

TABLE TRAC INC
Form 10-K
March 29, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2016

Commission File No. 001-32987

TABLE TRAC, INC.

(Exact name of registrant as specified in its charter)

Nevada **88-0336568**
(State or other jurisdiction of Incorporation or Organization) (IRS Employer Identification No.)

6101 Baker Road, Suite 206, Minnetonka, Minnesota **55345**
(Address of principal executive office) (Zip Code)

Registrant's telephone number, including area code: **(952) 548-8877**

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$0.001

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulations S-T (§232.405 of this chapter) during the preceding 12 months (or for a shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). o Yes x No

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2016 was approximately \$2.8 million based on the closing sales price of the registrant's common stock on that date (\$1.00 per share). As of March 24, 2017, the Company had outstanding 4,511,965 shares of common stock, \$0.001 par value.

DOCUMENTS INCORPORATED IN PART BY REFERENCE

None.

Table Trac, Inc.

Table of Contents

	Page
<u>PART I.</u>	
<u>Item 1. Business</u>	1
<u>Item 1A. Risk Factors</u>	2
<u>Item 1B. Unresolved Staff Comments</u>	7
<u>Item 2. Properties</u>	7
<u>Item 3. Legal Proceedings</u>	8
<u>Item 4. Mine Safety Disclosures</u>	8
<u>PART II.</u>	
<u>Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	8
<u>Item 6. Selected Financial Data</u>	9
<u>Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation</u>	9
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	13
<u>Item 8. Financial Statements</u>	14
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	27
<u>Item 9A. Controls and Procedures</u>	27
<u>Item 9B. Other Information</u>	27
<u>PART III.</u>	
<u>Item 10. Directors, Officers and Corporate Governance</u>	28
<u>Item 11. Executive Compensation</u>	32
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management</u>	33
<u>Item 13. Certain Relationships and Related Transactions and Director Independence</u>	34
<u>Item 14. Principal Accountant Fees and Services</u>	34
<u>PART IV.</u>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	35
<u>Signatures</u>	36
<u>Certifications</u>	37

PART I

Item 1. Business.

GENERAL

Table Trac, Inc. (the “Company” or “Table Trac”) is a Nevada corporation, formed on June 27, 1995, with principal offices in Minnetonka, Minnesota.

The Company has developed and patented (U.S. patent # 5,957,776) a proprietary information and management system (called our “Table Trac” system) that automates and monitors the operations of casino table game operations. In addition to its table games management system, Table Trac has been adding functionality to related casino system modules for guest rewards and loyalty club, marketing analysis, guest service, promotions, administration / management, vault / cage management and audit / accounting tasks. Aggregated together, all of these modules have become the “Casino Trac” product, a full-featured Casino Management System (CMS) offering what we believe to be a powerful combination of value, efficiency and reliability for casinos seeking to add or upgrade their casino systems.

The Company sells systems and technical support to casinos. The open architecture of the Table Trac system is designed to provide operators with a scalable and flexible system that can interconnect and operate with most third-party software or hardware. Key products and services forming a part of the Table Trac system include modules designed to drive player tracking programs and kiosk promotions, as well as vault and cage controls. The Company’s systems meet the strictest auditing, accounting and regulatory requirements. The Company has developed a patented, real-time system that automates and monitors the operations of casino gaming tables.

The Company continues to increase its market share by expanding its product offerings to include new system features and ancillary products.

TABLE TRAC INSTALLATIONS

Table Trac currently has casino management systems, table games management systems and ancillary products installed with on-going support and maintenance contracts at 77 casinos worldwide in the U.S., Caribbean, Central

and South America.

AVAILABILITY OF TABLE TRAC

Table Trac systems are available for purchase from the Company by any legal gambling casino in the U.S. and legal casinos operating outside the U.S. Table Trac's systems are purchased, installed and sold with a monthly license and maintenance contract whereby Table Trac performs required maintenance on its systems to assure trouble-free operations.

MANUFACTURING CAPABILITIES

The Company designs and manufactures its own table game interface units and slot machine gaming machine interface boards using the services of third-party electronics assembly firms. The Company has relationships with a host of third-party electronic and gaming equipment manufacturers that can be readily available for hire, as needed.

TRADEMARKS AND PATENTS

The Company filed for its provisional patent application in August 1995, and filed for its final application in August 1996. This application was approved and issued on September 28, 2000, as patent number 5,957,776.

The Company has a registered trademark ("TABLE TRAC"), which was originally issued on September 7, 2000.

EMPLOYEES

As of December 31, 2016, the Company had 23 full-time equivalents with an employee headcount of 23, and engaged the services of one contract specialist during the course of the year.

RECENT DEVELOPMENTS

The Company signed twelve new customer contracts in 2016 and expanded the Company's presence in California, South Dakota, and Oklahoma, and entered new territories in Washington and Texas. At the end of 2016, the Company had casino management systems, table games management systems and ancillary products installed with on-going support and maintenance contracts with 77 casino operators worldwide.

At its annual shareholder meeting in October 2016, the Company re-elected Steven A. Browne, Louis Fornetti, and Gary Loebig as its independent board members; along with Chad Hoehne, Table Trac's, President and founder, and Brian Hinchley, Chief Executive Officer, to the Board of Directors. The board re-elected Mr. Browne as Chairman of the Board, while Mr. Fornetti and Mr. Loebig were re-elected to serve as chairmen of the audit and compensation committees, respectively.

During 2016, the Company participated in several key industry trade shows and conferences, including the ICE Gaming Show, the Caribbean Gaming Show, the National Indian Gaming Association Trade Show and Conference, the Gaming Technology Summit, the Midwest Gaming Conference, the Oklahoma Indian Gaming Association Trade Show and Conference, Raving's Casino Marketing Conference and Table Games Conference, and Global Gaming Expo (G2E), the industry's premier event. The Company also received licenses in Colorado and Nevada, which will allow the Company to pursue sales in these territories.

Item 1A. Risk Factors.

The Company's business is subject to unpredictable order flows, which might cause its results to fluctuate significantly from period to period.

Individual system sales can have a long sales cycle, resulting in unpredictable revenue from such sales. Other revenue is derived from expansion opportunities at existing customer facilities and, although existing customers have in the past engaged us to provide expanded services and systems, there is no contractual agreement to provide us with any minimum volume or the ability to expand our services and systems. For these reasons, the Company can experience unpredictable order flows for system expansions.

We are dependent on our intellectual property and we may be unable to protect our intellectual property from infringement, or misappropriation.

The gaming industry and the software industry are in general characterized by the use of various forms of intellectual property. We are dependent upon patented technologies, trademarked brands and proprietary information for our business. We endeavor to protect our intellectual property rights and our products through a combination of patent, trademark, trade dress, copyright and trade secret laws, as well as licensing agreements and third-party nondisclosure and assignment agreements. We cannot, however, be certain that any trademark, copyright, issued patent or other types of intellectual property will provide competitive advantages for us. Furthermore, we cannot be certain that our efforts to protect our intellectual property rights or products will be successful.

Our existing patents may be found invalid or unenforceable and any current or future patent applications may not be approved.

We have patents and we utilize patent protection in the United States relating to certain processes and products. We cannot assure you that all of our existing patents would be found valid or enforceable or will continue to be valid or enforceable, or that any pending patent applications will be approved. Our competitors may in the future challenge the validity or enforceability of certain of our patents. The patents we own could be challenged, invalidated or circumvented by others and may not be of sufficient scope or strength to provide us with any meaningful protection or commercial advantage. Competitors may infringe our patents and we may not have adequate resources or there may be other reasons we do not enforce our patents. Our patents may not adequately cover a competitor's products in such a way as to provide us with a competitive advantage. Furthermore, the future interpretation by courts of United States laws regarding the validity of patents could negatively affect the validity or enforceability of our current or future patents.

Our efforts to protect our unpatented proprietary technology may not be successful.

We rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. To protect our trade secrets and other proprietary information, we require employees, consultants, advisors and other collaborators to enter into confidentiality agreements. We cannot assure you that these agreements are fully enforceable or will provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information. Furthermore, we may not have adequate resources to enforce these agreements in a meaningful way. If we are unable to maintain the proprietary nature of our technologies or enforce the agreements we use to protect those technologies, it could have a material adverse effect on our business.

We may not be able to establish or maintain our trademarks.

We rely on our trademarks, trade names, trade dress, copyrights and brand names to distinguish our products from the products of our competitors. We have registered or applied to register many of these trademarks. Our trademarks may not remain valid or enforceable. We may not be able to build and maintain goodwill in our trademarks or other intellectual property. Third parties may oppose our trademark applications or challenge our use of the trademarks. In the event that our trademarks are successfully challenged, we could be forced to rebrand our products, which could result in loss of brand recognition and could require us to devote resources towards advertising and marketing new brands. Further, our competitors may infringe our trademarks or other intellectual property and we may not have adequate resources or there may be other reasons we do not enforce our trademarks or other types of intellectual property.

We may not be able to adequately protect our foreign intellectual property rights.

Because of the differences in foreign patent, trademark, trade dress, copyright and other laws concerning proprietary rights, our intellectual property frequently does not receive the same degree of protection in foreign countries as it would in the United States. Our failure to possess, obtain or maintain adequate protection of our intellectual property rights for any reason could have a material adverse effect on our business, results of operations and financial condition.

The intellectual property rights of others may limit our ability to make and sell our products.

The gaming industry is characterized by the rapid development of new technology which requires us to continuously introduce new products using these technologies and innovations, as well as to expand into new markets that may be created. Therefore, our success depends in part on our ability to continually adapt our products and systems to incorporate new technologies and to expand into markets that may be created by new technologies. However, to the extent technologies are protected by the intellectual property rights of others, including our competitors, we may be prevented from introducing products based on these technologies or expanding into markets created by these technologies. If the intellectual property rights of others prevent us from taking advantage of innovative technologies, our financial condition, operating results or prospects may be harmed.

We have many competitors in both the United States and foreign countries, some of which have substantially greater resources and have made substantial investments in competing technologies. Some competitors have applied for and obtained and may in the future apply for and obtain, patents that may prevent, limit or otherwise interfere with our ability to make and sell our products. Any royalty, licensing or settlement agreements, if required, may not be available to us on acceptable terms or at all.

