

TABLE TRAC INC  
Form 10-K  
March 28, 2019

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, 2018

Commission File No. 001-32987

TABLE TRAC, INC.

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction of Incorporation or Organization)

**88-0336568**

(IRS Employer Identification No.)

**6101 Baker Road, Suite 206, Minnetonka, Minnesota**

(Address of principal executive office)

**55345**

(Zip Code)

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

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

**None**

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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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the registrant's common stock held by non-affiliates as of June 30, 2018 was approximately \$5.2 million based on the closing sales price of the registrant's common stock on that date (\$1.75 per share). As of [March 28, 2019], the registrant had outstanding [4,528,668] shares of common stock, \$.001 par value per share.

**DOCUMENTS INCORPORATED IN PART BY REFERENCE**

None.

Table Trac, Inc.

Table of Contents

	Page
<b><u>PART I.</u></b>	
<u>Item 1. Business</u>	1
<u>Item 1A. Risk Factors</u>	3
<u>Item 1B. Unresolved Staff Comments</u>	8
<u>Item 2. Properties</u>	8
<u>Item 3. Legal Proceedings</u>	8
<u>Item 4. Mine Safety Disclosures</u>	8
<b><u>PART II.</u></b>	
<u>Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	9
<u>Item 6. Selected Financial Data</u>	9
<u>Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operation</u>	10
<u>Item 7A. Quantitative and Qualitative Disclosures About Market Risk</u>	14
<u>Item 8. Financial Statements</u>	15
<u>Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	30
<u>Item 9A. Controls and Procedures</u>	30
<u>Item 9B. Other Information</u>	30
<b><u>PART III.</u></b>	
<u>Item 10. Directors, Officers and Corporate Governance</u>	31
<u>Item 11. Executive Compensation</u>	34
<u>Item 12. Security Ownership of Certain Beneficial Owners and Management</u>	35
<u>Item 13. Certain Relationships and Related Transactions and Director Independence</u>	37
<u>Item 14. Principal Accountant Fees and Services</u>	37
<b><u>PART IV.</u></b>	
<u>Item 15. Exhibits and Financial Statement Schedules</u>	38
<b><u>Signatures</u></b>	39
<b><u>Certifications</u></b>	40

## **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’s corporate website address is [www.TabletTrac.com](http://www.TabletTrac.com).

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 93 casino operators in over 140 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.

In May of this year the Company received Patent Pending status on its April 2017 application 15/946,227 “SYSTEMS AND METHODS OF FACILITATING INTERACTIONS BETWEEN AN ELECTRONIC GAMING MACHINE, GAME PLAYER, AND A CONTROL SYSTEM”. In addition, the Company renewed its Trademark claim for “Table Trac” which was granted July 31, 2018 Reg. No. 5,529,779 and made a new Trademark claim on its “CasinoTrac” brand which is pending.

## **EMPLOYEES**

As of December 31, 2018, the Company had 24 full-time equivalents with an employee headcount of 24.

## **GOVERNMENT REGULATIONS**

The gaming and lottery industries are generally subject to extensive and evolving regulation that customarily includes some form of licensing or regulatory screening of suppliers, manufacturers and distributors and their applicable affiliates, their major shareholders, officers, directors and key employees. In addition, certain of our gaming products and technologies must be certified or approved in certain jurisdictions in which we operate. Regulators review many facets of an applicant or holder of a license, including its financial stability, integrity and business experience. Any failure to receive a license or the loss of a license that we currently hold could have a material adverse effect on us or on our results of operations, cash flow or financial condition.

While we believe that we are in compliance with all material gaming and lottery laws and regulatory requirements applicable to us, we cannot assure that our activities or the activities of our customers will not become the subject of any regulatory or law enforcement proceeding or that any such proceeding would not have a material adverse impact on us or our results of operations, cash flow or financial condition.

## RECENT DEVELOPMENTS

The Company signed nine new customer contracts in 2018 and expanded the Company's presence in Minnesota, Maryland, Oklahoma, Iowa, Nevada and Jamaica. At the end of 2018, the Company had casino management systems, table games management systems and ancillary products installed with on-going support and maintenance contracts with 93 casino operators in over 140 casinos worldwide.

At the Company's annual shareholder meeting in October 2018, the Company's shareholders elected Thomas Mertens and William Martinez as its independent board members; along with one of the Company's current officers, Chad Hoehne, Table Trac's, President, Chief Technical Officer and founder, and now its Chief Executive Officer. The board elected Mr. Hoehne as Chairman of the Board, while Mr. Mertens was elected to serve as chairman of the audit and compensation committees. Mr. Martinez was elected to serve as chairman of the compliance committee.

On January 8, 2018, the Board of Directors appointed Randy W. Gilbert as the Company's Chief Financial Officer. On October 19, 2018, the Nevada Gaming Commission unanimously approved Randy Gilbert's application for licensure as a key employee. The Company originally received its licensure with the State of Nevada on August 25, 2016.

During 2018, 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 Oklahoma Indian Gaming Association Trade Show and Conference, and Global Gaming Expo (G2E), the industry's premier event. The Company also holds 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. 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 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 Executive Officer, President and Chief Technology Officer. If Mr. Hoehne should no longer serve the Company in his present capacities 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.

***Any disruption in our software and related information technology systems due to a cyber incident could adversely affect our business and operating results.***

We rely on our software and related information technology systems to operate our business. We are also exposed to the risk of cyber incidents in the ordinary course of business. Cyber incidents may be deliberate attacks for the theft of intellectual property or other sensitive information or may be the result of unintentional actions or events. We have information technology security initiatives and recovery plans in place to mitigate our risk to these vulnerabilities, but these measures may not be adequate, or implemented properly, or executed timely to ensure that our operations are not disrupted. Potential risks associated with a material cyber incident include loss of intellectual property, impairment of our ability to conduct our operations, disruption of our customers' operations, damage to our reputation, litigation, and increased cyber security protection and remediation costs. Such consequences could adversely affect our business, results of operations or financial condition.

**Item 1B. Unresolved Staff Comments.**

Not applicable.

