

TABLE TRAC INC  
Form 10KSB  
March 31, 2008

**SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

FORM 10-KSB

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2007  
Commission File No. 0-28383

**TABLE TRAC, INC.**

(Exact name of registrant as specified in its charter)

**Nevada** -----**88-0336568**

(State or other jurisdiction of Incorporation or Organization)----- (IRS Employer Identification No.)

**15612 Highway 7, Suite 331 Minnetonka, Minnesota 55345**

(Address of principal executive office) ----- (Zip Code)

Registrant's telephone number: **(952) 548-8877**

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

**None**

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

**4,156,234 Shares of Common Stock outstanding as of March 15, 2008**

**Common Stock, (par value \$0.001)**

(Title of Class)

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

The aggregate market value of the voting stock held by non-affiliates of the Registrant on March 15, 2008 was approximately \$10,590,000, based on the closing sale price as reported on OTCBB for the registrant's common stock on March 15, 2008.

4,156,234 shares of Registrant's Common Stock, \$0.001 par value were outstanding on March 15, 2008, prior to the effectiveness of the latest practicable date.

**DOCUMENTS INCORPORATED BY REFERENCE**

None.

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### **FORWARD LOOKING STATEMENTS**

In this annual report, references to "the Company" "we," "us," and "our" refer to Table Trac, Inc.

This annual report contains certain forward-looking statements and for this purpose any statements contained in this annual report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "expect," "believe," "anticipate," "estimate" or "continue" or comparable

terminology are intended to identify forward-looking statements. These statements by their nature involve substantial risks and uncertainties, and actual results may differ materially depending on a variety of factors, many of which are not within the Company's control. These factors include but are not limited to economic conditions generally and in the markets in which the Company may participate; competition within the Company's chosen industry, including competition from much larger competitors; technological advances and failure by the Company to successfully develop business relationships.

## **PART I**

### **Item 1. - DESCRIPTION OF BUSINESS**

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 management, since 2000, 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. All of these modules use Table Trac's 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 addition of these modalities has transformed Table Trac's role from a "niche" supplier of peripheral product offerings to one of a full line single source supplier. The Company believes that this development has greatly enhanced their opportunities for new system sales in the marketplace, which has been demonstrated in 2007.

Table Trac is able to offer to its customers systems of comparable functionality to their Nevada-based competitors at a significant cost savings by utilizing innovative technology and programming resources. Table Trac now has over 10 years of on-table experience, 8+ years of customer reward and loyalty programs and tens of millions of continuous gaming machine monitoring hours of operation. Table Trac is positioned favorably to compete for a broader cross section of casinos seeking to reduce the cost of their systems and improve the reliability and accountability of their operations.

### **TABLE TRAC INSTALLATIONS**

Table Trac currently has systems installed with on-going support and maintenance contracts at 22 casinos in Minnesota, Wisconsin, Florida, Oklahoma, and Central America.

### **AVAILABILITY OF TABLE TRAC**

Table Trac systems are available for purchase from the Company to any legal gambling casino in the U.S. and most legal casinos operating outside the U.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 Trac table units and gaming machine interface boards, using the services of third party electronics assembly houses. The Company is aware of local electronic manufacturers offering equivalent manufacturing capability, whose services the Company could readily 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 filed to register its trademark ("TABLE TRAC") in September 1996. The trademark was issued on September 7, 2000, as trademark number 2,275,137. A re-application for this mark has been filed in March 2007.

## **Environmental Compliance**

The Company believes that it is in compliance with all current federal and state environmental laws.

## **Employees**

As of December 31, 2007, the Company had seven full-time employees and engaged the full time services of 2 contract specialists.

## **COMPETITION**

2006 was a significant milestone for Table Trac in its quest to not only develop its definition of markets for growth and expansion, but to further separate itself from the competition. As of the end of 2007, to the best of the company's knowledge which encompasses reporting from operators, vendors, and analysts, Table Trac was the only systems company that was operating accounting and players club functions on Class II, S2S games and protocols in Oklahoma. At the same time, Table Trac feels that it can still claim their system's sales price is half-price, compared to Nevada competitors. In addition, in regard to off-shore markets, Table Trac's successful entry into several Central American jurisdictions with their systems meeting the special demands of multi-lingual, multi-currency, and multi-tax requirements, while maintaining the competitive pricing advantage. No testimonial to this could be more significant than the agreement signed with Thunderbird Resorts to secure an exclusive contract with Table Trac for a period of time, in return for minimum sales contracts. Thunderbird currently operates over 26 gaming facilities off-shore.