Significant litigation regarding intellectual property rights exists in our industry.

There is a significant amount of litigation that occurs in the gaming and technology industry generally. A successful challenge to or invalidation of one of our patents or trademarks, a successful claim of infringement by a third party against us, our products, or one of our licensees in connection with the use of our technology, or an unsuccessful claim of infringement made by us against a third party or its products, could adversely affect our business or cause us financial harm. Any such litigation – whether with or without merit – could:

- be expensive and time consuming to defend;
- cause one or more of our patents to be ruled or rendered unenforceable or invalid;
- cause us to cease making, licensing or using products that incorporate the challenged intellectual property;
- require us to redesign, reengineer or rebrand our products;
- divert management's attention and resources;
- require us to pay significant amounts in damages;
- require us to enter into royalty, licensing or settlement agreements in order to obtain the right to use a necessary product, process or component;
- limit our ability to bring new products to the market in the future; or
- cause us, by way of injunction to have to remove products on lease and/or stop selling or leasing new products.

The gaming industry is highly regulated and we must adhere to various regulations and maintain applicable licenses to continue our operations. Failure to abide by regulations or maintain applicable licenses could be disruptive to our business and could adversely affect our operations.

We and our products are subject to extensive regulation under federal, state, local and foreign laws, rules and regulations of the jurisdictions in which we do business and our products are used. Violations of laws in one jurisdiction could result in disciplinary action in other jurisdictions. Licenses, approvals or findings of suitability may be revoked, suspended or conditioned. In sum, we may not be able to obtain or maintain all necessary registrations, licenses, permits or approvals. The licensing process may result in delays or adversely affect our operations and our ability to maintain key personnel, and our efforts to comply with any new licensing regulations will increase our costs.

We may be unable to obtain licenses in new jurisdictions where our customers operate.

We will become subject to regulation in any jurisdiction where our customers operate in the future. To expand into any such jurisdiction we may need to be licensed, or obtain approvals of our products or services. If we do not receive, or receive a revocation of a license in a particular jurisdiction for our products, we would not be able to sell or place our products in that jurisdiction. Any such outcome could materially and adversely affect our results of operations and any growth plans for our business.

Legislative and regulatory changes could negatively affect our business and the business of our customers.

Legislative and regulatory changes may affect demand for or place limitations on the placement of our products. Such changes could affect us in a variety of ways. Legislation or regulation may introduce limitations on our products or opportunities for the use of our products and could foster competitive products or solutions at our or our customers' expense. Our business will likely also suffer if our products became obsolete due to changes in laws or the regulatory framework.

Legislative or regulatory changes negatively impacting the gaming industry as a whole or our customers in particular could also decrease the demand for our products. Opposition to gaming could result in restrictions or even prohibitions of gaming operations in any jurisdiction or could result in increased taxes on gaming revenues. Tax matters, including changes in state, federal or other tax legislation or assessments by tax authorities could have a negative impact on our business. A reduction in growth of the gaming industry or in the number of gaming jurisdictions or delays in the opening of new or expanded casinos could reduce demand for our products. Changes in current or future laws or regulations or future judicial intervention in any particular jurisdiction may have a material adverse effect on our existing and proposed foreign and domestic operations. Any such adverse change in the legislative or regulatory environment could have a material adverse effect on our business, results of operations or financial condition.

Our growth and ability to access capital markets are subject to a number of economic risks.

Financial markets worldwide can experience disruption, including, among other things, diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations. Financial market conditions affect our business in a number of ways. For example, the tightening of credit in financial markets adversely affects the ability of our customers to obtain financing for purchases and operations and could result in a decrease in or cancellation of lease and sale orders for our products and services. In addition, poor financial market conditions could also affect our ability to raise funds in the capital and lending markets.

Risks that impact our customers may impact us.

If fewer players visit our customers' facilities, if such players have less disposable income to spend at our customers' facilities or if our customers are unable to devote resources to purchasing and leasing our products, there could be an adverse effect on our business. Such risks that affect our customers include, but are not limited to:

adverse economic and market conditions in gaming markets, including recession, economic slowdown, higher interest rates, higher airfares and higher energy and gasoline prices;

- global geopolitical events such as terrorist attacks and other acts of war or hostility;
- natural disasters such as major fires, floods, hurricanes and earthquakes; and
- inability of our customers to operate due to regulatory disputes, or inability to meet their debt obligations.

We have agreements with casinos in Native American and foreign jurisdictions, which may subject us to sovereign immunity risks.

We may have a difficult time enforcing our contracts with Central America, South America, the Caribbean and Native American tribes and the casinos they operate. These customers may enjoy significant immunity or impracticality from suit. For instance, in order to sue a Native American tribe (or an agency or instrumentality of a Native American tribe), the Native American tribe must have effectively waived its sovereign immunity with respect to the matter in dispute. While we always seek the waivers of immunity initially, they may not always become a part of our final contracts with Native American tribes. Without a waiver, limited or otherwise, of the tribe's sovereign immunity, our ordinary rights and remedies (such as our right to enter Native American lands to retrieve our property in the event of a breach of contract by the tribal party to that contract, or our right to enforce any outside judgment against such tribal party) will not likely be enforceable.

We compete in a single industry and our business may suffer if our products become obsolete or demand for them decreases, including without limitation, as a result of the downturn in the gaming industry.

We derive substantially all of our revenues from leasing, licensing, selling and other financing arrangements of products for the gaming industry. Consistent demand for and satisfaction with our products by our customers is critical to our financial condition and future success. Problems, issues, defects or dissatisfaction with our products could cause us to lose customers or revenues from leases with minimal notices. Additionally, our success depends on our ability to keep pace with technological advances in our industry and to adapt and improve our products in response to evolving customer needs and industry trends. If demand for our products weakens due to lack of market acceptance, technological change, increased competition, regulatory changes, or other factors, it could have a material adverse effect on our business, results of operations or financial condition.

Any disruption in our manufacturing processes, any significant increase in manufacturing costs or any inability to manufacture our products to meet demand could adversely affect our business and operating results.

We manufacture our software and many related products ourselves. Should any of these manufacturing processes be disrupted we may be unable to timely remedy such disruption. In such a case, we may be unable to produce a sufficient quantity of our products to meet the demand of our customers. In addition, manufacturing costs may increase significantly and we may not be able to successfully recover these cost increases with increased pricing to our customers. Either case could have an adverse impact on our business, results of operations or financial condition.

We operate in a very competitive business environment and if we do not adapt our approach and our products to meet this competitive environment, our business, results of operations or financial condition could be adversely impacted.

There is intense competition in the gaming management and gaming products industry which is characterized by dynamic customer demand and rapid technological advances. Today, there are many systems providers in the U.S. and abroad offering casinos and gaming operators “total solution” casino management and table games management systems. As a result, we must continually adapt our approach and our products to meet this demand and match technological advances and if we cannot do so, our business results of operations or financial condition may be adversely impacted. Conversely, the development of new competitive products or the enhancement of existing competitive products in any market in which we operate could have an adverse impact on our business, results of operations or financial condition. If we are unable to remain dynamic in the face of changes in the market, it could have a material adverse effect on our business, results of operations or financial condition.

We are dependent on the success of our customers and their decisions to upgrade or replace their current casino management systems.

Our success depends on our customers leasing or buying our products to expand their existing operations, replace existing gaming management products or equip a new casino. Any slowdown in the replacement cycle on the part of our customers may negatively impact our operations.

If our products contain defects, our reputation could be harmed and our operating results and financial results could be adversely affected.

Some of our products and our anticipated future products are complex and may contain defects that we do not detect. The occurrence of defects or malfunctions in one or more of our products could result in financial losses for our customers and in turn the termination of leases, cancellation of orders, product returns and diversion of our resources, and could additionally result in lost revenues, civil damages and regulatory penalties, as well as possible rescission of product approvals. Any of these occurrences could also result in the loss of or delay in market acceptance of our products and loss of placements.

We may not be able to attract, retain, or motivate the management or employees necessary to remain competitive in our industry.

The competition for qualified personnel in the gaming industry is intense. Our future success depends on the retention and continued contributions of our key management, finance, marketing, development, technical and staff personnel, many of whom would be difficult or impossible to replace. Our success is also tied to our ability to recruit additional key personnel in the future. We may not be able to retain our current personnel or recruit any additional key personnel required. The loss of services of any of our personnel or our inability to recruit additional necessary key personnel could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are highly dependent on the services provided by certain executives and key personnel.

Our success depends in a significant part upon the continued service of certain senior management, and other key personnel. In particular, we are materially dependent upon the services of Chad Hoehne, the Company's Chief Technology Officer. If Mr. Hoehne should no longer serve the Company in his present capacity it would likely have a materially adverse impact on our business, financial condition and operations. Presently, the Company does not have an employment agreement with Mr. Hoehne, though the Company has secured "key person" term life insurance covering the life of Mr. Hoehne.

Our common stock trades only in an illiquid trading market.

Trading of our common stock is conducted on the over-the-counter markets—specifically on the OTCQB, a middle-tier quotation marketplace administered by OTC Markets (formerly known as The Pink Sheets). This generally has an adverse effect on the liquidity of our common stock, not only in terms of the number of shares that can be bought and sold at a given price, but also through delays in the timing of transactions and reduction in security analysts' and the media's coverage of our Company and its common stock. This may result in lower prices for our common stock than might otherwise be obtained and could also result in a larger spread between the bid and asked prices for our common stock.

There is currently little trading volume in our common stock, which may make it difficult to sell shares of our common stock.

In general, there has been very little trading activity in our common stock. The relatively small trading volume will likely make it difficult for our stockholders to sell their shares as and when they choose. Furthermore, small trading volumes generally depress market prices. As a result, you may not always be able to resell shares of our common stock publicly at the time and prices that you feel are fair or appropriate.

Our financial results could be impacted by foreign currency risks

The Company is exposed to foreign currency risks that arise from some of its foreign customers in Colombia, transacted in Colombia Pesos. In addition, exchange rate fluctuations may cause our international results to fluctuate when translated into U.S. dollars. These risks may change over time as business practices evolve and could have an impact on the Company's financial results in the future. The Company monitors its risk associated with the volatility of

certain foreign currencies against U.S. dollars.