**Item 2. Properties.**

The Company has a lease on corporate office space in Minnetonka, Minnesota which expires on June 30, 2021, and includes over 4,400 square feet of office and warehouse space. The monthly rent payment is approximately \$3,870 with periodic escalators to approximately \$4,090 per month, excluding operating expenses.

Additionally, the Company has a lease on additional office space in Oklahoma City, Oklahoma which expires on August 31, 2020. The monthly rent payment is approximately \$1,300 excluding operating expenses.

The Company believes these spaces are 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. Any quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission, and may not represent actual transactions.

	2018		2017	
Quarter Ended	High	Low	High	Low
March 31	\$2.60	\$1.75	\$1.81	\$1.20
June 30	\$2.45	\$1.50	\$1.83	\$0.51
September 30	\$3.00	\$1.70	\$2.41	\$1.45
December 31	\$3.40	\$1.90	\$2.55	\$1.71

**Holders:** As of March 29, 2019, the Company had outstanding 4,528,688 shares of common stock held by approximately 64 holders of record.

**Unregistered Sales of Securities:** In December 2018, the Company awarded a total of 9,000 Restricted Stock Units to its two new directors and two employees. These units are subject to a one year vesting period. The shares were issued pursuant to the exemption set forth in Section 4(a)(2) of the Securities Act on the basis that the shares were issued in a transaction not involving any public offering.

**Dividends:** No dividends were declared or paid in 2018 or 2017, and the Company does not expect to pay dividends in the near future.

**Repurchase of Common stock:** The Company made the following repurchases of registered common stock during the fiscal year covered by this report:

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Period	Total Number of Shares Purchased	Average Price Paid per Share	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
Jan-18	26,000	\$ 2.50	174,000
Feb-18	0		174,000
Mar-18	12,500	\$ 2.22	161,500
Apr-18	5,000	\$ 2.10	195,000
May-18	0	\$ —	195,000
Jun-18	5,000	\$ 1.80	190,000
Jul-18	0	\$ —	190,000
Aug-18	0	\$ —	190,000
Sep-18	0	\$ —	190,000
Oct-18	0	\$ —	190,000
Nov-18	0	\$ —	190,000
Dec-18	0	\$ —	190,000

On January 7, 2018, The Company's Board of Directors approved the repurchase of its outstanding shares, using management's discretion, of its common stock from private unsolicited sellers' in the open market. On May 10, 2018, the Company's Board of Directors approved the repurchase of its outstanding common shares in an aggregate amount of up to 200,000 shares not to exceed \$600,000, in both private unsolicited and open-market transactions, until December 31, 2019. Company insiders are prohibited from participating in the stock repurchase program.

**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**

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 from the date of this filing. 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.

The Company's cash position at December 31, 2018 was \$1,290,797, a decrease of \$31,946 from \$1,322,743 at December 31, 2017. Net cash flows provided by operating activities during the year ended December 31, 2018 were \$138,789 compared to \$1,315,055 for the same period in 2017. This change of \$1,176,266 was primarily due to more impact sales (revenue recognized immediately) rather than deferred sales, as such there has been a large reduction in contract liabilities as deferred revenue is being recognized. This change resulted in a decrease in contract liabilities of \$1,306,496 in 2018 compared to an increase of \$555,899 in 2017. This was offset by a decrease in the accounts receivable balance of \$546,167 compared to a decrease of \$471,201 in 2017 as fewer contracts were financed, and the company has increased its efforts in collections. Additionally, accounts payable decreased \$283,000 from December 31, 2017 to 2018 primarily due to the timing of payments. Finally, the Company utilized its improved cash position to obtain favorable product pricing which resulted in an increase in inventory of \$295,958 compared to a decrease of \$377,026 in 2017.

Net cash used in investing activities was \$50,716 during the year ended December 31, 2018, compared to \$37,375 for the same period in 2017. This change of \$13,341 was due primarily to the purchase of an additional company vehicle during 2018.



Net cash used in financing activities was \$120,019 during the year ended December 31, 2018, compared to \$57,625 for the same period in 2017. This change of \$62,394 was caused primarily by the company repurchasing \$112,000 of its stock as part of the approved stock buyback program, see Note 5. This amount was offset by a \$50,000 decrease in debt payments during 2018 as compared to 2017.

On December 31, 2018, total stockholders' equity was \$3,798,736 compared to \$3,347,476 in 2017, an increase of \$451,261 or 13%, which was primarily due to the 2018 net income from operations.

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, therefore it is not necessary for the company to hold significant inventory.

## **RESULTS OF OPERATIONS, YEAR ENDED DECEMBER 31, 2018 COMPARED TO YEAR ENDED DECEMBER 31, 2017**

The most significant events that affected the 2018 results of operations were the Company's (1) installation of twelve casino management systems at nine operating entities; (2) and the expansion into the Nevada and Oklahoma markets.

During 2018, the Company delivered product with a value of approximately \$4,000,000 on new contracts at the respective contract dates. Approximately \$350,000 of the revenue for these system sales 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, are expected to add approximately \$7,400 each month to the existing recurring revenue.

A breakout of revenue by type is as follows:

	For the years ended December 31,			
	2018	2017	2018	2017
			(percent of revenues)	
System sales	\$4,953,871	\$3,926,420	63.4 %	61.5 %
Maintenance fees	2,635,122	2,269,840	33.7 %	35.6 %
Other sales	229,704	184,107	2.9 %	3.0 %
Total revenues	\$7,818,697	\$6,380,367	100.0%	100.0%

Total revenues increased \$1,438,330, a 22.5% increase, due to more installations being recognized immediately rather than deferred in 2018 as compared to 2017. System sales increased \$1,027,451, a 26.2% increase, due to immediate revenue recognition rather than deferring on more systems that were installed in 2018 compared to 2017. Maintenance revenue increased \$365,282, a 16.1% increase, due to our high customer retention rate along with new accounts added during 2018. Other sale, which includes promotional kiosk software sales and rental sales increased \$45,597, a 24.8% increase, due to higher sales of third party products.

