

TABLE TRAC INC  
Form 10QSB  
November 14, 2006

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**Form 10-QSB**

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

For the quarterly period ended September 30, 2006

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 0-28383

**Table Trac, Inc.**

(Exact name of small business issuer as specified in its charter)

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

15612 Highway 7,  
Suite 250 Minnetonka,  
Minnesota 55345  
(Address of principal executive offices)

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

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

Securities registered pursuant to Section 12(b) of the Act:  
None

Securities registered pursuant to Section 12(g) of the Act:  
3,991,534 Shares of Common Stock outstanding as of November 10, 2006

**Table Trac, Inc.**

**I N D E X**

**PART I. FINANCIAL INFORMATION**

Item 1. Financial Statements

Balance Sheets as of September 30, 2006 (unaudited)  
and December 31, 2005 (audited)

Statements of Operations for the three and nine months  
ended September 30, 2006 and 2005 (unaudited)

Statements of Cash Flows for the nine  
months ended September 30, 2006 and 2005 (unaudited)

Selected Notes to Financial Statements (unaudited)

Item 2. Management's Discussion and Analysis of Financial Condition and  
Results of Operations

**PART II. OTHER INFORMATION**

Item 1. Legal Proceedings

Item 3. Controls and Procedures

Item 6. Exhibits and Reports on Form 8-K

## SIGNATURES

## Part I. FINANCIAL INFORMATION

## Item I. FINANCIAL STATEMENTS

Table Trac, Inc.  
Balance Sheets  
(Unaudited)

	Sept 30, 2006 <u>(unaudited)</u>	Dec 31, 2005 <u>(audited)</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$156,446	\$99,996
Accounts receivable, no allowance for doubtful accounts deemed necessary	316,744	266,973
Inventory	93,903	6,767
Miscellaneous receivable	2,400	0
Prepaid expenses	<u>3,900</u>	<u>2,400</u>
Total current assets	<u>573,393</u>	<u>376,136</u>
Patent, net of accumulated amortization	13,986	15,009
Total assets	<b><u>\$587,379</u></b>	<b><u>\$391,145</u></b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 10,091	\$ 8,946
Deferred revenue	0	0
Accrued payroll and related	<u>14,999</u>	<u>15,194</u>
Total current liabilities	<b><u>25,090</u></b>	<b><u>24,140</u></b>
Stockholders equity :		
Subscriptions received for exercise of restricted common stock option	0	0
Common stock, no par value; 5,000,000 shares authorized; 3,991,534 and 3,959,034 shares issued and outstanding at September 30, 2006 and December 31, 2005, respectively	1,323,771	1,315,583
Accumulated deficit	<u>(761,482)</u>	<u>(948,578)</u>
Total stockholders equity	<b><u>562,289</u></b>	<b><u>367,005</u></b>
Total liabilities and stockholders equity	<b><u>\$587,379</u></b>	<b><u>\$391,145</u></b>

Table Trac, Inc.  
**Statements of Operations**  
(Unaudited)

		Three Months Ended		Nine Months Ended	
		July - Sept. '06	July - Sept. '05	Jan. - Sept. '06	Jan. - Sept. '05
Net Sales		\$470,784	\$462,299	\$765,548	\$1,081,937
Total COGS		<u>66,666</u>	<u>114,492</u>	<u>103,103</u>	<u>250,335</u>
	Gross Profit	<b><u>404,118</u></b>	<b><u>347,807</u></b>	<b><u>662,445</u></b>	<b><u>831,602</u></b>
Total Operating Expense		<u>168,612</u>	<u>209,843</u>	<u>475,349</u>	<u>521,406</u>
	Income from operations	<b><u>235,506</u></b>	<b><u>137,964</u></b>	<b><u>187,096</u></b>	<b><u>310,196</u></b>
Other Income/Expense					
	Interest Expense	0	0	0	0
Net Income Before Taxes		<b><u>235,506</u></b>	<b><u>137,964</u></b>	<b><u>187,096</u></b>	<b><u>310,196</u></b>
Income Taxes		0	-0-	-0-	-0-
Net Income		<b><u>\$ 235,506</u></b>	<b><u>\$ 137,964</u></b>	<b><u>\$187,096</u></b>	<b><u>\$310,196</u></b>
Basic earnings per share		<b><u>\$ 0.059</u></b>	<b><u>\$ 0.035</u></b>	<b><u>\$ 0.047</u></b>	<b><u>\$0.080</u></b>
Weighted average basic shares outstanding		<b><u>3,969,985</u></b>	<b><u>3,959,034</u></b>	<b><u>3,962,724</u></b>	<b><u>3,895,284</u></b>
Diluted earnings per share		<b><u>\$ 0.054</u></b>	<b><u>\$ 0.033</u></b>	<b><u>\$ 0.043</u></b>	<b><u>\$0.075</u></b>
Weighted average diluted shares		<b><u>4,387,832</u></b>	<b><u>4,112,377</u></b>	<b><u>4,380,572</u></b>	<b><u>4,112,377</u></b>