## **RECENT DEVELOPMENTS**

In 2007, Table Trac not only doubled its customer base, but in doing so, showed significant geographic and cultural expansion that brought new demands and new developments. Casinos in Nicaragua and Guatemala purchased Table Trac systems and found that Table Trac and its personnel had the knowledge and expertise to adapt to numerous special needs. As an example, Table Trac showed the ability to install their systems over communication lines without having to incur major travel expenses to the customer. In addition, those locations required systems that could operate with unique multi-lingual, multi-currency, and multi-tax and reporting capabilities. Table Trac proved that they could meet these requirements, and still maintain their significant pricing edge. Perhaps the most significant development of 2007 was the installation of six systems in Oklahoma. Since 2005, based upon our knowledge of the market, no systems company, including the billion dollar competitors out of Nevada, have been able to provide Class II S2S connectivity and successfully operate accounting and players club functions together in a Mixed Class II S2S - Class III casino. With 3,000 games operating on Table Trac systems in Oklahoma, Table Trac has proved its ability to accomplish mixed game floor operations, and become the first to do so. These accomplishments in 2007, not only proved that Table Trac was on a technical level with every other systems provider, but the recognition of that is opening up a new world of expansion opportunities.

**Item 2. - PROPERTY**

Table Trac's operations are headquartered in Minnetonka, Minnesota. The Company's lease for its facility requires monthly payments of \$2,000, pursuant to a lease agreement.

**Item 3. - LEGAL PROCEEDINGS**

None

**Item 4. - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None

**PART II**

**Item 5. - MARKET FOR THE COMMON EQUITY AND RELATED STOCKHOLDER MATTERS**

The Company's common stock has been traded on the OTC Bulletin Board ("OTCBB") since July 17, 2000, before that time there was no activity.

Price per Share Calendar Year 2006	High	Low
First Quarter	\$0.85	\$0.65
Second Quarter	\$0.85	\$0.56
Third Quarter	\$1.15	\$0.62
Fourth Quarter	\$1.35	\$0.60

Price per Share Calendar Year 2007	High	Low
First Quarter	\$1.90	\$1.00
Second Quarter	\$1.76	\$1.28
Third Quarter	\$2.91	\$2.05
Fourth Quarter	\$4.50	\$2.91

There are more than 100 holders of record of the common stock of the Company. There have never been any dividends, cash or otherwise, paid on the common shares of the Company.

**RECENT SALE OF UNREGISTERED SECURITIES**

March , 2007, 10,000 shares were issued to Table Trac's contract S2S systems developer for services provided on the S2S interface used in Oklahoma. The individual has subsequently become a Table Trac employee.

July , 2007, 5,000 shares each were issued to the 3 board members for service .

December 21, 2007, options dating from 2002 were exercised, a total of 25,000 shares at the option price of \$0.22.

December 21, 2007, options dating from 2002 were exercised, a total of 32,500 shares at the option price of \$0.125.

December 21, 2007, options dating from 2002 were exercised, a total of 80,000 shares at the option price of \$0.125.

December 21, 2007, shares were issued to employees for service, a total of 2,200 shares.

**Item 6. - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

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Years Ended December 31, Income Statement Data	2007	2006
Net Sales	\$ 2,716,072	\$ 859,114
Net Income	\$ 717,949	\$ 258,936
Basic earnings per share after taxes	\$ 0.179	\$ 0.065

  

As of December 31, Balance Sheet Data	2007	2006
Total Assets	\$2,107,258	\$840,790
Total Liabilities	\$ 692,285	\$ 206,662
Stockholders' Equity	\$1,414,973	\$ 634,128

The Company received \$84,445 in cash in advance for non-refundable work on current projects. The remainder of the deferred revenue balance was received in 2006. This amount is reflected in the deferred revenue as of December 31, 2007. The Company enters the year with a backlog of contracted sales of \$2,250,000 .