We are dependent on a contractor in Colombia

The Company relies on a contractor to promote, support and keep accounting records for its customers in Colombia. The Company provides secondary support to the Colombian contractor, as needed, and receives regular reporting of the sales in the territory. The Company monitors the risk and has the option to terminate the contractor agreement every twelve to eighteen months. The loss of this contract relationship could negatively affect the Company's business in Colombia.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

The Company has a lease on corporate office space in Minnetonka, Minnesota and took possession of the leased space in January 2011. The lease was renewed for another 5 years on July 1, 2016, and includes over 4,400 square feet of office and warehouse space. The monthly rent payment is approximately \$3,670 with periodic escalators to approximately \$4,090 per month, excluding operating expenses. The Company believes this space is adequate for its current business needs.

Item 3. Legal Proceedings.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information: The Company’s common stock is quoted for trading on the OTCQB over-the-counter quotation service under the symbol “TBTC.” The OTCQB is a middle-tier quotation marketplace operated by OTC Markets (formerly known as The Pink Sheets). Prior to February 22, 2011, the Company’s common stock had been quoted for trading on the over-the-counter bulletin board (the OTCBB) under the trading symbol TBTC.OB. The following table sets forth the high and low bid prices for our common stock as reported by the OTCQB in 2016 and 2015. These quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission, and may not represent actual transactions. Trading in the Company’s common stock during the period represented was sporadic, exemplified by low trading volume and many days during which no trades occurred.

	2016	
Price per Share Calendar Year	High	Low
Annual Price per Share	\$1.55	\$0.70
First Quarter, January -March	\$0.99	\$0.70
Second Quarter, April - June	\$1.55	\$0.77
Third Quarter, July - September	\$1.50	\$0.85
Fourth Quarter, October - December	\$1.50	\$1.25

	2015	
Price per Share Calendar Year	High	Low
Annual Price per Share	\$1.34	\$0.69

Edgar Filing: TABLE TRAC INC - Form 10-K

First Quarter, January -March	\$0.99	\$0.69
Second Quarter, April - June	\$1.27	\$0.79
Third Quarter, July - September	\$1.26	\$0.96
Fourth Quarter, October - December	\$1.34	\$0.69

Holders: As of March 24, 2017, the Company had outstanding 4,511,965 shares of common stock held by approximately 64 holders of record.

Dividends: No dividends were declared or paid in 2016 or 2015, and the Company does not expect to pay dividends in the near future.

Unregistered Sales of Securities: During 2016, the Company made the following issuances and sales of unregistered securities:

In March 2016, the Company issued 7,500 shares of common stock to a director at \$.85 for a total director compensation expense of \$6,375. The expense is for services rendered during the period July 1 through December 31, 2015, with \$6,375 total expense in 2016. In October 2016, the Company also issued 7,500 shares of common stock to the same director at \$1.35 for a total director compensation expense of \$10,125. This expense is for services rendered during the period January 1 through June 30, 2016. The shares were issued pursuant to the exemption set forth in Section 4(a)(2) of the Securities Act on the basis that all recipients of such shares were directors or employees of the Company.

Repurchase of Common stock: In 2016, the Company repurchased 36,300 shares for approximately \$36,300 at an average price of \$1.00 per share for its treasury.

Description of Equity Securities: The authorized capital stock of the Company consists of 25,000,000 shares of capital stock, \$0.001 par value per share. All shares of common stock have equal voting rights and are entitled to one vote per share on all matters to be voted upon by Company stockholders. Shares of Company common stock have no preemptive, subscription, conversion or redemption rights and may be issued only as fully-paid and non-assessable shares. Cumulative voting in the election of directors is not permitted. In the event of liquidation, each holder of common stock is entitled to receive a proportionate share of our assets available for distribution to stockholders after the payment of liabilities. All shares of common stock presently issued and outstanding are fully-paid and non-assessable.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operation.

The following discussion should be read in conjunction with our audited financial statements and related notes that appear elsewhere in this filing.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the statements made in this report are "forward-looking statements," as that term is defined under Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based upon our current expectations and projections about future events. Whenever used in this report, the words "believe," "anticipate," "intend," "estimate," "expect" and similar expressions, or the negative of such words and expressions, are intended to identify forward-looking statements, although not all forward-looking statements contain such words or expressions. The forward-looking statements in this report are primarily located in the material set forth under the headings "Description of Business," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," but are found in other parts of this report as well. These forward-looking statements generally relate to our plans, objectives and expectations for future operations and are based upon management's current estimates and projections of future results or trends. Although we believe that our plans and objectives reflected in or

suggested by these forward-looking statements are reasonable, we may not achieve these plans or objectives. You should read this report completely and with the understanding that actual future results may be materially different from what we expect. We will not update forward-looking statements even though our situation may change in the future.

Some, but not all, of the factors that could cause actual results to differ from those implied by the forward-looking statements in this report are more fully described in the “Risk Factors” section of this report.

Industry data and other statistical information used in this report are based on independent publications, government publications, reports by market research firms or other published independent sources. Some data are also based on our good faith estimates, derived from our review of internal surveys and the independent sources listed above. Although we believe these sources are reliable, we have not independently verified the information.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash position at December 31, 2016 was \$102,689, a decrease of \$186,416 from \$289,105 at December 31, 2015. Management believes that the Company has adequate cash to meet its obligations and continue operations for both existing customer contracts and ongoing product development for at least the next 12 months. The Company presently has no bank line of credit or other financing arrangements for general corporate use. As a result, its primary sources of liquidity are cash, receivables and potentially other current assets. Management is not aware of any trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Net cash flows used in operating activities during the year ended December 31, 2016 were \$141,942 compared with net cash flows used in operating activities of \$705,153 for the same period in 2015. This change of \$563,211 was caused primarily by the net income in 2016 of \$142,851 compared to a net loss during 2015 of \$399,271.

Net cash used in investing activities was \$0 during the year ended December 31, 2016, compared to \$20,540 for the same period in 2015. This change of \$20,540 was caused primarily by the purchase of a vehicle in 2015.

Net cash used in financing activities was \$44,474 during the year ended December 31, 2016, compared to \$193,403 for the same period in 2015. This change of \$148,929 was caused primarily by the repurchase of \$36,356 of common stock in 2016 compared to \$192,134 in 2015.

On December 31, 2016, total stockholders' equity was \$2,764,425 compared to \$2,641,429 in 2015, which is an increase of \$122,996 or 4.7%; resulting from a net income from operations and the aforementioned repurchase of stock.

The Company's core operations are not capital intensive. The basic product of the Company is computer software developed by its employees. Most manufacturing is done after the Company receives an order, so there is not a material product inventory held by the Company.

RESULTS OF OPERATIONS, YEAR ENDED DECEMBER 31, 2016 COMPARED TO YEAR ENDED DECEMBER 31, 2015

Edgar Filing: TABLE TRAC INC - Form 10-K

The most significant events that affected the 2016 results of operations were the Company's (1) installation of twelve casino management systems at twelve operating entities; (2) expansion into the Washington and Texas markets; (3) the attainment of Colorado and Nevada gaming licenses.

During 2016, the Company delivered product with a value of approximately \$3,900,000 for new contracts at the respective contract dates. However, approximately \$1,300,000 of the revenue for these system sales was deferred, and will be recognized in future periods, since a substantial amount is not due within 12 months. As a result, those contracts, along with the related maintenance, is expected to add approximately \$73,000 each month to the existing recurring revenue which, as of December 31, 2016 was at the highest point in company history.

During the first quarter of 2017, the Company signed new contracts with an approximate product value of \$840,000 for product delivery currently scheduled for the second quarter of 2017.

A breakout of revenue by type is as follows:

	For the Years Ended December 31,					
	2016	2015	2016		2015	
			(percent of revenues)			
System sales	\$3,735,383	\$2,046,599	64.0	%	54.4	%
License and maintenance fees	1,998,912	1,688,024	34.2	%	44.8	%
Other sales	102,087	31,418	1.8	%	0.8	%
Total revenues	\$5,836,382	\$3,766,041	100.0	%	100.0	%

Revenues increased from \$3,766,041 in 2015 to \$5,836,382 in 2016. This 54.9% increase of \$2,070,341 was due to larger installations in 2016 compared to 2015. System sales revenues increased from \$2,046,599 in 2015 to \$3,735,383 in 2016, an 82.5% increase of \$1,688,784, due to larger system installations in 2016 compared to 2015. Ongoing maintenance revenue increased from \$1,668,024 in 2015 to \$1,998,912 in 2016, an 18.4% increase of \$310,888, due to our high customer retention rate along with new accounts added during 2016. Other sales, which includes Cash IO kiosk sales, promotional kiosk software sales, and rental sales has increased from \$31,418 in 2015 to \$102,087 in 2016, a 224.9% increase of \$70,669 due to higher sales of third party products.

During 2016, the Company delivered twelve systems domestically and in South America. Some of the revenue for the installations was deferred, and will be recognized in future periods, since a substantial amount is not due within 12 months. During 2015, the Company delivered eighteen systems.

Cost of sales increased to \$1,656,239 in 2016 from \$1,082,724 in 2015. The increase of \$573,515 was primarily due to higher revenues in 2016 compared to 2015.

A breakout of cost of sales by type is as follows:

	For the Years Ended December 31,					
	2016	2015	2016	2015	(percent of revenues)	
System sales	\$1,518,241	\$975,606	26.0	%	25.9	%
License and maintenance fees	96,505	92,141	1.7	%	2.4	%
Other sales	41,493	14,977	0.7	%	0.4	%
Total cost of sales	\$1,656,239	\$1,082,724	28.4	%	28.7	%

The gross margin in 2016 was \$4,180,143 or 71.6% of sales compared with \$2,683,317 or 71.3% of sales in 2015.

Deferred revenues – short-term is relatively consistent at \$30,960 in 2016 from \$37,810 in 2015. The balance represents down payments received for system installations on order at year-end and annual payments of maintenance. The deferred revenue is non-refundable and is recognized as revenue when the system installations are completed or as invoices are due.