Table Trac, Inc.  
**Statements of Cash Flows**  
(Unaudited)

		Nine Months Ended	
		Sept. '06	Sept. '05
OPERATING ACTIVITIES			
	Net Income	\$187,096	\$310,196
	Adjustments to reconcile Net Income to net cash provided by operations:		
	Patents amortization	1,023	1,023
	Common Stock Issued for Services	6,000	- 0 -

Edgar Filing: TABLE TRAC INC - Form 10QSB

	Changes in operating assets and liabilities			
		Accounts receivable	(49,771)	(259,247)
		Inventory	(87,136)	(3,879)
		Miscellaneous Receivable	(2,400)	- 0 -
		Prepaid Expense	(1,500)	- 0 -
		Accounts payable	1,145	7,301
		Deferred revenue	0	0
		Accrued Payroll	(195)	(506)
			<b><u>54,262</u></b>	<b><u>54,888</u></b>
	Net cash provided by Operating Activities			
	<b>FINANCING ACTIVITIES</b>			
		Subscriptions received for exercise of restricted common stock option	2,188	13,281
			<u>2,188</u>	<u>13,281</u>
	Net cash provided by Financing Activities			
		Net cash increase for period	<b><u>\$56,450</u></b>	<b><u>\$68,169</u></b>
		Cash at beginning of period	99,996	19,776
		Cash at end of period	<b><u>\$156,446</u></b>	<b><u>\$87,945</u></b>

Table Trac, Inc.  
 SELECTED NOTES TO FINANCIAL STATEMENTS  
 September 30, 2006

**Note 1. Condensed Financial Statements:**

The condensed balance sheet as of September 30, 2006, the statement of operations and cash flows for the periods ended September 30, 2006 and 2005 have been prepared by the Company, without audit. In the opinion of management, all adjustments (which include normal recurring adjustments and adjustments to revenues for compliance with the company's revenue recognition policy) necessary to present fairly the financial position, results of operations and changes in cash flows at September 30, 2006 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed financial statements be read in conjunction with the financial statements and notes thereto included in the Company's December 31, 2005 audited financial statements filed on form 10-KSB.

**Note 2. Revenue Recognition:**

The Company derives revenues from the sale of systems, license and maintenance and services.

System sales: Revenue from systems that have been demonstrated to meet customer specifications during installation is recognized when the product has been installed, title and risk of loss have transferred to the customer and collection of the resulting receivable is probable.

System sales are accounted for as multiple-element arrangements. In transactions that include multiple products and/or services, the Company allocates the revenue to each element based on their relative fair value (or in the absence of fair value, the residual method) and recognizes the associated revenue when all revenue recognition criteria have been met for each element.

In 2005, a new category of sale was defined, a System Sale that included special programming with a customer acceptance clause and payable under an installment plan. Due to the Company not having a history of collection with this type of installment contract before, revenue is recognized as the contract is billed and collection is probable. The Company has collected on this contract as it was provided for in the agreement. The Company had a similar sale during the three month period ended September 30, 2006, due to past experience and the rigor the company uses for credits checks, the collection of this sale is deemed probable and was recorded as a sale in its entirety.

License and maintenance revenue: Software and maintenance revenue are recognized ratably over the contract period.

Service revenue: Service revenue is recognized after the services are performed and collection of the resulting receivable is probable.

**Note 3. Customer Concentration:**

Eleven casino customers comprised 100% of the Company's revenues for the none months ended September 30, 2006. In the 3 months ended September 30, 2006 there were 2 casino customers over 10% of total revenue.

**Note 4. Inventory:**

The Companies inventories consisted of the following:

	September 30, 2006	December 31, 2005
Raw Materials	\$200	\$6,767
Work-In-Process	\$71,239	\$ - 0 -
Finished Goods	\$22,464	\$ - 0 -
	93,903	\$6,767

**Note 5. Stockholders` Equity:**

The Company issued a total of 32,500 shares of its restricted common stock for the three months and nine months ended September 20, 2006. The Company issued 15,000 shares to Thomas Oliveri for joining the board of directors and for his service as a board member. The Company converted \$2,188 of subscriptions received for exercise of stock options from 2002 into 17,500 shares of restricted common stock.

**ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Business Overview:**

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

The Company has developed and patented (U.S. patent # 5,957,776) a proprietary information and management system (Table Trac) that automates and monitors the operations of casino table games. In addition to table games

## Edgar Filing: TABLE TRAC INC - Form 10QSB

management, since 2000 Table Trac has been adding functionality developing related casino system modules for guest rewards and loyalty club, marketing analysis, guest service, promotions administration / management, vault/cage management and audit / accounting. All of these modules use Table Tracs simple to learn browser based interface.