During 2018, the Company delivered twelve systems domestically and in the Caribbean. Some of the revenue for the installations was deferred, and will be recognized in future periods, since a substantial amount of the sale is not due within 12 months. During 2017, the Company delivered thirteen systems.

Cost of sales increased to \$2,500,407 in 2018 from \$1,948,175 in 2017. The increase of \$552,232 was primarily due a larger percentage of sales being recognized immediately compared to deferred in 2018 compared to 2017.

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

	For the years ended December 31,			
	2018	2017	2018	2017
			(percent of revenues)	
System sales	\$2,281,997	\$1,768,740	29.2 %	27.7 %
License and maintenance fees	112,597	96,500	1.4 %	1.5 %
Other sales	105,813	82,935	1.4 %	1.3 %
Total cost of sales	\$2,500,407	\$1,948,175	32.0 %	30.5 %
Gross profit	\$5,318,290	\$4,432,192	68.0 %	69.5 %

The gross profit in 2018 was \$5,318,290 or 68% of sales compared with \$4,432,192 or 69.5% of sales in 2017.

Customer deposits – short-term increased to \$334,784 in 2018 from \$18,168 in 2017. The balance represents three down payments received for system installations on order at year-end which are expected to be installed during 2019 and the balance of annual payments of maintenance compared to only the balance of annual payments of maintenance at the end of 2017. These balances will be recognized as revenue when the system installations are completed or as invoices are due.

Contract liabilities – long-term decreased to \$1,690,660 in 2018 from \$3,313,772 in 2017. 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 \$1,623,112 in 2018 reflects the fact that more sales in 2018 were recognized at a point in time, compared to deferred sales. Additionally multiple contracts that were signed and installed during previous years were completed during 2018.

Total operating expenses increased to \$4,611,097 in 2018 from \$4,107,117 in 2017. This 12.3% increase of \$503,980 was primarily due to the increase in the number of employees and marketing and sales efforts in 2018 compared to 2017.

The income tax expense was \$253,000 in 2018, for an effective rate of 32.9%, compared to an income tax benefit of \$166,000 for an effective rate of (39.8)% in 2017. The change in rates is primarily due to the Tax Reform and Job Acts of 2017 and the Company continually achieving net income.

The net income for 2018 was \$514,965 compared to net income of \$583,051 for 2017, which is a decrease of \$68,086.

The basic and diluted earnings per share in 2018 were \$0.12 and \$0.11, respectively, compared to basic and diluted earnings per share of \$0.13 in 2017.

## **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, and services, and rental agreements.

#### *System Sales*

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. We enter into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of any taxes collected, when applicable from customers, which are subsequently remitted to governmental authorities.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is a unit of account in ASC 606. A majority of the Company's systems sales have multiple performance obligations including an obligation to deliver a casino management system and another to provide maintenance services. For system sales with multiple performance obligations, the Company allocates revenue to each performance obligation on its standalone selling price (SSP). The Company generally determines the SSP based on the price charged to customers. The Company does offer its customers contracts with extended payment terms representing a significant financing component. The Company must evaluate if any extended payment terms in the contract is an indicator of the transaction price not being probable. The Company only includes the amount for which it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. Provided all other revenue recognition steps have been satisfied, the Company recognizes the revenue if payment of a significant portion (67%) of the contract consideration is due within 12 months of the delivery of the product. System contracts that do not meet this criteria are deferred and recognized when the uncertainty is resolved, which is consistent with when contractual payments become due. The Company also analyzes its standard business practice of using long-term contracts and the history of collecting on extended payment term contracts which include a financing component which is usually a market interest rate. The associated interest income is reflected accordingly on the statement of operations without making concessions for determining if revenue should be recognized.

#### *Maintenance revenue*

Maintenance revenue is recognized ratably over the contract period. The stand-alone selling price 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 stand-alone selling price for service revenue is established based upon 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.

See also *Note 1*.

Deferred System Sales Costs

Incremental cost to obtain and fulfil a contract are deferred and amortized over the related system contract term. 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. These costs are the most significant component of other long-term assets on the balance sheet, and are \$528,401 and \$967,092 as of December 31, 2018 and December 31, 2017, respectively.

Accounts Receivable / Allowance for Doubtful Accounts

Accounts receivable are initially recorded at the invoiced amount and carried on the balance sheet 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.

Inventory

Inventory, consisting of finished goods, is stated at the lower of cost or net realizable value. 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 net realizable value 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, 2018 and 2017.

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.

**Opinion on the Financial Statements**

We have audited the accompanying balance sheets of Table Trac, Inc. (the Company) as of December 31, 2018 and 2017, and the related statements of operations, stockholders' equity, and cash flows for each of the years then ended, and the related notes to the financial statements (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Change in Accounting Principle**

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for revenue in 2018 due to the adoption of FASB Accounting Standards Codification (Topic 606), *Revenue from Contracts with Customers*.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material

misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Boulay PLLP

We have served as the Company's auditor since 2015.

Minneapolis, Minnesota

March 28, 2019

**TABLE TRAC, INC.****BALANCE SHEETS**

	December 31, 2018	December 31, 2017
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$1,290,797	\$1,322,743
Accounts receivable, net of allowance for doubtful accounts of \$165,840 at December 31, 2018 and \$181,473 at December 31, 2017	2,866,474	3,053,280
Inventory	762,165	466,207
Prepaid expenses and other current assets	291,837	464,385
<b>TOTAL CURRENT ASSETS</b>	<b>5,211,273</b>	<b>5,306,615</b>
<b>LONG-TERM ASSETS</b>		
Property and equipment, net	86,656	71,786
Contract and other long-term assets	528,401	967,092
Long-term accounts receivable – financed contracts	1,030,354	1,515,120
<b>TOTAL LONG-TERM ASSETS</b>	<b>1,645,411</b>	<b>2,553,998</b>
<b>TOTAL ASSETS</b>	<b>\$6,856,684</b>	<b>\$7,860,613</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$387,868	\$572,485
Payroll liabilities	34,388	30,085
Notes payable	2,221	0
Customer deposits	334,784	18,168
Income tax payable	53,027	62,627
<b>TOTAL CURRENT LIABILITIES</b>	<b>812,288</b>	<b>683,365</b>
<b>LONG-TERM LIABILITIES</b>		
Contract liabilities	1,690,660	3,313,772
Deferred tax liability	555,000	516,000
<b>TOTAL LIABILITIES</b>	<b>3,057,948</b>	<b>4,513,137</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$0.001 par value; 25,000,000 shares authorized: 4,656,734 shares issued, 4,528,669 and 4,511,965 shares outstanding at December 31, 2018 and December 31, 2017, respectively	4,529	4,512
Additional paid-in capital	1,795,955	1,809,511
Retained earnings	2,194,778	1,679,813
	3,995,262	3,493,836
Treasury stock, 128,065 and 144,769 shares (at cost) at December 31, 2018 and December 31, 2017, respectively	(196,526 )	(146,360 )