Deferred revenues – long-term decreased to \$2,745,081 in 2016 from \$2,890,467 in 2015. The balance represents systems which have been installed under contracts that have been signed and invoiced, but revenue will be recognized

and cash collected monthly over multiple years. The decrease of \$145,386 in 2016 represents multiple contracts that were signed and installed during the year combined with the contracts installed in 2015 which had deferred revenue remaining as of December 31, 2016.

Total operating expenses increased to \$3,976,211 in 2016 from \$3,393,688 in 2015. This 17.2% increase of \$582,523 was primarily due to the expense of obtaining gaming licenses in the states of Colorado and Nevada.

Interest / Other income increased in 2016 to a net amount of \$98,534 from \$53,586 in 2015; the 83.9% increase of \$44,948 is due to a higher amount of long-term financed contracts for 2016 compared to 2015.

The provision for income tax expense was \$136,000 in 2016, for an effective rate of 48.8%, compared to a provision for income tax benefit of \$274,000 for an effective rate of (40.7%) in 2015. The change in rates is primarily due to the meals and entertainment addback is high in comparison to book income.

The net income for 2016 was \$142,851 compared to a net loss of \$399,271 for 2015, which is an increase of \$542,122.

The basic and diluted earnings per share in 2016 were \$0.03 compared to a loss per share of \$0.09 in 2015.

OFF-BALANCE SHEET ARRANGEMENTS

None.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's discussion and analysis of financial condition and results of operations is based upon its financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates these estimates, including those related to revenue recognition, bad debts, inventory valuation, intangible assets, and income taxes. The Company bases these estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The estimates and judgments that the Company believes have the most effect on its reported financial position and results of operations are as follows:

Revenue Recognition

The Company derives revenues from the sales of systems, licenses and maintenance fees, services, and other sales.

System Sales and Licenses

Revenue from systems that have been demonstrated to meet customer specifications during installation is recognized when evidence of an arrangement exists, the product has been delivered, title and risk of loss have transferred to the customer and collection of the resulting receivable is reasonably assured. System sales, which are accounted for as multiple-element arrangements, include multiple products and/or services. For multiple-element arrangements, the Company allocates the revenue to each element based on the hierarchy of estimated selling price for the deliverables. The selling price for each deliverable will be based on vendor specific objective evidence (VSOE), Third Party Evidence ("TPE") if VSOE is not available, or estimated selling price if neither VSOE or TPE is available. The Company recognizes the associated revenue when all revenue recognition criteria have been met for each element. If there are contracts the Company does not have VSOE of all elements, the Company would follow the selling price hierarchy to allocate arrangement consideration.

The Company does offer its customers contracts with extended payment terms. The Company must evaluate if any extended payment terms in the contract is an indicator of the revenue not being fixed or determinable. Provided all other revenue recognition criteria have been satisfied, the Company recognizes the revenue if payment of a significant portion of the systems sales is due within 12 months of the delivery of the product. The Company also analyzes its

standard business practice of using long-term contracts and the history of collecting on extended payment term contracts without making concessions for determining if revenue should be recognized. Revenue and associated set-up costs are deferred if contract terms exceed historical collection results or if a substantial portion of the contract is not due within 12 months after delivery of the product. The Company analyzes each contract for proper revenue recognition based on that contracts facts and circumstances. Interest is recorded upon receipt to “other income” on the statements of operations.

Maintenance revenue

Maintenance revenue is recognized ratably over the contract period. The VSOE for maintenance is based upon the renewal rate for contracted services.

Service revenue

Service revenue is recognized after the services are performed and collection of the resulting receivable is reasonably assured. The VSOE for service revenue is established based upon the actual selling prices for the services or prior similar arrangements.

Rental revenue

The Company may offer customers a rental contract. Revenues are billed monthly on a per-game per-day basis. There is an option to purchase the system after the rental contract expires at a pre-determined residual value.

Deferred System Sales Costs

Deferred system sales costs consist of installed system costs incurred on participation-based contracts. These costs are recognized on a straight-line basis over the term of the contract which is generally 18-48 months beginning when revenues are generated. At the end of the contract period, the customer will usually receive title to the system.

Accounts Receivable / Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount. Accounts receivable include regular customer receivables and amounts from financed contracts coming due within 12 months. Amounts from financed contracts due beyond 12 months are recorded as "Long-term accounts receivable – financed contracts." Interest is recorded upon receipt to other income on the statements of operations. The Company evaluates its allowance based on historical experience. An allowance for doubtful accounts is recorded when the Company believes the amounts may not be collected. Management believes that receivables, net of the allowance for doubtful accounts, are fully collectible. While the ultimate result may differ, management believes that any write-off not allowed for will not have a material impact on the Company's financial position.

Inventory

Inventory, consisting of finished goods, is stated at the lower of cost or market. The average cost method (which approximates first in, first out method) is used to value inventory. Inventory is reviewed annually for the lower of cost or market and obsolescence. Any material cost found to be above market value or considered obsolete is written down accordingly. The Company had no obsolescence reserve at December 31, 2016 and 2015.

Long-lived Assets

The Company periodically assesses the recoverability of long-lived assets and certain identifiable intangible assets by reviewing for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future un-discounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Income Taxes

Income taxes are provided for using the liability method of accounting. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Table Trac, Inc.

We have audited the accompanying balance sheets of Table Trac, Inc. (a Nevada corporation) as of December 31, 2016 and 2015, and the related statements of operations, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements. Table Trac, Inc.'s management is responsible for these financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Table Trac, Inc. as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Boulay PLLP

Minneapolis, Minnesota

March 29, 2017

14

TABLE TRAC, INC.**BALANCE SHEETS**

	December 31, 2016	December 31, 2015
ASSETS		
CURRENT ASSETS		
Cash	\$ 102,689	\$ 289,105
Accounts receivable, net of allowance for doubtful accounts of \$200,266 and \$185,397 at December 31, 2016 and December 31, 2015 respectively	2,807,323	2,494,930
Inventory	843,233	656,137
Prepaid expenses and other current assets	151,145	88,180
Income taxes receivable	175,856	68,101
TOTAL CURRENT ASSETS	4,080,246	3,596,453
LONG-TERM ASSETS		
Patent, net	273	1,638
Property and equipment, net	33,426	54,534
Other long-term assets	1,291,519	1,289,786
Deferred tax asset	154,000	331,000
Long-term accounts receivable – financed contracts	1,421,330	1,569,285
TOTAL LONG-TERM ASSETS	2,900,548	3,246,243
TOTAL ASSETS	\$ 6,980,794	\$ 6,842,696
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 473,336	\$ 413,235
Payroll liabilities	27,800	29,444
Current portion of note payable	7,096	7,096
Deferred revenue - short-term	30,960	37,810
Deferred tax liability	914,000	797,000
TOTAL CURRENT LIABILITIES	1,453,192	1,284,585
LONG-TERM LIABILITIES		
Note payable, net of current portion	18,096	26,215
Deferred revenue - long-term	2,745,081	2,890,467
TOTAL LIABILITIES	4,216,369	4,201,267
STOCKHOLDERS' EQUITY		
Common stock, \$0.001 par value; 25,000,000 shares authorized: 4,656,734 shares issued, and 4,511,965 and 4,533,265 shares outstanding at December 31, 2016 and	4,512	4,534

Edgar Filing: TABLE TRAC INC - Form 10-K

2015, respectively		
Additional paid-in capital	1,809,511	1,806,526
Retained earnings	1,096,762	953,911
	2,910,785	2,764,971
Treasury stock, 144,769 shares (at cost) and 123,469 at December 31, 2016 and 2015, respectively	(146,360)	(123,542)
TOTAL STOCKHOLDERS' EQUITY	2,764,425	2,641,429
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,980,794	\$ 6,842,696

The accompanying notes are an integral part of these financial statements.

TABLE TRAC, INC.

STATEMENTS OF OPERATIONS

	For the Years Ended	
	December 31,	
	2016	2015
Revenues	\$5,836,382	\$3,766,041
Cost of sales	1,656,239	1,082,724
Gross profit	4,180,143	2,683,317
Operating expenses:		
Selling, general and administrative	3,976,211	3,393,688
Income (loss) from operations	203,932	(710,371)
Loss on currency exchange	(23,615)	(22,486)
Interest income	98,534	53,586
Gain on sale of assets	0	6,000
Income (loss) before taxes	278,851	(673,271)
Income tax expense (benefit)	136,000	(274,000)
Net income (loss)	\$ 142,851	\$(399,271)
Net income (loss) per share - basic and diluted	\$0.03	\$(0.09)
Weighted-average shares outstanding - basic and diluted	4,516,171	4,591,937

The accompanying notes are an integral part of these financial statements.

TABLE TRAC, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock Outstanding		Additional		Retained	Treasury	Total
	Number of Shares	Par Amount	Paid-in Capital	Earnings	Earnings	Stock	
BALANCE, DECEMBER 31, 2014	4,705,734	\$ 4,706	\$1,845,198	\$1,353,182		\$(1,422)	\$3,201,664
Common stock awarded to employees and board member from treasury for 2015	19,000	19	5,278	0		17,123	22,420
2015 Shares repurchased and retired	(50,000)	(50)	(43,950)	0		0	(44,000)
2015 Shares repurchased into treasury	(141,469)	(141)	0	0		(139,243)	(139,384)
2015 Net loss	0	0	0	(399,271)		0	(399,271)
BALANCE, DECEMBER 31, 2015	4,533,265	\$ 4,534	\$1,806,526	\$953,911		\$(123,542)	\$2,641,429
Common stock awarded to board member from treasury for 2016	15,000	15	2,985	0		13,500	16,500
2016 Shares repurchased into treasury	(36,300)	(37)	0	0		(36,318)	(36,355)
2016 Net income	0	0	0	142,851		0	142,851
BALANCE, DECEMBER 31, 2016	4,511,965	\$ 4,512	\$1,809,511	\$1,096,762		\$(146,360)	\$2,764,425

The accompanying notes are an integral part of these financial statements.

TABLE TRAC, INC.