In 2005, the Company launched new products in the areas of promotions administration and management, customer mailing for tiered pre-encoded promotional marketing, gaming machine on-line accounting and management, gaming machine vault cage operations, touch screen customer service kiosks, guest service paging and wireless handheld communications. The Company believes that this development has greatly enhanced their opportunities for new system sales in the marketplace.

### Results of Operations:

Anticipating the 4 casino system sale announced July 18, 2006 to a Customer in Central America and the Oklahoma Casino sale announced August 4, 2006, the Company acquired inventory in the second and third quarter of 2006. The company acquired computer hardware and outsourced the manufacture of the custom hardware for these orders.

Revenues for the three months ended September 30, 2006 increased slightly to \$470,784 compared to \$462,299 in the same period in 2005. The increase is primarily related to increases in maintenance fees.

Cost of sales for the three months ended September 30, 2006 decreased to \$66,666 compared to \$114,492 in the same period in 2005. The decrease is the result of the 2006 quarter sales consisting of more software and less hardware than those in 2005. Operating expenses for the three months ended September 30, 2006 decreased to \$168,612 compared to \$209,843 in the same period in 2005. The decrease is primarily related to decreases in sales & marketing (74%) and payroll and related benefits (18%). The result was that there was a net profit of \$235,506 for the three months ended September 30, 2006 compared to a net profit of \$137,964 for the three months ended September 30, 2005, an increase of \$97,542. The basic earnings per share was \$0.059 for the three months ended September 30, 2006, compared to \$0.035 for the three months ended September 30, 2005.

Revenues for the nine months ended September 30, 2006 decreased to \$765,548 compared to \$1,081,937 in the same period in 2005. While monthly maintenance revenues increased in 2006 due to the number of systems be serviced, total revenues are lower due to fewer new system sales recognized in the nine month period ending September 30, 2006 compared to the same period in 2005.

Cost of sales for the nine months ended September 30, 2006 decreased to \$103,103 compared to \$250,335 in the same period in 2005. The decrease is directly related to the new system installations in the nine months ended September 30, 2005 where fewer were installed in the same period in 2006 and those installations in 2006 were less hardware intensive, thus reducing costs overall. Operating expenses for the nine months ended September 30, 2006 decreased to \$475,349 compared to \$521,406 in the same period in 2005. The decrease is primarily related to decreases in sales & marketing expenses (21%) and payroll & related benefits (15%). The result was that there was a net profit of \$187,096 for the nine months ended September 30, 2006 compared to a net profit of \$310,196 for the nine months ended September 30, 2005. The basic earnings per share was \$0.047 for the nine months ended September 30, 2006, compared to \$0.080 for the nine months ended September 30, 2005.

### Liquidity and Capital Resources:

Cash for the nine month period ended September 30, 2006 increased to \$156,446 from \$99,996 at December 31, 2005 primarily due to collection of receivables outstanding, but also reduced by the significant increase in inventory of \$87,136 since the beginning of the year, as hardware to install all casinos under the 4 casino contract announced July 18, 2006 were manufactured while only the first of the 4 installations has been completed and billed. Cash flow from operating activities remained stable at \$54,262 for the nine month period ended September 30, 2006 compared to \$54,888 for the same comparative period. Working capital was \$548,303 at September 30, 2006 compared to

\$351,996 at December 31, 2005, an increase of \$196,307. There are no known trends, events or uncertainties that are likely to have a material impact on short or long-term liquidity. The primary source of liquidity in both the short term and the long term will be system sales and the resulting license and maintenance fees from existing systems.

Management has been able to manage its expenses and cash flows for the swings in cash flows the Company has experienced so that monthly obligations are met by revenues from existing contracts. Management believes that the Company has adequate cash to meet its obligations and continue operations for both existing customer contracts and ongoing product development.

Events:

The Company received orders for 4 casino systems to be delivered to Central America announced in PR Newswire July 18, 2006, one casino system to be delivered in Oklahoma announced in PR Newswire August 4, 2006, and one casino system to be delivered in Wisconsin announced in PR Newswire August 21, 2006. The first of the 4 systems ordered for Central America has been delivered and installed during the quarter. This installation included a language conversion of many user screens into Spanish. The Oklahoma system installation is in progress as of November 10, 2006 with the Players Club and Promotions Administration system already in use for their drawings and other promotions. The Oklahoma system includes development of an S2S communications module to allow class II games to communicate player tracking and accounting information. Table Trac's development of this module is substantially complete as of November 10, 2006 and testing with class II game vendors has begun. The Company completed the Wisconsin system installation in the 3rd quarter.