Table Trac has achieved several important milestones, including over ten years serving the gaming industry with quality systems and over three years of successful operations as a full service casino systems provider. These milestones have transformed the Company's role from a "niche" supplier of peripheral product offerings to one of a full line single source systems supplier. Credibility in this role has been established with three 1/2 years of continuous successful operations as a matter of record. Table Trac has taken steps to more effectively market the Company and its products in this new supplier role. The Company continues making investments in personnel and manufacturing to support the growing number of casino clients.

**RESULTS OF OPERATIONS, YEAR ENDED DECEMBER 31, 2007 COMPARED TO YEAR ENDED DECEMBER 31, 2006.**

Revenues increased from \$859,114 in 2006 to \$2,716,072 in 2007. The increase of \$1,856,958 was due to the number of completed installations along with additional maintenance revenues from new installations in 2007. Ongoing maintenance revenue has increased from approximately \$315,000 in 2006 to approximately \$407,000 in 2007, an increase of \$92,000.

Deferred revenues decreased slightly from \$174,795 in 2006 to \$169,353 in 2007. The decrease was due to less down payments received for in-process system installations at December 31, 2007. The deferred revenue is non-refundable and will be recognized as revenue in 2008, when the system installations are completed.

Cost of sales increased in 2007 to \$722,051 from \$152,421 in 2006. This increase was due to more completed system installations in 2007 and increased costs of Table Trac hardware and labor involved in the system installations.

The gross margin in 2007 is \$1,994,021 or 73% of sales compared with \$706,693 or 82% of sales in 2006. The percentage decrease was due to the 2007 system sales having more install labor costs due to more complex systems than the systems in the prior year. Also, the license and maintenance revenue, which has a much lower cost of sales, is a smaller percentage of 2007 total revenue.

Total operating expenses increased from \$634,686 in 2006 to \$856,889 in 2007. The increase of \$222,203 was primarily due to additional wages for new employees to handle the increased volume and for costs related to additional office space.

Interest income has increased substantially in 2007 to \$50,817 from \$1,929 in 2006 due to our increased cash reserves balance and from our interest earned on accounts receivable - financed contracts.

The provision for income taxes was \$470,000 in 2007, for an effective rate of 39.6%, compared to a tax benefit of \$185,000 in 2006 relating to the removal of our valuation allowance for the deferred tax asset relating to our net operating loss carryforward.

The net income for 2007 was \$717,949 compared to net income of \$258,936 for 2006. This was an increase \$459,013 over last year.

The basic earnings per share in 2007 was \$0.179 compared to basic earnings per share of \$0.065 in 2006.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Company's cash position at December 31, 2007 was \$610,155, an increase of \$302,784 from \$307,371 at December 31, 2006 .

Net cash flows provided by operating activities during the year ended December 31, 2007 was \$283,221 compared with net cash flows provided by operating activities of \$205,188 for the same period in 2006. The change was caused primarily by increased sales, resulting in greater net income and increased deferred taxes offset by an increase in accounts receivable .

Net cash provided by financing activities was \$19,563 during the year ended December 31, 2007 compared to net cash flows provided by financing activities of \$2,187 for the same period in 2006. The change was due to an increase in employee options exercised.

On December 31, 2007, the total stockholder's equity was \$1,414,973. This compared to a stockholder's equity of \$634,128 in 2006, which is an increase of \$780,845 or 123%.

The Company is not capital intensive. The basic product of the Company is computer software developed by its employees. Most manufacturing is done after the Company receives an order, so there is little product inventory held by the Company.

There are no known trends, events or uncertainties that are likely to have a material impact on the Company's short or long-term liquidity. The primary source of liquidity in both the short term and long term will be from sales of new systems and monthly maintenance revenues from existing contracts and our current cash reserves. Based on sales trends, management will control its expenditure levels. 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 the next twelve months.