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2016	2015
OPERATING ACTIVITIES		
Net income (loss)	\$ 142,851	\$ (399,271)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	22,473	10,089
Deferred income taxes	294,000	(281,947)
Allowance for doubtful accounts	14,869	84,318
Gain on disposal of assets	0	(6,000)
Stock issued for services	16,500	22,420
Changes in operating assets and liabilities:		
Accounts receivable	(179,307)	(1,248,274)
Inventory	(187,096)	237,606
Prepaid expenses and other assets	(64,698)	(934,543)
Accounts payable and accrued expenses	60,101	204,633
Payroll liabilities	(1,644)	(31,282)
Deferred revenue	(152,236)	1,798,556
Income taxes receivable	(107,755)	(161,458)
Net cash used in operating activities	(141,942)	(705,153)
INVESTING ACTIVITIES		
Capital expenditures	0	(20,540)
Net cash used in investing activities	0	(20,540)
FINANCING ACTIVITIES		
Payments on note payable	(8,119)	(1,269)
Repurchase of common stock	(36,355)	(192,134)
Net cash used in financing activities	(44,474)	(193,403)
NET DECREASE IN CASH	(186,416)	(919,096)
CASH		
Beginning of year	289,105	1,208,201
End of Period	\$ 102,689	\$ 289,105
Non-cash investing and financing activities:		
Capital Expenditure financed with note payable	\$ 0	\$ 34,580

The accompanying notes are an integral part of these financial statements.

TABLE TRAC INC.

Notes to Financial Statements

December 31, 2016 and 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Company

Table Trac, Inc. (the Company) was formed under the laws of the State of Nevada in June 1995. The Company has its offices in Minnetonka, Minnesota. The Company has developed and patented a proprietary information and management system that automates and monitors the operations of casino games.

The Company provides system sales and technical support to casinos. System sales include installation, custom casino system configuration and training. In addition, license and technical support are provided under an annual license and service contract.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, the Company evaluates these estimates, including those related to revenue recognition, bad debts, valuation of inventory, intangible assets, and deferred income taxes. Actual results could differ from those estimates.

Concentrations of Risk

Cash Deposits in Excess of Federally Insured Limits

The Company maintains its cash balances at two financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times throughout the year, the Company's cash balances may exceed amounts insured by the FDIC. The Company doesn't believe it is exposed to any significant credit risk on its cash balances.

Major Customers

The following table summarizes significant customer information for the years ended December 31, 2016 and 2015:

	For the Years Ended December 31							
	2016				2015			
	% Revenues		% AR		% Revenues		% AR	
A	6.0	%	1.2	%	25.4	%	10.5	%
B	7.4	%	9.0	%	9.0	%	11.0	%
C	11.4	%	19.8	%	9.7	%	34.1	%
D	14.1	%	8.2	%	0.0	%	0.0	%
All Others	61.1	%	61.8	%	55.9	%	44.4	%
Total	100.0	%	100.0	%	100.0	%	100.0	%

Revenue Recognition

The Company derives revenues from the sales of systems, licenses and maintenance fees, and services.

System Sales and Licenses

Revenue from systems that have been demonstrated to meet customer specifications during installation is recognized when evidence of an arrangement exists, the product has been delivered, title and risk of loss have transferred to the customer and collection of the resulting receivable is reasonably assured. System sales, which are accounted for as multiple-element arrangements, include multiple products and/or services. For multiple-element arrangements, the Company allocates the revenue to each element based on the hierarchy of estimated selling price for the deliverables. The selling price for each deliverable will be based on vendor specific objective evidence (VSOE), Third Party Evidence (“TPE”) if VSOE is not available, or estimated selling price if neither VSOE or TPE is available. The Company recognizes the associated revenue when all revenue recognition criteria have been met for each element. If there are contracts the Company does not have VSOE of all elements, the Company would follow the selling price hierarchy to allocate arrangement consideration.

The Company does offer its customers contracts with extended payment terms. The Company must evaluate if any extended payment terms in the contract is an indicator of the revenue not being fixed or determinable. Provided all other revenue recognition criteria have been satisfied, the Company recognizes the revenue if payment of a significant portion of the systems sales is due within 12 months of the delivery of the product. The Company also analyzes its standard business practice of using long-term contracts and the history of collecting on extended payment term contracts without making concessions for determining if revenue should be recognized. Revenue and associated set-up costs are deferred if contract terms exceed historical collection results or if a substantial portion of the contract is not due within 12 months after delivery of the product. The Company analyzes each contract for proper revenue recognition based on that contract’s facts and circumstances. Interest is recorded upon receipt to “other income” on the statements of operations.

Maintenance revenue

Maintenance revenue is recognized ratably over the contract period. The VSOE for maintenance is based upon the renewal rate for contracted services.

Service revenue

Service revenue is recognized after the services are performed and collection of the resulting receivable is reasonably assured. The VSOE for service revenue is established based upon the actual selling prices for the services or prior similar arrangements.

Rental revenue

The Company offers certain new customers a rental contract. Revenues are billed monthly based on a per-game per-day basis. There is an option to purchase the system after the rental agreement at a pre-determined residual value.

Deferred System Sales Costs

Deferred system sales costs consist of installed system costs incurred on participation-based contracts. These costs are recognized on a straight-line basis over the term of the contract which is generally 18-48 months beginning when revenues are generated. At the end of the contract period, the customer will typically receive title to the system. These costs are included in other long-term assets on the balance sheet, and are \$1,291,519 and \$1,289,786 as of December 31, 2016 and 2015, respectively.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. Fair value estimates are at a specific point in time, based on relevant market information about the financial instrument. These estimates are subjective in nature and matters of significant judgment and therefore cannot be determined with precision. The Company considers the carrying values of its financial instruments to approximate fair value due to their short-term nature.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The Company held no cash equivalents at December 31, 2016 or 2015.

Accounts Receivable / Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount. Accounts receivable are recorded at net realizable value, which includes foreign currency translation as of each balance sheet date. Accounts receivable include unsecured regular customer receivables and unsecured amounts from financed contracts coming due within 12 months. Amounts from financed contracts due beyond 12 months are recorded as "Long-term accounts receivable – financed contracts." Interest is recorded upon receipt to other income on the statements of operations. An allowance for doubtful accounts is recorded when the Company believes the amounts may not be collected. Management believes that receivables, net of the allowance for doubtful accounts, are fully collectible. Accounts receivable are written off when management determines collection is no longer likely. While the ultimate result may differ, management believes that any write-off not allowed for will not have a material impact on the Company's financial position. Accounts receivable are recorded at net realizable value, which includes foreign currency translation into U.S. Dollars, as of each balance sheet date.

Inventory

Inventory, consisting of finished goods, is stated at the lower of cost or market. The average cost method (which appropriates the first in, first out method) is used to value inventory. Inventory is reviewed annually for the lower of cost or market and obsolescence. Any material cost found to be above market value or considered obsolete is written down accordingly. The inventory value was \$843,233 and \$656,137 as of December 31, 2016 and 2015, respectively, which included work-in-process of \$141,238 and \$34,259 as of December 31, 2016 and 2015, respectively. The Company had no obsolescence reserve at December 31, 2016 and 2015.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets which range from two to five years. Repair and maintenance costs are expensed as incurred; major

renewals and improvements are capitalized. As items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in operating income.

Long-lived Assets

The Company periodically assesses the recoverability of long-lived assets and certain identifiable intangible assets by reviewing for potential impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets.

Income Taxes

Income taxes are provided for using the liability method of accounting. A deferred tax asset or liability is recorded for all temporary differences between financial and tax reporting. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effect of changes in tax laws and rates on the date of enactment.

The Company accounts for income taxes pursuant to Financial Accounting Standards Board (FASB) guidance. This guidance prescribes a recognition threshold and a measurement attribute for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than not (a greater than 50 percent likelihood of being realized) to be sustained upon examination by taxing authorities. The Company believes its income tax filing positions and deductions will be sustained upon examination and, accordingly, no reserves, or related accruals for interest and penalties have been recorded at December 31, 2016 and 2015. In accordance with the guidance, the Company has adopted a policy under which, if required to be recognized in the future, interest and penalties related to the underpayment of income taxes will be classified in income taxes in the statements of operations. The Company has three open years of tax returns subject to examination starting with 2013.

Research and Development

Expenditures for research and product development costs are expensed as incurred. Research and development expenses were \$76,155 and \$22,057 for the years ended December 31, 2016 and 2015, respectively, and is included in selling, general and administrative expenses on the statements of operations.

Stock-based Compensation

The Company measures and recognizes compensation expense for all stock-based payment awards made to employees and directors. The compensation expense for the Company's stock-based payments is based on estimated fair values at the time of the grant.

The Company estimates the fair value of stock-based awards on the date of grant using the closing sales price on that date. The Company's stock-based compensation awards are not subject to vesting requirements.

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognized in profit or loss.

Basic and Diluted Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of stock options or warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options or warrants were exercised and that the proceeds from the exercise were used to acquire shares of common stock at the average market price during the reporting period (See Note 8).

Recently Issued Accounting Pronouncements

In May 2014, and amended in July 2015, FASB issued guidance creating Accounting Standards Codification (“ASC”) Section 606, “Revenue from Contracts with Customers.” The new section will replace Section 605, “Revenue Recognition” and creates modifications to various other revenue accounting standards for specialized transactions and industries. The section is intended to conform revenue accounting principles to a concurrently issued International Financial Reporting Standards with previously differing treatment between United States practice and those of much of the rest of the world, as well as, to enhance disclosures related to disaggregated revenue information. The updated guidance is effective for annual reporting periods beginning on or after December 15, 2017, and interim periods within those annual periods. The Company will adopt the new provisions of this accounting standard at the beginning of 2018. The Company will further study the implications of this statement in order to evaluate the expected impact on its financial statements.

In February 2016, FASB issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842), which provides guidance for accounting for leases. The new guidance requires companies to recognize the assets and liabilities for the rights and obligations created by leased assets, initially measured at the present value of the lease payments. The accounting guidance for lessors is largely unchanged. The ASU is effective for annual and interim periods beginning after December 15, 2018 with early adoption permitted. It is to be adopted using a modified retrospective approach. The Company is currently evaluating the impact that the adoption of this guidance will have on its financial statements.