Safe Harbor:

The Private Securities Litigation Reform Act of 1995 provides "safe harbor" for forward-looking statements. Certain information included in this Form 10-QSB and other materials filed or to be filed by the Company with the Securities and Exchange Commission (as well as information included in oral statements or other written statements made or to be made by the Company) contain statements that are forward-looking, such as statements relating to plans for sales and marketing, liquidity, and other business activities and developments. Such forward-looking information involves important risks and uncertainties that could significantly affect anticipated results in the future and, accordingly, such results may differ from those expressed in any forward-looking statements made by or on behalf of the Company. These risks and uncertainties include, but are not limited to, dependence on a limited number of customers, general economic conditions, or changes in federal or state laws or regulations.

## **PART II. OTHER INFORMATION**

### **ITEM 1. Legal Proceedings**

None.

### **ITEM 3. CONTROLS AND PROCEDURES**

The President and Chief Executive Officer of the Company have concluded based on their evaluation as of the period covered by this Report, that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports filed or submitted by it under the Securities Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and include controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company's management, including the president, as appropriate to allow timely decisions regarding required disclosure.

There were no significant changes in the Company's internal controls or, to our knowledge, in other factors that could significantly affect these internal controls subsequent to the date of such evaluation.



## Edgar Filing: TABLE TRAC INC - Form 10QSB

Since the Company does not have a formal audit committee, its Board of Directors oversees the responsibilities of the audit committee. The Board is fully aware that there is lack of segregation of duties due to the small number of employees dealing with general administrative and financial matters; However, the board has determined that considering the employees involved and the control procedures in place, risks associated with such lack of segregation are insignificant and the potential benefits of adding employees to clearly segregate duties does not justify the expenses associated with such increases at this time.

### ITEM 6. Exhibits and Reports on Form 8-K

None.

### SIGNATURE

In accordance with the requirements of the Exchange Act, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Table Trac, Inc.  
Date November 14, 2006  
By: /s/ Chad Hoehne  
President CEO

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECURITIES EXCHANGE ACT OF 1934 RULE 13a-14(a) OR 15d-14(a)

I, Chad Hoehne, certify that:

1. I have reviewed and read this Quarterly Report on Form 10-QSB of Table Trac, Inc.;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;
3. Based on my knowledge, the financial statements and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervisions, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and
  - (c) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and board of directors performing the equivalent functions of an audit committee:
  - (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial

Edgar Filing: TABLE TRAC INC - Form 10QSB

reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting; and

Date: Nov. 14, 2006

By: /s/ Chad Hoehne

Name: Chad Hoehne

Title: Chief Executive Officer and principal financial officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO SECURITIES EXCHANGE ACT OF 1934  
RULE 13a-14(a) OR 15d-14(a)

I, Chad Hoehne certify that:

6. I have reviewed and read this Quarterly Report on Form 10-QSB of Table Trac, Inc.;

7. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report;

8. Based on my knowledge, the financial statements and other financial information included in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this Quarterly Report;

9. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in the Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

(a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervisions, to ensure that material information relating to the registrant is made known to us by others within those entities, particularly during the period in which this Quarterly Report is being prepared;

(b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Quarterly Report based on such evaluation; and

(c) disclosed in this Quarterly Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

10. I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and board of directors performing the equivalent functions of an audit committee:

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting; and

Date: Nov. 14, 2006

By: /s/ Chad Hoehne

Chief Executive Officer and principal financial officer

CERTIFICATION PURSUANT TO SECURITIES EXCHANGE ACT OF 1934  
RULE 13a-14(b) OR 15d-14(b) AND

Edgar Filing: TABLE TRAC INC - Form 10QSB

18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Table Trac, Inc. (the "Company") on Form 10-QSB for quarter ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Chad Hoehne, Chief Executive Officer of the Company, certify for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

1. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
2. the information contained in the Quarterly Report fairly presents, in all material respect, the financial condition and results of operations of the Company.

Dated: Nov. 14, 2006

By: /s/ Chad Hoehne

Chief Executive Officer and principal financial officer

CERTIFICATION PURSUANT TO SECURITIES EXCHANGE ACT OF 1934  
RULE 13a-14(b) OR 15d-14(b) AND  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Table Trac, Inc. (the "Company") on Form 10-QSB for quarter ended September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, Chad Hoehne, Chief Financial Officer of the Company, certify for the purpose of complying with Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, that:

3. the Quarterly Report fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act; and
4. the information contained in the Quarterly Report fairly presents, in all material respect, the financial condition and results of operations of the Company.

Dated: Nov. 14, 2006

By: /s/ Chad Hoehne

Chief Executive Officer and principal financial officer