## **SIGNIFICANT ACCOUNTING POLICIES**

### **Revenue Recognition**

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

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

System sales which are accounted for as multiple-element arrangements, include multiple products and/or services. For multiple-element arrangements, the Company allocates the revenue to each element based on 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 previously, the Company recognized revenues as the contract was billed. During 2006, the Company has collected on these installments as invoiced and has demonstrated that collectibility was present. All future financed installment contracts will be recognized in revenue following the "system sale" policy noted above.

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 reasonably assured.

#### Research and Development

Research and development costs are charged to expense as incurred.

#### Intangible Asset

In March 1999, the Company received patent number 5,957,776 relating to its table game control system. Management feels strongly the patent will enable the Company to adequately protect its technology. Expenses incurred in obtaining this patent are carried at cost and are being amortized over seventeen years using the straight-line method.

#### Stock-Based Consideration

Effective January 1, 2006 the Company adopted FASB Statement No. 123(R) "Share-Based Payment" (SFAS 123(R)), which requires an entity to reflect on its income statement, instead of pro forma disclosures in its financial footnotes, the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair market value of the award.

#### Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" which requires the use of the "liability method" of accounting for income taxes. Accordingly, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse.

#### **OFF-BALANCE SHEET ARRANGEMENTS**

None.

The term "off-balance sheet arrangement" generally means any transaction, agreement or other contractual arrangement to which an entity unconsolidated with us is a party, under which we have: (i) any obligation arising under a guarantee contract, derivative instrument or variable interest; or (ii) a retained or contingent interest in assets transferred to such entity or similar arrangement that serves as credit, liquidity or market risk support for such assets.

#### **Item 7. -FINANCIAL STATEMENTS**

The financial statements of the Company, the accompanying notes and the report of the independent registered public accounting firm are part of this Form 10-KSB following the signature page.



**Item 8. - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

**ITEM 8A. CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures designed to provide reasonable assurance that information required to be disclosed in its reports filed pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Such information is accumulated and communicated to management, including our Chief Executive Officer / Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance the objectives of the control system are met.

As of December 31, 2007, our management, with the participation of our Chief Executive Officer / Chief Financial Officer, 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 Exchange Act. Based on this evaluation, the Chief Executive Officer / Chief Financial Officer concluded that the Company's disclosure controls and procedures were not effective as of December 31, 2007, because of the identification of the material weaknesses in internal control over financial reporting described below. Notwithstanding the material weaknesses that existed as of December 31, 2007, our Chief Executive Officer / Chief Financial Officer has concluded that the financial statements included in this Annual Report on Form 10-KSB present fairly, in all material respects, the financial position, results of operations and cash flows of the Company in conformity with accounting principles generally accepted in the United States of America ("GAAP").

**Report of Management on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a set of processes designed by, or under the supervision of, the Company's CEO / CFO, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP and includes those policies and procedures that:

Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and dispositions of our assets;

Provide reasonable assurance our transactions are recorded as necessary to permit preparation of our financial statements in accordance with GAAP, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and

Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statement.

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.

Under the supervision and with the participation of the Company's management, including the Company's CEO / CFO, the Company conducted an assessment of the effectiveness of its internal control over financial reporting based

on criteria established in "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), as of December 31, 2007.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. In connection with the assessment described above, management identified the following control deficiencies that represent material weaknesses at December 31, 2007:

Managements internal control system, like many embrionic companies, was dependant entirely on the founders. As such it had the inherent flaws of lack of segregation of duties and being subject to time constraints of an ever expanding set of demands that are part of growing a business. Consequently, management did not maintain effective control relating to the quarter end closing and financial reporting process in adequately preparing account reconciliations and properly evidenced journal entries. Additionally, the Company had insufficient personnel resources and technical accounting and reporting expertise within the Company's financial closing and reporting functions.

The Company does not currently have an audit committee with a financial expert to help provide financial reporting oversight.

Due to our small size, the Company did not maintain effective control to assure segregation as the same employee was responsible for initiating and recording of transactions, thereby creating the segreatation of duties weakness.

As a result of these material weaknesses described above, management has concluded that, as of December 31, 2007, the Company's internal control over financial reporting was not effective based on the criteria in "Internal Control-Integrated Framework" issued by COSO. This annual filing does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual filing.