In July 2015, FASB issued ASU No. 2015-11, which amended Inventory (Topic 330) Related to Simplifying the Measurement of Inventory of the Accounting Standards Codification. The amended guidance applies to all inventory except that which is measured using last-in, first-out (LIFO) or the retail inventory method. Inventory measured using first-in, first-out (FIFO) or average cost is included in the new amendments. Inventory within the scope of the new guidance should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. Subsequent measurement is unchanged for inventory measured using LIFO or the retail inventory method. The amendments will take effect for the Company for fiscal years beginning after December 15, 2016, and interim periods within fiscal years beginning after December 15, 2017. The new guidance should be applied prospectively, and earlier application is permitted as of the beginning of an interim or annual reporting period. The Company believes the adoption of this guidance will not have a material impact on its financial statements.

NOTE 2. ACCOUNTS RECEIVABLE

	December 31, 2016	December 31, 2015
Accounts receivable under normal 30 day terms	\$ 979,564	\$ 664,938
Financed contracts:		
Current portion of long-term	2,028,025	2,015,389
Long-term, net of current portion	1,421,330	1,569,285
Total accounts receivable	4,428,919	4,249,612
Less allowance for doubtful accounts	(200,266) (185,397
Accounts receivable, net	\$ 4,228,653	\$ 4,064,215
Presented on the balance sheet as:		
Accounts receivable, net	\$ 2,807,323	\$ 2,494,930
Long-term accounts receivable - financed contracts	1,421,330	1,569,285

The allowance for financed and trade receivable represents management's estimate of probable losses in our trade and financed receivables as of the date of the financial statements. The allowance provides for probable losses that have been identified with specific customer relationships and for probable losses believed to be inherent of the trade and financed receivables, but that have not been specifically identified.

Included in accounts receivable - Financed contracts at December 31, 2016 and 2015 is \$3,449,355 and \$3,584,684, respectively, with an offset to deferred revenues long-term on the balance sheet of \$2,794,891 and \$2,890,467 at December 31, 2016 and 2015, respectively.

A roll-forward of the Company's allowance for doubtful accounts for the years ended is as follows:

Edgar Filing: TABLE TRAC INC - Form 10-K

	December 31, 2016	December 31, 2015
Accounts receivable allowance, beginning of year	\$ 185,397	\$ 101,079
Provision adjustment	14,869	84,318
Write-off	0	0
Accounts receivable allowance, end of year	\$ 200,266	\$ 185,397

The allowance for doubtful accounts as of December 31, 2016 is \$200,266 for the trade receivables and \$0 for the financed contracts. The allowance for doubtful accounts as of December 31, 2015 is \$185,397 for the trade receivables and \$0 for the financed contracts.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	December 31, 2016	December 31, 2015
Office equipment	\$ 49,294	\$ 49,294
Vehicles	118,375	118,375
Total	167,669	167,669
Less: accumulated depreciation	(134,243)	(113,135)
Property and equipment, net	\$ 33,426	\$ 54,534

Depreciation expense totaled \$21,108 and \$8,725 for the years ended December 31, 2016 and 2015, respectively.

NOTE 4. LONG-TERM DEBT

The Company entered into a \$34,580 term note agreement in September 2015. The note is payable in monthly installments of \$677 including interest at 5.89%. The note is secured by the vehicle, and expires in September 2020. The outstanding balance of the note was \$25,192 at December 31, 2016. Estimated annual maturities of debt are as follows:

2017	\$7,096
2018	7,102
2019	7,532
2020	3,462
Total	\$25,192

NOTE 5. OPERATING LEASES

The Company has a lease on corporate office space in Minnetonka, Minnesota, which renewed in August 2016. This lease has rent escalations from \$3,670 to \$4,090 per month through July 2021, excluding operating expenses. Future minimum lease payments are as follows:

2017	\$44,541
2018	45,753
2019	46,100
2020	47,036
2021	28,632
Total	\$212,062

Rent expense was \$36,075 and \$31,556 for the years ended December 31, 2016 and 2015, respectively.

NOTE 6. STOCKHOLDERS' EQUITY

Common Stock

In March 2016, the Company transferred 7,500 shares from its treasury at a grant date fair value of \$.85 per share to a director, for services rendered during the period July 1 through December 31, 2015 for a total expense of \$6,375.

In October 2016, the Company transferred 7,500 shares from its treasury at a grant date fair value of \$1.35 per share to a director for services rendered during the period January 1, 2016 through June 30, 2016 for a total expense of \$10,125.

As of December 31, 2016, the Company holds 144,769 common stock shares in treasury at a total cost of \$146,360 for future employee issuances under the bonus program which was part of the 2014 repurchase of shares.

In August 2015, the Company transferred 7,500 shares at a grant date fair value of \$1.18 per share from its treasury to a director, for services rendered during the period January 1, 2015 through June 30, 2015, and 11,500 shares from its treasury at a grant date fair value of \$1.18 per share to two employees for 2015 bonuses for a total expense of \$22,420.

Stock Repurchase Program

In 2016, the Company repurchased 36,300 shares for approximately \$36,300 at an average price of approximately \$1.00 per share for its treasury.

On December 23, 2014, the Company's Board of Directors approved the repurchase of its outstanding shares of up to \$100,000 of its common stock from private unsolicited sellers' paper certificate blocks (non-street name) in the open market until September 30, 2015, which was subsequently extended by the Board of Directors. On March 17, 2015, the Company's Board of Directors approved another repurchase of up to \$75,000 for the same program. On September 4, 2015, the Company's Board of Directors approved another repurchase of up to \$50,000 for the same program. As of December 31, 2016, no further funds have been approved for the repurchase program and no authorized funds remain available for use in repurchasing the Company's shares. Company insiders are prohibited from participating in the stock repurchase program. The Company has repurchased 240,269 shares at an average price of \$.95 per share through December 31, 2016.

NOTE 7. INCOME TAXES

The income tax provision (benefit) consists of the following for the years ended December 31:

	2016	2015
Current tax expense (benefit)	\$(158,000)	\$7,308
Deferred tax (benefit)	294,000	(281,308)
Total income tax expense (benefit)	\$136,000	\$(274,000)

The reconciliation between expected federal income tax rates and the Company's effective federal tax rates is as follows:

2016	2015
------	------

Edgar Filing: TABLE TRAC INC - Form 10-K

	Amount	Percent	Amount	Percent
Expected federal tax	\$94,800	34.0 %	\$(228,900)	34.0 %
Permanent differences	13,600	4.9 %	10,200	-1.5 %
State income tax, net of federal tax benefit	6,300	2.3 %	(17,200)	2.6 %
Foreign tax credit	0	0.0 %	(19,100)	2.8 %
Reduced DPAD due to amended federal net operating loss carryback refund	17,400	6.2 %	0	0.0 %
Other	3,900	1.4 %	(19,000)	2.8 %
Total	\$136,000	48.8 %	\$(274,000)	40.7 %

The following table summarizes the Company's deferred tax assets and liabilities at December 31:

	2016	2015
Current deferred tax asset (liabilities):		
Accounts payable and accrued expenses	\$140,000	\$132,000
Accounts receivable	(1,629,000)	(1,572,000)
Allowance for doubtful accounts	68,000	69,000
Prepaid expenses	(55,000)	(33,000)
Deferred revenue	562,000	607,000
Net current deferred tax liability	(914,000)	(797,000)
Long-term deferred tax asset:		
NOL - federal	80,000	265,000
NOL - State	28,000	38,000
Foreign tax credit	47,000	19,000
Book - Tax depreciation	(1,000)	9,000
Net long-term deferred tax asset	154,000	331,000
Net deferred tax liability	\$(760,000)	\$(466,000)

The federal net operating loss carryforward at December 31, 2016 is approximately \$236,000 and the various state net operating loss carryforwards is approximately \$567,000 which expires between 2025 and 2035 if not used. An allowance for net operating loss carryforward is recorded when the Company believes the amount may not be collected or fully utilized. Management believes the net operating loss carryforward, is fully collectible or will be fully utilized.

NOTE 8. EARNINGS PER SHARE

Earnings per share is computed under two different methods, basic and diluted, and is presented for all periods in which statements of operations are presented. Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding. Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock and common stock equivalents outstanding. The Company currently does not have any common stock equivalents outstanding.

The following table provides a reconciliation of the numerators and denominators used in calculating basic and diluted earnings per share:

	For the Years Ended December 31,	
	2016	2015
Basic and diluted earnings per share calculation:		
Net income (loss) to common stockholders	\$ 142,851	\$ (399,271)
Weighted average number of common shares outstanding	4,516,171	4,591,937
Basic and diluted net income (loss) per share	\$ 0.03	\$ (0.09)

NOTE 9. GEOGRAPHIC CONCENTRATIONS

The Company sells its technologies and services to casinos in the United States, the Caribbean and countries in both Central and South America. For 2016 and 2015, 90% and 82% of the Company’s revenues were from the United States, 1% and 2% from the Caribbean, 1% and 1% from Central America, and 8% and 16% from South America, respectively.

For 2016 and 2015, 84% and 78% of the Company’s accounts receivable were from the United States, 1% and 1% from the Caribbean, 1% and 1% from Central America, and 14% and 20% from South America, respectively.

NOTE 10. FOREIGN CURRENCY EXCHANGE RATE RISK

The Company is exposed to foreign currency risks that arise from some of its foreign customers in Colombia, transacted in Colombia Pesos. As a result, exchange rate fluctuations may cause our international results to fluctuate when translated into U.S. dollars. These risks may change over time as business practices evolve and could have an impact on the Company's financial results in the future due to the long term nature of our accounts receivable in Colombia which totaled approximately \$384,000 and \$448,000 at December 31, 2016 and 2015, respectively. The Company monitors its risk associated with the volatility of certain foreign currencies against U.S. dollars. The Company recorded a realized loss on foreign currency of approximately \$23,600 and \$22,500 in 2016 and 2015, respectively.

NOTE 11. COMMITMENT AND CONTINGENCIES

The Company has lease commitments with future minimum lease payments of approximately \$212,000 through July 2021 (see Note 5). During 2015, the Company entered into an Agreement with a contractor to design and execute on a sales and marketing strategy for the Company in key Latin American and Caribbean gaming jurisdictions. The Agreement originally expired on July 14, 2016 and was renewed until December 31, 2017 unless terminated earlier in accordance with the terms of the Agreement. The remaining commitment as of December 31, 2016 is approximately \$75,000.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None

Item 9A. Evaluation of Disclosure Controls and Procedures.