TOTAL STOCKHOLDERS' EQUITY	3,798,736	3,347,476
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$6,856,684	\$7,860,613

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

**TABLE TRAC, INC.****STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,	
	2018	2017
Revenues	\$7,818,697	\$6,380,367
Cost of sales	2,500,407	1,948,175
Gross profit	5,318,290	4,432,192
Operating expenses:		
Selling, general and administrative	4,611,097	4,107,117
Income from operations	707,193	325,075
Loss on currency exchange	(9,675 )	(10,912 )
Interest income	70,447	102,888
Income before taxes	767,965	417,051
Income tax expense (benefit)	253,000	(166,000 )
Net Income	\$514,965	\$583,051
Net income per share - basic	\$0.12	\$0.13
Net income per share - diluted	\$0.11	\$0.13
Weighted-average shares outstanding - basic	4,473,591	4,511,965
Weighted-average shares outstanding - diluted	4,490,795	4,511,965

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

**TABLE TRAC, INC.****STATEMENTS OF STOCKHOLDERS' EQUITY**

	Common Stock Outstanding Number of Shares	Par Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Total
BALANCE, DECEMBER 31, 2016	4,511,965	\$4,512	\$1,809,511	\$1,096,762	\$(146,360)	\$2,764,425
Net income	0	0	0	583,051	0	583,051
BALANCE, DECEMBER 31, 2017	4,511,965	\$4,512	\$1,809,511	\$1,679,813	\$(146,360)	\$3,347,476
Stock compensation expense	0	0	34,438	0	0	34,438
Stock issued for service to non-employee	0	0	14,097	0	0	14,097
Shares repurchased into treasury	(48,500 )	(48 )	0	0	(112,192)	(112,240 )
Common stock issued to non-employee and employees and board members from treasury	65,204	65	(62,091 )	0	62,026	0
Net income	0	0	0	514,965	0	514,965
BALANCE, DECEMBER 31, 2018	4,528,669	\$4,529	\$1,795,955	\$2,194,778	\$(196,526)	\$3,798,736

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

**TABLE TRAC, INC.****STATEMENTS OF CASH FLOWS**

	<b>For the Years Ended December 31,</b>	
	<b>2018</b>	<b>2017</b>
<b>OPERATING ACTIVITIES</b>		
Net Income	\$514,965	\$583,051
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	45,845	33,222
Deferred income taxes	39,000	(244,000 )
Bad debt expense	125,405	131,454
Gain on sale of asset	0	(1,500 )
Stock issued for services to non-employee	14,097	0
Stock compensation expense	34,438	0
Changes in operating assets and liabilities:		
Accounts receivable	546,167	(471,201 )
Inventory	(295,958 )	377,026
Prepaid expenses and other assets	611,239	11,186
Accounts payable and accrued expenses	(184,617 )	99,149
Payroll liabilities	4,303	2,285
Contract liabilities and customer deposits	(1,306,496)	555,899
Income taxes receivable (payable)	(9,600 )	238,483
Net cash provided by operating activities	138,788	1,315,054
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(50,715 )	(38,875 )
Proceeds from sale of asset	0	1,500
Net cash used in investing activities	(50,715 )	(37,375 )
<b>FINANCING ACTIVITIES</b>		
Payments on note payable	(7,779 )	(57,625 )
Repurchase of common stock	(112,240 )	0
Net cash used in financing activities	(120,019 )	(57,625 )
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(31,946 )</b>	<b>1,220,054</b>
<b>CASH</b>		
Beginning of period	1,322,743	102,689
End of Period	\$1,290,797	\$1,322,743
<b>Non-cash investing and financing activities:</b>		
Treasury stock cost related to compensation	\$62,026	\$0
Capital expenditure financed with note payable	\$10,000	\$32,435

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



**TABLE TRAC INC.**

**Notes to Financial Statements**

**December 31, 2018 and 2017**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Company

Table Trac was formed under the laws of the State of Nevada in June 1995. The Company has offices in Minnetonka, Minnesota and Oklahoma City, Oklahoma. The Company has developed and sells an information and management system that automates and monitors various aspects of the operations of casinos.

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 (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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. The Company uses of estimates and assumptions include: for revenue recognition, determining the nature and timing of satisfaction of performance obligations, and determining the standalone selling price (“SSP”) of performance obligations, variable consideration, and other obligations, realizability of accounts receivable, the valuation of deferred tax assets and liabilities, deferred revenue and costs, and the valuation of inventory. 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*

For the year ended December 30, 2018, two customers comprised approximately 38% of revenue compared to two customers who accounted for approximately 23% for the year ended December 31, 2017. At December 31, 2018, three customers comprised approximately 46% of accounts receivable compared to one customers accounting for approximately 13% at December 31, 2017. The following table summarizes major customer's information for the years ended December 31, 2018 and 2017:

	For the Years ended December 31			
	2018		2017	
	% Revenues	% AR	% Revenues	% AR
Major	37.7 %	45.6 %	23.2 %	12.9 %
All Others	62.3 %	54.4 %	76.8 %	87.1 %
Total	100.0%	100.0%	100.0%	100.0%

A major customer is defined any customer that represents at least 10% of revenue or outstanding account receivable for a given period.

## Revenue Recognition

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

### *System Sales*

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration the Company expects to receive in exchange for those products or services. the Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of any taxes collected, when applicable from customers, which are subsequently remitted to governmental authorities.