The Company intends to, and has already begun to initiate measures to remediate the identified material weaknesses through various means including, but not necessarily limited to, the following:

Applying a more rigorous review of the quarterly close processes to ensure that the performance of the control is evidenced through appropriate documentation which is consistently maintained.

Having identified its primary risk areas with respect to financial reporting, management began operating an independant accounts receivable reconciliation process in the third quarter of 2007 which insures that accounts receivable balances held in the primary bookkeeping system match the values predicted by the control system.

The Company intends to hire a Chief Financial Officer in 2008 and has identified a candidate. We are in the process of vetting that candidate by amoung other processes employing his assistance in the preparation of this 10KSB. He was a practicing certified public accountant for fifteen years, and currently holds an inactive license from the State of Minnesota. He has over twenty years senior management experience in various industries, the last nine being in tribal gaming. Among the first duties of whomever fills this position will be the improvement of control procedures to provide reasonable assurance that the information required to be disclosed in reports filed pursuant to the "Exchange Act" , is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms.

During the fiscal quarter ended December 31, 2007, there was no change in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 8B. - OTHER INFORMATION**

None

**PART III**

**Item 9. - DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(A) OF THE EXCHANGE ACT .**

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

Name	Age	Position	
Chad B. Hoehne	45	Chairman, CEO, CFO, Director	Mr. Hoehne is the Chairman, President and founder of the Company. He has a BS degree in Business Administration from Mankato State University. Mr. Hoehne was employed by Micro Control Company from 1985 to 1993.
Robert R. Siqueland	63	Secretary, Director	Mr. Siqueland is the Director of Marketing and the Corporate Secretary. He was an investment advisor and venture capitalist for twenty-five years. Mr. Siqueland has worked with Table Trac in various capacities for the past seven years.
Thomas J. Oliveri	45	Director	Mr. Tom Oliveri is President of Clear Skies Solar, Inc. CSKH and former Chief Operating Officer of Global Payment Technologies, Inc. (GPT). Mr. Oliveri joined the company's board in 2005. Mr. Oliveri possesses over twenty-two years of diverse manufacturing experience, including fifteen years in senior management positions encompassing a variety of manufacturing venues from military electronics and aviation to medical devices. Mr. Oliveri holds a Bachelor of Science degree from the State University at Oswego and a Master of Science degree from the State University at Stony Brook.

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.

Compliance with Section 16(a) of the Exchange Act.

Section 16(a) of the Securities Exchange Act of 1934 requires our directors, executive officers and persons who own more than five percent of our common stock to file initial reports of ownership and reports of changes in ownership of our common stock with the SEC. Officers, directors and ten-percent or greater beneficial owners are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based upon review of the copies of such forms furnished to us during the fiscal year ended December 31, 2007 and representations from these reporting persons, no Forms 5 were required.

Code of Ethics

Table Trac has adopted a code of ethics for its officers and employees. Management promotes honest and ethical conduct, full and fair disclosure in our reports to the SEC, and compliance with applicable governmental laws and regulations.

**Item 10. - EXECUTIVE COMPENSATION.**

During the years ended December 31, 2007 and 2006, certain officers were compensated for their role as executive officers.

In 2007 and since 2002, Mr. Hoehne has fulfilled the duties of chief financial officer, corporate administrator, performing the corporate accounting and finance activities, chairman and president, in addition to programming and technology development. For fulfilling these responsibilities the total executive compensation was \$299,755 plus 5,000 shares restricted stock for board member compensation July 19th valued at \$7,688 and \$295,839 for years ended December 31, 2007 and 2006, respectively.

In 2007 and since 2002, Mr. Siqveland has fulfilled the duties of corporate secretary, customer services, installation training and corporate development, as well as National Sales Manager. For fulfilling these responsibilities the total executive compensation was \$76,010 plus 5,000 shares restricted stock for board member compensation July 19th valued at \$7,688 and \$74,850 for the years ended December 31, 2007 and 2006, respectively.

As of the date of this Annual Report, we do not have any pension, annuity, insurance, profit sharing or similar benefit plans other than our Stock Incentive Plan. Executive compensation is subject to change concurrent with our requirements. We do not have employment agreements with any of our officers but we may enter into such agreements with our senior executive officers in the future. We do not currently have a compensation committee. Decisions as to compensation are made from time-to-time by our Board of Directors with no established policies or formulas.