(a) DISCLOSURE CONTROLS AND PROCEDURES

The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in reports filed pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In addition, The Company contracts with an independent firm to review and test its internal controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

As of December 31, 2016, the Company's management carried out an evaluation of the effectiveness of our disclosure controls and procedures as such term is defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934. Based on that evaluation, it was concluded the disclosure controls and procedures were effective as of December 31, 2016.

(b) REPORT OF MANAGEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(e) and 15d-15(f) of the Exchange Act. The Company has designed internal controls to provide reasonable, but not absolute, assurance that financial statements are prepared in accordance with U.S. GAAP. The Company assesses the effectiveness of internal controls based on the criteria set forth in the 2013 Internal Control - Integrated Framework developed by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management has concluded that the Company's internal controls over financial reporting was effective as of December 31, 2016.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. It should be noted that any system of internal control, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

MANAGEMENT

The executive officers and directors of the Company, with a brief description, are as follows:

Chad B. Hoehne	55	President, Director	<p>Mr. Hoehne is the President and founder of the Company. He has a B.S. degree in Business Administration, Finance and computer minor from Minnesota State University. Mr. Hoehne founded Table Trac, Inc. in 1994 after working nine years for a successful Minneapolis electronics manufacturer and software company.</p> <p>Mr. Hoehne has been on the board since the Company’s founding.</p>
Brian Hinchley	51	Director, CEO, CFO	<p>Mr. Hinchley is the Chief Executive Officer and Chief Financial Officer of the Company. He has a B.A. degree in Business Administration/Accounting from the University of St. Thomas in St. Paul, Minnesota. Prior to joining Table Trac, Mr. Hinchley was the Chief Financial Officer from September 1998 to May 2011 of two privately owned international software companies, Intercim, LLC and WorkWise, Inc. Mr. Hinchley also served in accounting roles for Griffin Companies (a commercial real estate company) from May 1992 to August 1998.</p> <p>Mr. Hinchley has been the Company’s CFO since June 2011, and was named the CEO in April 2015.</p>
Robert R. Siqueland	72	Corporate Secretary	<p>Mr. Siqueland is employed by Table Trac, Inc. as Director of Professional Services. Mr. Siqueland has served as Corporate Secretary since 1999. Prior to joining Table Trac, Mr. Siqueland was an investment advisor with Summit Investment and venture capitalist with Property Growth Company for 25 years, providing “seed capital” and management to over 30 companies.</p> <p>Mr. Siqueland was a director at Table Trac from 1999 through 2011.</p>
Steven A. Browne	61	Director, Chairman	<p>Mr. Steve Browne has been involved in the gaming industry since the late 1970s and has been involved with companies as Del Webb’s Sahara Tahoe, the Eldorado, and Club Cal-Neva in northern Nevada. He worked in many positions at all levels, primarily in the area of table games management and operations. In 1988, Mr. Browne and two partners purchased Cactus Jacks Casino in Carson City, Nevada. He spent the next ten years as</p>

of the
Board

Treasurer and General Manager of that property. During that period, Steve was instrumental in developing a unique, customer-driven marketing and service program that took an underperforming casino down the road to seven years of double-digit growth. In 1997, he stepped down as General Manager and sold his interest in the casino. Since that time, Mr. Browne has developed a successful consulting practice specializing in the areas of customer service, player development, and casino operations. He works extensively with casino clients across North America and overseas. Mr. Browne is the author of two books, *Gambling And Service: The Complete Book On Casinos, Customer Service, And Selling An Entertainment Experience That Enriches People's Lives*, and *The Math of Player Development*. He is also the author of several complete Service and Sales Training Programs for gaming employees and managers. Mr. Browne has been instrumental in leading the charge to developing customer service and customer-focused marketing as a competitive edge in today's fiercely contested gaming markets.

Mr. Browne has been a director at Table Trac since December 2010.

Louis
Fornetti 67 Director, Chair
of the Audit
Committee

Mr. Fornetti has many years of experience in finance and corporate governance. Mr. Fornetti has served on the Board of Directors of Saxon Mortgage Corporation (NYSE) (2005-2006), American Medical Security (NYSE) (2003-2004), Stockwalk Corporation (NASD) (2001), and American Express Financial Advisors (1988-1995). Mr. Fornetti has also served on the Board of Directors of Othnet, Inc. (a private software development corporation) and IPool Corporation (a private consumer advocacy corporation). From 2004 to present, Mr. Fornetti has been a business advisor and consultant. His prior work experience includes service as the Executive Vice President and Chief Financial Officer of RBC Dain Rauscher (1995-1997), Senior Vice President and Chief Financial Officer of American Express Financial Advisors (1992-1995), corporate controller of American Express Financial Advisors (1985-1992), Vice President and Corporate Controller of St. Paul Travelers (f/k/a The St. Paul Companies, Inc.) (1979-1985), and audit manager at KPMG (Peat Marwick) (1972-1979). Mr. Fornetti received his B.A. from Northern Michigan and a CPA certificate from the State of Minnesota in 1974.

Mr. Fornetti has been a director at Table Trac since June 2011.

Gary
Loebig 68 Director,
Chair of the
Compensation
Committee

Gary Loebig has nearly 30 years of experience in Class II and Class III gaming. Mr. Loebig is the Principal and a Founder of GLL Consulting, a consulting services company specializing in sales, marketing and product development and regulatory matters for Class II, Class III, Lottery, Charitable and Commercial Gaming market segments. Mr. Loebig currently is a Managing Director of a Limited Liability Corporation involved in game development; as well as Chief Compliance Office for an Internet gaming company. From 1998-2008, Mr. Loebig served in various positions with Multimedia Games (NASDAQ), including Executive Vice Present-Sales and Interim Chief Executive Officer, on a variety of issues including Class II business strategies and new business development. Mr. Loebig has also held executive management positions at Stuart Entertainment, Inc. (NASDAQ), where he served as the corporation's Senior Vice President-Market and Product Development; and at Directory Service Company (a private printing, publishing and advertising corporation) where he served as Vice President-Sales and Marketing. Mr. Loebig has a BBA and MBA degree from the University of Iowa.

Mr. Loebig has been a director at Table Trac since June 2011.

When considering whether directors and nominees have the experience, qualifications, attributes and skills to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of the Company's business and structure, the Board of Directors focuses primarily on the industry and transactional experience, and other background, in addition to any unique skills or attributes associated with a director. With regard to Mr. Hoehne, the Company's founder and chief technology architect of the Company's technology products and overall system architecture, his technical expertise and knowledge represents a significant asset in terms of positioning the products for the future. With regard to Mr. Fornetti, the Board of Directors considered his extensive background in corporate governance and finance. With regard to Mr. Loebig, the Board of Directors considered his demonstrated leadership and past experience as a Chief Executive Officer and senior executive in the gaming industry for a publicly-traded company; along with his regulatory experience as it relates to gaming matters. Finally, with regard to Mr. Browne, the Board of Directors considered his extensive experience in the gaming industry in general and his skills at helping businesses develop a more customer-focused enterprise.

The directors of the Company are elected annually by the stockholders for a term of one year or until their successors are elected and qualified. The board officially meets at least once a year following the annual stockholders meeting.

NO INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

During the past ten years, no officer, or director of the Company has been:

involved in any petition under the federal bankruptcy laws or any state insolvency law that was filed by or against, or a receiver, fiscal agent or similar officer appointed by a court for the business or property of such person, or any partnership in which he was a general partner at or within two years, or any corporation or business association of which he was an executive officer at or within two years within the date of this report;

convicted in a criminal proceeding or a named subject of a pending criminal proceeding (excluding traffic violations and other minor offenses);

the subject of any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining him from, or otherwise limiting, the following activities: (1) acting as a futures commission merchant, introducing broker, commodity trading advisor, commodity pool operator, floor broker, leverage transaction merchant, any other person regulated by the Commodity Futures Trading Commission, or an associated person of any of the foregoing, or as an investment adviser, underwriter, broker or dealer in securities, or as an affiliated person, director or employee of any investment company, bank, savings and loan association or insurance company, or engaging in or continuing any conduct or practice in connection with such activity; (2) engaging in any type of business practice; or (3) engaging in any activity in connection with the purchase or sale of any security or commodity or in connection with any violation of federal or

state securities laws or federal commodities laws;

the subject of any order, judgment or decree, not subsequently reversed, suspended or vacated, of any federal or state authority barring, suspending or otherwise limiting for more than 60 days the right of such person to engage in any activity described in subsection (3) of the immediately preceding item listed above, or to be associated with persons engaged in any such activity;

found by a court of competent jurisdiction in a civil action or by the SEC to have violated any federal or state securities law, and the judgment in such civil action or finding by the SEC has not been subsequently reversed, suspended, or vacated;

found by a court of competent jurisdiction in a civil action or by the Commodity Futures Trading Commission to have violated any federal commodities law, and the judgment in such civil action or finding by the Commodity Futures Trading Commission has not been subsequently reversed, suspended or vacated;

30

the subject of, or a party to, any federal or state judicial or administrative order, judgment, decree, or finding, not subsequently reversed, suspended or vacated, relating to an alleged violation of: (1) any federal or state securities or commodities law or regulation; or (2) any law or regulation respecting financial institutions or insurance companies including, but not limited to, a temporary or permanent injunction, order of disgorgement or restitution, civil money penalty or temporary or permanent cease-and-desist order, or removal or prohibition order; or (3) any law or regulation prohibiting mail or wire fraud or fraud in connection with any business entity; or

the subject of, or a party to, any sanction or order, not subsequently reversed, suspended or vacated, of any self-regulatory organization (as defined in Section 3(a)(26) of the Exchange Act (15 U.S.C. 78c(a)(26))), any registered entity (as defined in Section 1(a)(29) of the Commodity Exchange Act (7 U.S.C. 1(a)(29))), or any equivalent exchange, association, entity or organization that has disciplinary authority over its members or persons associated with a member.