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is a unit of account in ASC 606, *Revenue From Contracts With Customers*. A majority of the Company's systems sales have multiple performance obligations including an obligation to deliver a casino management system and another to provide maintenance services. For system sales with multiple performance obligations, the Company allocates revenue to each performance obligation on its SSP. The Company generally determines the SSP based on the price charged to customers. The Company does offer its customers contracts with extended payment terms representing a significant financing component. The Company must evaluate if any extended payment terms in the contract is an indicator of the transaction price not being probable. The Company only includes the amount for which it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. Provided all other revenue recognition steps have been satisfied, the Company recognizes the revenue if payment of a significant portion (67%) of the contract consideration is due within 12 months of the delivery of the product. System contracts that do not meet this criteria are deferred and recognized when the uncertainty is resolved, which is consistent with when contractual payments become due. The Company also analyzes its standard business practice of using long-term contracts and the history of collecting on extended payment term contracts which include a financing component which is usually a market interest rate. The associated interest income is reflected accordingly on the statement of operations without making concessions for determining if revenue should be recognized.

### *Maintenance revenue*

Maintenance revenue is recognized ratably over the contract period. The stand-alone selling price 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 stand-alone selling price for service revenue is established based upon 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.

The following table summarizes disaggregated revenues by major product line for the years ended December 31, 2018 and 2017, respectively:

	For the years ended December 31,			
	2018	2017	2018	2017
			(percent of revenues)	
System sales	\$4,953,871	\$3,926,420	63.4 %	61.5 %
Maintenance fees	2,635,122	2,269,840	33.7 %	35.6 %
Other sales	229,704	184,107	2.9 %	3.0 %
Total revenues	\$7,818,697	\$6,380,367	100.0%	100.0%

### *Significant Judgments*

Contracts with customers typically contain promises to transfer multiple products and services to a customer. Judgment is required to determine whether each product and/or service is considered to be a distinct performance obligation that should be accounted for separately under the contract. The Company allocates the transaction price to the distinct performance obligations based on relative standalone selling price (“SSP”). The Company estimates SSP by maximizing use of observable prices such as the prices charged to customers on a standalone basis, established prices lists, contractually stated prices, profit margins and other entity-specific factors, or by using information such as market conditions and other observable inputs.

Determining whether systems and services are distinct performance obligations that should be accounted for separately, or not distinct and thus accounted for together, requires significant judgment. In most arrangements the Company’s systems and certain services are distinct from each other and therefore the Company has concluded that these promised goods and services are separate performance obligations.

The Company is required to estimate the total consideration expected to be received from contracts with customers. In limited circumstances, the consideration expected to be received is variable based on the specific terms of the contract or based on the Company’s expectations of the term of the contract. Generally, the Company has not experienced significant returns from or refunds to customers as the Company has a policy to not accept returns other than for defective product. Management has determined that change in these estimates will not have a significant effect on its results of operations during the periods involved.

We evaluated the contractual payment terms of all system sales generated during the year to determine the proper recognition or deferral of revenue was recorded. We believe the 12 month subsequent collection threshold of 67% or greater is the most appropriate for the Company to constrain revenue.

We evaluate the interest rates used in customer contracts with extended payment terms, representing a significant financing component. These rates range from approximately 1% to 6% and we believe those to be appropriate market interest rates for the financing component.

### 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 2018 and 2017, 92% and 95% of the Company’s revenues were from the United States, 4% and 1% from the Caribbean, 2% and 1% from Central America, and 2% and 3% from South America,

respectively.

As of December 31, 2018 and 2017, 89% and 82% of the Company's accounts receivable were from the United States, 5% and <1% from the Caribbean, 4% and 6% from Central America, and 2% and 12% from South America, respectively.

#### Deferred System Sales Costs

Incremental cost to obtain and fulfil a contract are deferred and amortized over the related system contract term. 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. These costs are the most significant component included in other long-term assets on the balance sheet, and are \$528,401 and \$967,092 as of December 31, 2018 and 2017, respectively.

#### Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses and debt. 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, 2018 or 2017.

#### Accounts Receivable / Allowance for Doubtful Accounts

Accounts receivable are initially recorded at the invoiced amount and carried on the balance sheet 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.

### Inventory

Inventory, consisting of finished goods, is stated at the lower of cost or net realizable value. The average cost method (which approximates the first in, first out method) is used to value inventory. Inventory is reviewed annually for the lower of cost or net realizable value and obsolescence. Any material cost found to be above market value or considered obsolete is written down accordingly. The total inventory value was \$762,165 and \$466,207 as of December 31, 2018 and 2017, respectively, which included work-in-process of \$50,824 and \$0 as of December 31, 2018 and 2017, respectively, and the remaining amount is comprised of finished goods. The Company had no obsolescence reserve at December 31, 2018 and 2017. At December 31, 2018 the Company recorded a prepayment for inventory yet to be received of approximately \$124,000 as a component of prepaid expenses and other current assets.

### 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. At December 31, 2018, the Company recorded an income tax payable of approximately \$53,000.

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, 2018 and 2017. 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 2015.

### Research and Development

Expenditures for research and product development costs are expensed as incurred. Research and development expenses were \$118,765 and \$46,686 for the years ended December 31, 2018 and 2017, 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, directors and non-employees. 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 subject to vesting requirements and the corresponding compensation is recorded ratably over the vesting terms.

### 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 restricted stock shares subject to vesting. The number of additional shares is calculated by assuming that outstanding stock options 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. Restrictive stock shares are included in dilutive shares as of the

beginning of the period in which the vesting conditions are satisfied. (See Note 7).

#### Recently Adopted Accounting Pronouncements

In May 2014, the FASB issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

We adopted the standard effective January 1, 2018, using the modified retrospective method, which did not require us to restate each prior reporting period presented. We elected the available practical expedients and implemented internal controls and key system functionality to enable the preparation of financial information on adoption.

