, 1995, and has its main offices located at 6101 Baker Road, Minnetonka, Minnesota. The Company develops and sells casino management systems which include modules for table game operations, guest rewards and loyalty clubs, marketing analysis, guest services, promotions administration and management, vault and cage management, and auditing and accounting functions. The Company also provides ongoing maintenance and support of its systems. Table Trac, Inc. is installing its casino management system at the Chesapeake Beach Resort and Spa in Chesapeake Beach, Maryland. The Company currently has placed casino and table game management systems with related maintenance and support contracts at 77 locations throughout the United States and in the Caribbean, Central America and South America. Table Trac, Inc. is currently licensed by 4 state regulatory gaming authorities and 23 tribal gaming commissions.

Ownership of Applicant

Table Trac, Inc.'s common stock is publically traded on the over-the-counter market under the symbol "TBTC." As of May 22, 2017, a total of 4,511,965 shares of the Company's common stock was issued and outstanding.

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Chad Hoehne, the Company's founder and President, owns 1,191,000 shares (26.4%). No other individual or entity owns 5% or more of the Company's stock.

Discussion of Financial Performance

We obtained audited financial statements for the years ending December 31, 2012 to 2016 and performed an analysis of Table Trac, Inc.'s operating performance and financial condition. We reviewed the following:

Revenue and Cost of Goods Sold

Operating Expenses

Other Revenue and Expenses

Net Income

Assets and Liabilities

Liquidity and Capital Resources

Ratio Analysis (we reviewed the following ratios)

- **Current Ratio and Quick Ratio**
- **Returns on Equity and Assets**
- **Profit Margins**
- **Debt to Equity and Debt Ratios**

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Independent Audit of Annual Financial Statements

Federal Tax Returns

Dun & Bradstreet

Litigation

Financial Analysis

Table Trac, Inc.'s overall financial performance has been positive as it has generated net income of \$382,000 over the five-year period reviewed. However, on a year-to-year basis its performance can fluctuate significantly due to the deferred recognition of revenue on installment sales of its casino management systems. The Company has generally been successful in controlling its cost of goods sold and operating expenses, with only modest increases of each occurring over time. Although Table Trac, Inc.'s liquidity position has deteriorated the past two years, the Company believes that it has adequate cash to meet its financial obligations and continued operations, and fund ongoing product development for at least the next 12 months. Additionally, the Company has experienced growth in both its short-term and long-term assets, and it has had little or no long-term debt throughout the period reviewed. Finally, its financial position and operating performance generally compare favorably to that of its peers, and the Company's credit report

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identified no areas of concern. There is no indication that Table Trac, Inc. is currently experiencing any financial distress, and there are no financial concerns with the Company's financial suitability for licensure as a Tier 2 Gaming 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 Table Trac, 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

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concludes that the individual qualifiers satisfy the Gaming Law's qualification criteria in connection with the Tier 2 Manufacturer License Application.

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

There are no additional 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 Company develops and sells casino management systems which include modules for table game operations, guest rewards and loyalty clubs, marketing analysis, guest services, promotions administration and management, vault and cage management, and auditing and accounting functions. The Company also provides ongoing maintenance and support of its

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systems. 4 state regulatory gaming authorities and 23 tribal gaming commissions currently license Table Trac, Inc. The Applicant clearly possesses the requisite business ability and experience.

5) Potential Disqualifying factors

The Applicant is not disqualified from being issued a Tier 2 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

The Applicant satisfies the applicable qualification criteria under SG § 9-1A-07(c)(7), and is not disqualified under SG § 9-1A-08(d).

QUALIFIERS

We identified the following Principal Employees of Table Trac, Inc. who are required to submit a Gaming Employee License Application. We conducted a due diligence investigation on each qualifier, as described in our full report. We found that these persons 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. Chad Hoehne – President & CTO
2. Brian Hinchley – CEO / CFO
3. Robert Siqveland – Compliance Officer

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 qualifiers have established by clear and convincing evidence their qualifications for a Tier 2 Manufacturer License.