We have no long-term incentive plans in place and therefore there were no awards made under any long-term incentive plan to any of the above executive officers during fiscal year ended December 31, 2007.

#### **Stock Options and Grants in 2007**

None

#### **Aggregated Options Exercised in 2007 and Year End Option Values**

Chad Hoehne exercised options totaling 80,000 shares in 2007, and holds employee stock options in the amount of 157,500 shares with an exercise price of \$0.125.

Robert Siqveland exercised options totaling 32,500 shares in 2007, and holds employee stock options of 80,000 shares with an exercise price of \$0.125.

#### **Item 11. - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.**

There are presently 4,156,234 shares of the Company's common shares outstanding. The following table sets forth the information as of December 31, 2007 to the ownership of each person who, as of this date, owns of record, or is known by the Company to own beneficially, more than five percent of the Company's common stock, and in addition, by each director and executive officer of the Company, and by all directors and executive officers as a group.

Name	Shares of Common Stock	Percent of Ownership	Employee Stock Options not Exercised
Chad and Sally Hoehne (1)	1,138,600	27.39%	157,500
Robert Siqveland, Director	170,500	4.11%	80,000
Thomas Oliveri, Director	20,000	0.48%	0
Directors and Officers as a group	1,329,100	31.98%	237,500

Unrelated Parties			
Doucet capital, LLC	217,000	5.22%	0

(1) Sally Hoehne is the wife of the President of the Company (Chad Hoehne).

**Securities Authorized Under Equity Compensation Plans**

The following table lists the securities authorized for issuance under any equity compensation plans approved by our shareholders and any equity compensation plans not approved by our shareholders. This chart also includes individual compensation arrangements. Descriptions of these plans are provided below.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column a) (c)
Equity compensation plans approved by security holders	337,500	\$0.13	370,000
Equity compensation plans not approved by security holders	- 0 -	- 0 -	- 0 -

**Item 12. - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

None

**PART IV**

**Item 13. - EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K.**

(a) Attached are the Financial Statements and the Report of the Independent Registered Public Accounting Firm.

(b) The Company had no events to report on Form 8-K in 2007.

(c) There are no exhibits.

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent auditor, Carver Moquist & O'Connor, LLC (CMO), billed an aggregate of \$33,286 in 2007 and \$28,935 in 2006 for audit services, including the quarterly review of the Company's Form 10-QSB during 2007 and 2006. The Company also paid CMO \$2,365 and \$2,085 in 2007 and 2006 respectively for corporate income tax preparation services.

The Company does not have an audit committee and as a result our board of directors perform the duties of an audit committee. Our board of directors evaluates the scope and cost of the engagement of an auditor before the auditor renders audit and non-audit services. As a result, we do not rely on established pre-approval policies and procedures.

## 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, there unto duly authorized.

Dated: March 31, 2008

TABLE TRAC, INC.

Table Trac, Inc. \_\_\_\_\_/s/ Chad B. Hoehne\_\_\_\_\_  
Chad B. Hoehne, Chief Executive Officer / Chief Financial Officer

### CERTIFICATION

I, Chad B. Hoehne, Chief Executive Officer / Chief Financial Officer of Table Trac, Inc. (the "Registrant"), certify that:

1. I have reviewed this annual report on Form 10-KSB for the year ended December 31, 2007 of Table Trac, Inc.;
2. Based on my knowledge, this 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 report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant and have:
  - a) Designed such disclosure controls and procedures, to ensure that material information relating to the Registrant, is made known to me by others within those entities, particularly during the period in which this report is being prepared;
  - b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) Disclosed in this 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. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

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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 control over financial reporting.