AUDIT COMMITTEE FINANCIAL EXPERT

The Board of Directors has determined that at least one member of the Audit Committee, Mr. Louis Fornetti, is an “audit committee financial expert” as that term is defined in Regulation S-K promulgated under the Exchange Act. Mr. Fornetti’s relevant experience is detailed above. Mr. Fornetti qualifies as an “independent director,” as such term is defined in Section 5605(a)(2) of the Nasdaq Listing Rules, and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act. The Board of Directors has determined each member of the Audit Committee is able to read and understand fundamental financial statements and that at least one member of the Audit Committee, Mr. Fornetti, has past experience in finance or accounting matters.

CODE OF ETHICS

We have adopted a Code of Ethics that governs the conduct of our officers, directors and employees in order to promote honesty, integrity, loyalty and the accuracy of our financial statements. You may obtain a copy of the Code of Ethics without charge by writing us and requesting a copy, attention: Brian Hinchley, 6101 Baker Road, Suite 206, Minnetonka, Minnesota 55345. You may also request a copy by calling us at (952) 548-8877.

COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT

Section 16(a) of the Securities Exchange Act of 1934 requires the Company’s officers, directors and persons considered to be beneficial owners of more than ten percent of a registered class of the Company’s equity securities to file reports of ownership and changes in ownership with the Securities and Exchange Commission and Nasdaq.

Edgar Filing: TABLE TRAC INC - Form 10-K

Officers, directors and greater-than-ten-percent shareholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on a review of the copies of such forms furnished to the Company by its officers and directors, or the Company's actual knowledge of transactions involving such officers and directors, the Company believes that all such filings were filed on a timely basis for fiscal year 2016, other than two late Form 4 filings made by Steven A. Browne on June 20 and October 24, 2016, a late Form 4 filing made by Louis Fornetti on November 21, 2016, and a late Form 4 filing made by Gary Loebig on November 30, 2016.

Item 11. EXECUTIVE COMPENSATION.**SUMMARY COMPENSATION TABLE**

The following table sets forth the cash and non-cash compensation for awarded to or earned by: (i) each individual who served as the principal executive officer and principal financial officer of Table Trac during the year ended December 31, 2016; and (ii) each other individual that served as an executive officer of Table Trac at the conclusion of the year ended December 31, 2016 and who received more than \$100,000 in the form of salary and bonus during such fiscal year. For purposes of this report, these individuals are collectively the “named executives” of the Company.

Name, Principal Position		Salary	<u>Stock Awards</u>	<u>Stock Option Awards</u>	Total
Chad Hoehne, President	2016	\$275,008	\$ 0	\$ 0	\$275,008
	2015	\$234,021	\$ 0	\$ 0	\$234,021
Robert Siqveland, Secretary	2016	103,600	0	0	103,600
	2015	91,050	0	0	91,050
Brian Hinchley, CEO / CFO	2016	200,000	0	0	200,000
	2015	157,664	11,974	0	169,638

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The Company had no stock awards outstanding at December 31, 2016 for any named executives. The Company had no options outstanding at December 31, 2016 for any named executives.

EMPLOYMENT AND CHANGE-IN-CONTROL AGREEMENTS

The Company does not currently have any employment or change-in-control agreements with any named executives or any other current members of our executive management.

As of the date of this Annual Report, Table Trac Inc. does not offer its executive employees any pension, annuity, profit sharing or similar benefit plans other than our insurance plan. Executive compensation is subject to change from time to time concurrent with our requirements and policies as established by the Board of Directors and its

Compensation Committee.

COMPENSATION OF DIRECTORS

Name		Compensation	Stock Awards	Stock Option Awards	Total
Chad Hoehne	2016	\$ 0	\$ 0	\$ 0	\$0
Brian Hinchley ⁽¹⁾	2016	0	0	0	0
Steven Browne ⁽²⁾	2016	10,500	16,500	0	27,000
Louis Fornetti ⁽³⁾	2016	33,300	0	0	33,300
Gary Loebig ⁽⁴⁾	2016	25,800	0	0	25,800

(1) Mr. Hinchley joined the Board of Directors on December 15, 2014.

(2) Mr. Browne joined the Board of Directors on December 16, 2010.

(3) Mr. Fornetti joined the Board of Directors on June 15, 2011.

(4) Mr. Loebig joined the Board of Directors on June 15, 2011.

Company directors are compensated on an annual award approved by the board and reimbursed for their actual expenses incurred in connection with attending board meetings or discharging their duties as directors.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

As of the close of business on March 24, 2017, we had outstanding one class of voting securities—common stock—of which there were 4,511,965 shares issued and outstanding. Each share of common stock is currently entitled to one vote on all matters put to a vote of our shareholders. The following table sets forth the number of common shares, and percentage of outstanding common shares, beneficially owned as of March 24, 2017, by:

each person known by the Company to be the beneficial owner of more than five percent of the Company's outstanding common stock

each current director

each executive officer of the Company and other persons identified as a named executive in Item 11 above, and all current executive officers and directors as a group.

Unless otherwise indicated, the address of each of the following persons is 6101 Baker Road, Suite 206, Minnetonka, Minnesota 55345, and each such person has sole voting and investment power with respect to the shares set forth opposite his, her or its name.

Name and Address	Common Shares Beneficially Owned ⁽¹⁾	Percentage of Common Shares ⁽¹⁾	
Chad Hoehne ⁽²⁾	1,306,100	28.95	%
Robert Siqveland ⁽³⁾	206,500	4.58	%
Brian Hinchley ⁽⁴⁾	35,000	*	
Steve A. Browne, Director ⁽⁵⁾	84,000	1.86	%
Louis Fornetti, Director ⁽⁶⁾	21,500	*	
Gary Loebig, Director ⁽⁷⁾	15,150	*	
All directors and officers as a group ⁽⁸⁾	1,668,250	36.97	%
Zeff Capital, LP ⁽¹⁰⁾ 1601 Broadway, 12th floor New York, NY 10019	365,376	8.10	%

* denotes less than one percent.

(1) Beneficial ownership is determined in accordance with the rules of the SEC, and includes general voting power and/or investment power with respect to securities. Under the applicable SEC rules, each person's beneficial

ownership is calculated by dividing the total number of shares with respect to which they possess beneficial ownership by the total number of outstanding shares of the Company. In any case where an individual has beneficial ownership over securities that are not outstanding, but are issuable upon the exercise of options or warrants or similar rights within the next 60 days, that same number of shares is added to the denominator in the calculation described above. Because the calculation of each person's beneficial ownership set forth in the "Percentage of Common Shares" column of the table may include shares that are not presently outstanding, the sum total of the percentages set forth in such column may exceed 100%.

(2) Mr. Hoehne is the President and a director of the Company.

(3) Mr. Siqveland is the Company's secretary.

(4) Mr. Hinchley is an officer and a director of the Company.

(5) Mr. Browne is a director of the Company.

(6) Mr. Fornetti is a director of the Company.

(7) Mr. Loebig is a director of the Company.

(8) Consists of six persons: Messrs. Hoehne, Siqveland, Hinchley, Browne, Fornetti and Loebig.

(9) Share figures reflected in the table are based on a January 13, 2017 report 13-G filing by Zeff Capital, LP Management LLC, which is the Company's most recent and best available information relating to Zeff Capital's ownership of Company common stock. Based on the referenced communication, voting and dispositive power with respect to these shares is exercised by Zeff Capital, LP.

Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

None.

DIRECTOR INDEPENDENCE

The Company does not have a standing nominating committee. Instead, the entire Board of Directors shares the responsibility of identifying potential director-nominees to serve on the Board of Directors.

The Board of Directors does have a standing Compensation Committee and Audit Committee. The Compensation Committee is composed of Messrs. Browne, Fornetti and Loebig (with Mr. Loebig serving as chairperson). The Audit Committee is composed of Messrs. Fornetti, Browne and Loebig (with Mr. Fornetti serving as chairperson). The Board of Directors has determined that Messrs. Browne, Fornetti and Loebig are “independent,” as such term is defined in Section 5605(a)(2) of the Nasdaq Listing Rules, and meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Exchange Act. The preceding disclosure respecting director independence is required under applicable SEC rules. However, as a corporation whose shares are listed for trading on the OTCQB, the Company is not required to have any independent directors at all on its Board of Directors, or any independent directors serving on any particular committees of the Board of Directors.

Item 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm, during 2016 and 2015, Boulay PLLP, billed for the following services:

	2016	2015
Audit fees, including quarterly review of Form 10-Q	\$44,790	\$41,500
Tax fees	6,200	6,000
Audit-related fees (1)	27,270	8,560
	\$78,260	\$56,060

The audit fees consisted of fees for the annual audit of the Company's financial statements and the reviews of financial statements in quarterly reports on Form 10-Q.

- (1) Audit-related fees were billed for other financial, tax and operational related consulting.

Our board of directors evaluates the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services. All services provided by the independent auditors during 2016 and 2015 have been approved by the Audit Committee or Board of Directors.

PART IV

Item 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

FINANCIAL STATEMENTS

Included herein at Part II, Item 8, are the Financial Statements and the Report of the Independent Registered Public Accounting Firm.

EXHIBITS

Exhibit No.	Description
3.1	Articles of Incorporation, filed with the Nevada Secretary of State on June 2, 1995 (incorporated by reference to Exhibit 3 to the registrant's registration statement on Form 10SB-12G filed on December 6, 1999).
3.2	Amendment to Articles of Incorporation, filed with the Nevada Secretary of State on January 26, 2013 (incorporated by reference to Exhibit 3.2 to the registrant's annual report on Form 10-K filed on March 31, 2011).
3.3	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.3 to the registrant's annual report on Form 10-K filed on March 31, 2011).
3.4	Amendment No. 1 to Bylaws dated March 9, 2016 (incorporated by reference to Exhibit 3.1 to the registrant's current report on Form 8-K filed on March 15, 2016).
31	Certification pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (<i>filed herewith</i>).
32	Certification pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (<i>filed herewith</i>).
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: March 29, 2017

TABLE TRAC, INC.

/s/ Brian Hinchley
Brian Hinchley, Chief Executive Officer, Chief Financial Officer (principal executive and principal financial officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

DIRECTORS:

/s/ Steve Browne
Steve Browne, Director

/s/ Louis Fornetti
Louis Fornetti, Director

/s/ Gary Loebig
Gary Loebig, Director

/s/ Chad B. Hoehne
Chad B. Hoehne, Director