In August 2018, the SEC adopted the final rule under SEC Release No. 33-10532, Disclosure Update and Simplification, amending certain disclosure requirements that were redundant, duplicative, overlapping, outdated or superseded. In addition, the amendments expanded the disclosure requirements on the analysis of stockholders' equity for interim financial statements. Under the amendments, an analysis of changes in each caption of stockholders' equity presented in the balance sheet must be provided in a note or separate statement. The analysis should present a reconciliation of the beginning balance to the ending balance of each period for which a statement of operations is required to be filed. The Company anticipates its first presentation of changes in stockholders' equity will be included in its Form 10-Q for the quarter ended March 31, 2019.

Recently Issued Accounting Pronouncements

In February 2016, the FASB issued 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 the Company beginning in 2019. The Company evaluated the impact that the adoption of this guidance will have on the Company's financial statements and anticipates the new guidance will result in the recognition of right of use assets and lease liabilities on the Company's balance sheet primarily as a result of operating leases not recognized on the balance sheet.

**NOTE 2. ACCOUNTS RECEIVABLE**

	December 31, 2018	December 31, 2017
Accounts receivable under normal 30 day terms	\$2,165,820	\$1,493,084
Financed contracts:		
Current portion of long-term	866,494	1,741,669
Long-term, net of current portion	1,030,354	1,515,120
Total accounts receivable	4,062,668	4,749,873
Less allowance for doubtful accounts	(165,840 )	(181,473 )
Accounts receivable, net	\$3,896,828	\$4,568,400
Presented on the balance sheet as:		
Accounts receivable, net	\$2,866,474	\$3,053,280
Long-term accounts receivable - financed contracts	1,030,354	1,515,120

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, 2018 and 2017 is \$1,896,848 and \$3,256,789, respectively, with an offset to contract liabilities on the balance sheet of \$1,690,660 and \$3,313,772 at December 31, 2018 and 2017, respectively.

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

	December 31, 2018	December 31, 2017
Accounts receivable allowance, beginning of year	\$ 181,473	\$ 200,266
Provision adjustment	125,405	131,454
Write-off	(141,038)	(150,247)
Accounts receivable allowance, end of year	\$ 165,840	\$ 181,473

The allowance for doubtful accounts as of December 31, 2018 is \$104,040 for the trade receivables and \$61,800 for financed contracts. The allowance for doubtful accounts as of December 31, 2017 is \$181,473 for the trade receivables and \$0 for financed contracts.

### NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at:

	December 31, 2018	December 31, 2017
Office equipment	\$49,294	\$49,294
Vehicles	176,020	115,305
Total	225,314	164,599
Less: accumulated depreciation	(138,658)	(92,813 )
Property and equipment, net	\$86,656	\$71,786

Depreciation expense totaled \$45,845 and \$33,222 for the years ended December 31, 2018 and 2017, respectively.

### NOTE 4. OPERATING LEASES

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

Additionally, the company entered into a two year lease on an office in Oklahoma City, Oklahoma, which began in September 2018. The rent is \$1,300 per month excluding operating expenses. Future minimum lease payments are as follows:

2019	61,700
2020	57,436
2021	28,632
Total	\$147,768

Rent expense was \$52,583 and \$46,932 for the years ended December 31, 2018 and 2017, respectively.

### NOTE 5. STOCKHOLDERS' EQUITY

### Common Stock

As of December 31, 2018 and 2017, the Company holds 128,065 and 144,769 common stock shares in treasury at a total cost of \$196,526 and \$146,360 respectively for future employee and professional service providers issuances under the bonus program which was part of both 2018 and 2014 repurchase of shares.

### Stock Repurchase Program

On January 7, 2018, the Company's Board of Directors approved the repurchase of its outstanding shares, using management's discretion, of its common stock from private unsolicited sellers' in the open market. On May 10, 2018, the Company's Board of Directors approved the repurchase of its outstanding common shares in an aggregate amount of up to 200,000 shares not to exceed \$600,000, in both private unsolicited and open –market transactions, until December 31, 2019. Company insiders are prohibited from participating in the stock repurchase program.

The Company repurchased 48,500 shares totaling approximately \$112,000 at an average price of \$2.31 per share for its treasury during 2018.

Stock Compensation

On January 8, 2018, the Board of Directors of Table Trac Inc. appointed Randy Gilbert as the Company's Chief Financial Officer and awarded him 50,000 Restricted Stock shares. These shares are subject to a four year vesting schedule as follows: 20,000 shares in year one; 10,000 shares in each subsequent year. Grant date fair value of \$117,500 will be recognized equally over the vesting period as stock compensation expense as a component of selling, general and administration expense.

Additionally, on December 12, 2018, the Board of Directors of Table Trac Inc. approved a resolution which awarded 9,000 Restricted Stock shares to employees and the new Board of Directors. These shares are subject to a one year vesting period.

During 2018, the Company awarded approximately 6,000 shares approximating \$14,000 to a non-employee in exchange for services.

The unvested stock compensation expense is expected to be recognized over a weighted average period of approximately two years. As of December 31, 2018, the remaining unrecognized stock compensation expense approximated \$103,000.

The Company has no stock options outstanding as of December 31, 2018 and 2017.

The Company has 59,000 shares of restricted stock outstanding as of December 31, 2018, 20,000 of which vested on January 8, 2019. There were no restricted shares outstanding at December 31, 2017.