Date:

March 31, 2008

Table Trac, Inc. \_\_\_\_\_/s/\_\_\_\_Chad B. Hoehne\_\_\_\_\_  
Chad B. Hoehne, Chief Executive Officer / Chief Financial Officer

TABLE TRAC, INC. CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. 1350)

The undersigned, Chad B. Hoehne, the Chairman and President of Table Trac, Inc. (the "Company") has executed this Certification in connection with the filing with the Securities and Exchange Commission of the Company's amended Annual Report on Form 10-KSB for the year ended December 31, 2008 (the "Report"). The undersigned hereby certifies that: · the Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and · the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. IN WITNESS WHEREOF, the undersigned has executed this Certification as of the 31th day of March 2008.

Table Trac, Inc. \_\_\_\_\_/s/\_\_\_\_Chad B. Hoehne\_\_\_\_\_  
Chad B. Hoehne, Chief Executive Officer/ Chief Financial Officer

**TABLE TRAC, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED DECEMBER 31, 2007 AND 2006**

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**Section 1. Independent Auditors' Report**

CARVER MOQUIST & O'CONNOR, LLC.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have audited the accompanying balance sheets of Table Trac, Inc. (the "Company") as of December 31, 2007 and 2006, and the related statements of operations, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Table Trac, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Carver Moquist & O'Connor, LLC

Bloomington, Minnesota  
March 29, 2008

## Section 2. Financial Statements: Balance Sheets

### TABLE TRAC, INC.

#### BALANCE SHEETS

	December 31, <u>2007</u>	December 31, <u>2006</u>
<b><u>ASSETS</u></b>		
Current assets:		
Cash	\$610,155	\$307,371
Accounts receivable, no allowance for doubtful accounts deemed necessary for 2007 and 2006	1,021,346	221,992
Inventory	162,559	96,473
Prepaid expenses	<u>12,043</u>	<u>16,310</u>
Total current assets	<b><u>1,806,103</u></b>	<b><u>642,146</u></b>
Patent, net	12,555	13,644
Deferred tax asset	136,000	185,000
Accounts receivable, financed contracts - long term	<u>152,600</u>	<u>- 0 -</u>
Total assets	<b><u>2,107,258</u></b>	<b><u>840,790</u></b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 65,509	\$ 13,609



Accrued payroll and related	36,423	18,258
Deferred revenue	169,353	174,795
Deferred tax liability	<u>421,000</u>	<u>- 0 -</u>
Total current liabilities	<b><u>692,285</u></b>	<b><u>206,662</u></b>
Stockholders equity:		
Common stock, 0.001 par value; 5,000,000 shares authorized: 4,156,234 and 3,991,534 shares issued and outstanding at December 31, 2007 and 2006, respectively	1,386,666	1,323,770
Retained earnings (accumulated deficit)	<u>28,307</u>	<u>(689,642)</u>
Total stockholders equity	<b><u>1,414,973</u></b>	<b><u>634,128</u></b>
Total liabilities and stockholders equity	<b><u>\$ 2,107,258</u></b>	<b><u>\$ 840,790</u></b>

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

### Section 3. Financial Statements: Statements of Operations

#### TABLE TRAC, INC.

#### STATEMENTS OF OPERATIONS

	Years Ended	
	<u>December 31,</u>	<u>December 31,</u>
	2007	2006
Net sales	\$2,716,072	\$859,114
Cost of sales	<u>722,051</u>	<u>152,421</u>
Gross profit	<b>1,994,021</b>	<b>706,693</b>
Selling, general and administrative expenses	<u>856,889</u>	<u>634,686</u>
Income from operations	<u>1,137,132</u>	<u>72,007</u>
Other income (expense):		
Interest income	50,817	1,929
Net income before income taxes	1,187,949	73,936
Income tax expense (benefit)	<u>470,000</u>	<u>(185,000)</u>
Net income	<b><u>\$ 717,949</u></b>	<b><u>\$ 258,936</u></b>
Basic earnings per share	<u>\$0.179</u>	<u>\$0.065</u>
Weighted average basic shares outstanding	<u>4,012,147</u>	<u>3,969,897</u>
Diluted earnings per share	<u>\$0.166</u>	<u>0.059</u>
Weighted average diluted shares outstanding	4,337,806	4,400,916