**NOTE 6. INCOME TAXES**

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

	2018	2017
Current tax expense	\$214,000	\$78,000
Deferred tax (benefit)	39,000	(244,000)
Total income tax expense (benefit)	\$253,000	\$(166,000)

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

	2018			2017		
	Amount	Percent		Amount	Percent	
Expected federal tax	\$161,300	21.0 %		\$141,800	34.0 %	
Permanent differences	9,100	1.2 %		14,500	3.5 %	
State income tax, net of federal tax benefit	30,900	4.0 %		11,300	2.7 %	
Foreign tax credit	(3,100 )	(0.4 )%		0	0.0 %	
Other	54,800	7.1 %		(12,600 )	(3.0 )%	
Tax law change	0	0.0 %		(321,000)	(77.0 )%	
Total	\$253,000	32.9 %		\$(166,000)	(39.8 )%	

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

	2018	2017
Current deferred tax asset (liabilities):		
Accounts payable and accrued expenses	\$82,000	\$54,000
Accounts receivable	(1,026,000)	(1,127,000)
Allowance for doubtful accounts	46,000	44,000
Prepaid expenses	(75,000 )	(110,000 )
Deferred revenue	376,000	554,000
Net current deferred tax liability	(597,000 )	(585,000 )
Long-term deferred tax asset:		
NOL - State	4,000	24,000
Foreign tax credit	38,000	52,000
Book - Tax depreciation	0	(7,000 )
Net long-term deferred tax asset	42,000	69,000

Net deferred tax liability	\$(555,000 )	\$(516,000 )
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The federal net operating loss carryforward at December 31, 2018 is \$0 and the various state net operating loss carryforwards is approximately \$105,000 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 state net operating loss carryforward, is fully collectible or will be fully utilized.

## NOTE 7. 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 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,	
	2018	2017
Basic and diluted earnings per share calculation:		
Net income to common stockholders	\$514,965	\$583,051
Weighted average number of common shares outstanding - basic	4,473,591	4,511,965
Basic net income per share	\$0.12	\$0.13
Weighted average number of common shares outstanding - diluted	4,490,795	4,511,965
Diluted net income per share	\$0.11	\$0.13

For the year ended December 31, 2018 there were outstanding restricted stock shares that were common stock equivalents that had a dilutive effect of approximately 17,204 shares.

## NOTE 8. 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 nature of our accounts receivable in Colombia which totaled approximately \$31,000 and \$314,000 at December 31, 2018 and 2017, respectively. The Company monitors its risk associated with the volatility of certain foreign currencies against U.S. dollars.

## NOTE 9. COMMITMENT AND CONTINGENCIES

The Company has lease commitments for its Minnesota and Oklahoma offices with future minimum lease payments of approximately \$148,000 through July 2021 (see Note 4).

**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, 2018, 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, 2018.

**(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, 2018.

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.

**(c) CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

There were no changes in our internal control over financial reporting during the fourth quarter of our 2018 fiscal year, which were identified in connection with management's evaluation required by paragraph (d) of rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**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	56	Chief Executive Officer, President, Chief Technology Officer, Director, Chairman of the Board	Mr. Hoehne is the Chief Executive Officer, President, founder and Chief Technology Officer of the Company. He was appointed as the Company's Chief Executive Officer on November 20, 2017. From November 20, 2017 until January 8, 2018, he also served as the interim Chief Financial Officer 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.  Mr. Hoehne has been on the board since the Company's founding.
Randy W. Gilbert	54	Chief Financial Officer	Mr. Gilbert was appointed as the Company's Chief Financial Officer on January 8, 2018. Previously and since September 2015, Mr. Gilbert served as a Principal with Assurance Consulting 3 (AC3) a division of Boeckermann, Grafstrom and Mayer, which provides Sarbanes Oxley and Internal audit services. Prior to that and since 2006, he was a manager with AC3. Additionally, Mr. Gilbert served as the Chief Financial Officer for EVO Transportation & Energy Services, Inc. (formerly called Minn Shares Inc.) from May 2016 to December 2017. Mr. Gilbert has a Bachelor of Accounting B.ACC degree from the University of Minnesota - Duluth and began his Accounting career with KPMG.
Robert R. Siqveland	73	Corporate Secretary	Mr. Siqveland is employed by Table Trac, Inc. as Director of Professional Services. Mr. Siqveland has served as Corporate Secretary since 1999. Prior to joining Table Trac, Mr. Siqveland 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.

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Mr. Sigveland was a director at Table Trac from 1999 through 2011.

William Martinez	Director,	Mr. Martinez has been private contractor for the Department of Justice for the past two years, serving as an expert in homicide investigations and Use of Force. From 2012 to 2016, Mr. Martinez was the Assistant Chief of Police-Chief of Detectives/Major Crimes, for the city of St. Paul. Prior to that, he was the Senior Commander of St. Paul's Homicide and Robbery Unit. Bill has also been committed to numerous Community Building Initiatives over the years. In addition to his extensive experience in multiple facets of law enforcement, Bill is a skilled leader with strong communication and teaching skills and will be highly effective in developing the Company's organizational and ongoing development vision
	Chair of the 56 Compliance Committee	

Mr. Martinez was elected a director at Table Trac in October 2018.

Thomas J. Mertens	Director,	Mr. Mertens is a graduate of St. John's University with a degree in accounting. He became a Certified Public Accountant in 1990 and a Master Graduate of Rapport Leadership International in 2002. For the past six years, Tom has been the Chief Financial Officer for the Archdiocese of St. Paul and Minneapolis where he developed, implemented and provided oversight of processes, procedures and best practices. Tom was the CFO and Controller for Macquarie Air-Serv Holding Inc. for eight years where he provided expertise and leadership in growing the company's revenues from \$60M to \$130M mainly through acquisitions. Tom began his career as an auditor for KPMG Peat Marwick in Minneapolis. Tom is a proven leader and will bring that skill and decades of experience to the Company's Board of Directors.
	Chair of the Audit 54 and Compensation Committee	

Mr. Mertens was elected a director at Table Trac in October 2018.



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. Mertens, the Board of Directors considered his extensive background in corporate governance and finance. Finally, In regard to Mr. Martinez, the Board of Directors was most impressed with his extensive leadership, management experience and language skills. In addition, his network within the field of law enforcement was an added asset whereas the Compliance requirements of Nevada licensure are not only more demanding than ever before, but reach to all jurisdictions within which Table Trac operates and that presently encompasses eleven countries.

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;

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. Thomas Mertens, is an “audit committee financial expert” as that term is defined in Regulation S-K promulgated under the Exchange Act. Mr. Mertens’ relevant experience is detailed above. Mr. Mertens 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. Mertens, 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: Chad Hoehne, 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. 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 2018, other than late Form 4 filed by William Martinez on January 4, 2019 and a late Form 4 filed by Thomas Mertens on January 4, 2019.

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

The following table sets forth the cash and non-cash compensation 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, 2018; and (ii) each other individual that served as an executive officer of Table Trac at the conclusion of the year ended December 31, 2018 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 and Bonus	Stock Awards	Stock Option Awards	Total
Chad Hoehne,	2018	\$ 337,222	\$0	\$ 0	\$337,222
President, CTO and CEO <sup>(1)</sup>	2017	327,298	0	0	337,298
Robert Siqveland, Secretary	2018	134,478	0	0	134,478
	2017	137,926	0	0	137,926
Randy Gilbert, CFO <sup>(2)</sup>	2018	191,500	117,500 <sup>(2)</sup>	0	257,500
Brian Hinchley, CEO / CFO <sup>(3)</sup>	2017	285,500	0	0	177,000

(1) Chad Hoehne was appointed as the Company’s Chief Executive Officer on November 20, 2017. From November 20, 2017 until January 8, 2018, he also served as the interim Chief Financial Officer of the Company.

(2) Randy Gilbert was hired as the Company’ CFO on January 8, 2018. See below regarding stock award vesting terms.

(3) Brian Hinchley resigned as CEO/CFO effective November 16, 2017

**OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END**

The Company had no options outstanding at December 31, 2018 for any named executives. As of December 31, 2018 Randy Gilbert, the Company’s Chief Financial Officer, has 50,000 Restricted Stock shares with a market value of \$140,500. These shares are subject to vest on January 8<sup>th</sup> over four years as follows: 20,000 shares in 2019; 10,000 shares in years 2020, 2021 and 2022.

## **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	2018	\$ 0	\$ 0	\$ 0	\$0
William Martinez <sup>(1)</sup>	2018	5,000	4500 <sup>(6)</sup>	0	5,000
Thomas Mertens <sup>(2)</sup>	2018	5,500	4500 <sup>(6)</sup>	0	5,500
Steven Browne <sup>(3)</sup>	2018	20,700	0	0	20,700
Louis Fornetti <sup>(4)</sup>	2018	25,200	0	0	25,200
Gary Loebig <sup>(5)</sup>	2018	19,575	0	0	19,575

(1) Mr. Martinez joined the Board of Directors on October 29, 2018.

(2) Mr. Mertens joined the Board of Directors on October 29, 2018.

(3) Mr. Browne joined the Board of Directors on December 16, 2010; he did not stand for election in 2018.

(4) Mr. Fornetti joined the Board of Directors on June 15, 2011; he did not stand for election in 2018.

(5) Mr. Loebig joined the Board of Directors on June 15, 2011; he did not stand for election in 2018.

(6) 2000 shares issued at \$2.25/share per board approved resolution. Shares are restricted and vest one year after issuance.

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 28, 2019, we had outstanding one class of voting securities—common stock—of which there were 4,528,668 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 28, 2019, 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 <sup>(1)</sup>	Percentage of Common Shares <sup>(1)</sup>	
Chad Hoehne <sup>(2)</sup>	1,171,600	25.87	%
Randy Gilbert <sup>(3)</sup>	25,225	*	
Robert Siqveland <sup>(4)</sup>	206,500	4.56	%
William Martinez <sup>(5)</sup>	2,000	*	
Thomas Mertens <sup>(6)</sup>	2,000	*	
Steve A. Browne, Director <sup>(7)</sup>	84,000	1.85	%
Louis Fornetti, Director <sup>(8)</sup>	24,000	*	
Gary Loebig, Director <sup>(9)</sup>	15,671	*	
All directors and officers as a group <sup>(10)</sup>	1,530,996	33.81	%
Brian Hinchley <sup>(11)</sup>	35,000	*	
Zeff Capital, LP <sup>(12)</sup> 1601 Broadway, 12th floor	446,863	9.87	%
New York, NY 10019			



\* denotes less than one percent.

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 (1) 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. Gilbert was appointed as the Company's Chief Financial Officer on January 8, 2018.

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

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

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

(7) Mr. Browne was a director of the Company.

(8) Mr. Fornetti was a director of the Company.

(9) Mr. Loebig was a director of the Company.

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

(11) Mr. Hinchley was an officer and a director of the Company until November 16, 2017.

(12)

Share figures reflected in the table are based on a December 31, 2018 Schedule 13G filing by Zeff Capital, LP, 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, Compliance Committee and Audit Committee. The Compensation Committee is composed of Messrs. Hoehne, Martinez and Mertens (with Mr. Mertens serving as chairperson). The Compliance Committee is composed of Messrs. Martinez, Mertens and Hoehne (with Mr. Martinez serving as chairperson). The Audit Committee is composed of Messrs. Mertens, Martinez and Hoehne (with Mr. Mertens serving as chairperson). The Board of Directors has determined that Messrs. Martinez and Mertens 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 2018 and 2017, Boulay PLLP, billed for the following services:

	2018	2017
Audit fees, including quarterly review of Form 10-Q	\$ 105,590	\$92,500
Tax fees	11,078	8,750

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Audit-related fees (1)	17,010	19,318
All other fees	0	0
	\$134,378	\$120,568

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 permissible non-audit services. All services provided by the independent auditors during 2018 and 2017 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
<u>3.1</u>	<u>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).</u>
<u>3.2</u>	<u>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).</u>
<u>3.3</u>	<u>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).</u>
<u>3.4</u>	<u>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).</u>
<u>10.1</u>	<u>Offer Letter by and between Table Trac Inc. and Randy W. Gilbert (incorporated by reference to Exhibit 10.1 to the registrant's current report on Form 8-K filed on January 12, 2018).</u>
<u>31.1</u>	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).</u>
<u>31.2</u>	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes Oxley Act of 2002 (filed herewith).</u>
<u>32</u>	<u>Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
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 28, 2019

### **TABLE TRAC, INC.**

/s/ Chad Hoehne  
Chad Hoehne, Chief  
Executive Officer  
(principal executive  
officer)

/s/ Randy  
Gilbert  
Randy Gilbert, Chief  
Financial Officer  
(principal financial and  
accounting 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/ William Martinez  
William Martinez, Director

/s/ Thomas Mertens  
Thomas Mertens, Director

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