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

**Section 4. Statement of Stockholders Equity****TABLE TRAC, INC.**

## STATEMENTS OF STOCKHOLDERS EQUITY (DEFICIT)

	Common Stock Number of Shares	Common Stock Amount	Retained Earnings (Accumulated Deficit)	Total
BALANCE, DECEMBER 31, 2005	3,959,034	\$1,315,583	\$(948,578)	\$367,005
Stock options exercised	17,500	2,187		2,187
Shares issued to a new board member for board service	15,000	6,000		6,000
2006 Net income			<u>258,936</u>	<u>258,936</u>
BALANCE, DECEMBER 31, 2006	3,991,534	1,323,770	(689,642)	634,128
Stock options exercised	137,500	19,563		19,563
Shares issued for board service	15,000	23,063		23,063
Shares issued to employees	12,200	20,270		20,270
2007 Net income			<u>717,949</u>	<u>717,949</u>
BALANCE, DECEMBER 31, 2007	4,156,234	\$1,386,666	\$28,307	\$ 1,414,973

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

**Section 5. Statements of Cash Flows****TABLE TRAC, INC.**

## STATEMENTS OF CASH FLOWS

	Year Ended December 31, <u>2007</u>	Year Ended December 31, <u>2006</u>
Cash flows from operating activities:		
Net income	\$ 717,949	\$258,936
Adjustments to reconcile net income to cash flows provided by operating activities:		
Amortization	1,089	1,365
Deferred income taxes	470,000	(185,000)
Non-cash stock compensation expense	43,333	6,000
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(951,954)	44,981
(Increase) in inventory	(66,086 )	(89,706 )
(Increase) decrease in prepaid expenses	4,267	(13,910 )
Increase in accounts payable	51,900	4,663

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Increase in accrued payroll and related	18,165	3,064
(Increase) decrease in deferred revenue	(5,442)	174,795
Net cash flows provided by operating activities	<u>283,221</u>	<u>205,188</u>
Cash flows from financing activities:		
Proceeds from stock options exercised	<u>19,563</u>	<u>2,187</u>
Net cash flows provided by financing activities	<u>19,563</u>	<u>2,187</u>
Net increase in cash	302,784	207,375
Cash - beginning of year	<u>307,371</u>	<u>99,996</u>
Cash - end of year	<u>\$ 610,155</u>	<u>\$ 307,371</u>

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

## Section 6. Notes to Financial Statements

### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Company

Table Trac, Inc. (the Company) was formed under the laws of the State of Nevada in June 1995. The Corporation has its offices in Minnetonka, Minnesota. The Company has developed and sells an information and management system that automates various aspects of the operations of casino table games, Table Trac .

Table Trac 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.

#### Revenue Recognition

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

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

System sales which are accounted for as multiple-element arrangements include multiple products and/or services. For multiple-element arrangements, the Company allocates the revenue to each element based on 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, they were recognizing revenue as the contract was billed. During 2006, the

Company has collected on these installments as invoiced and has demonstrated that collectibility was present. Based on this past and current collection history, all future sales installment contracts will be recognized in revenue following the "system sales" policy noted above.

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 reasonably assured.

### Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. 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 up to \$100,000. The Company had approximately \$422,000 of uninsured cash balances at December 31, 2007.

#### Major Customers

Three customers accounted for approximately 66% of revenues in 2007 and approximately 63% of accounts receivable at December 31, 2007.

Five customers accounted for approximately 93% of the Company's revenue in 2006 and approximately 86% of accounts receivable at December 31, 2006.

### Fair Value of Financial Instruments

The Company's financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. Pursuant to SFAS No. 107 "Disclosures About Fair Value of Financial Instruments," the Company is required to estimate the fair value of all financial instruments at the balance sheet date. 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 a maturity of three months or less to be cash equivalents.

### Segment Reporting

The Company operates as one reporting segment.

### Comprehensive income (loss)

Comprehensive income (loss) includes net income (loss) and items defined as other comprehensive income (loss). Items defined as other comprehensive income (loss) include such items as foreign currency translation adjustments and unrealized gains (losses) on certain marketable securities. For the year ended December 31, 2007 and 2006, the Company had no items defined as other comprehensive income (loss).

#### Basic and Diluted Earnings Per Share

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

#### Accounts Receivable

Accounts receivable are recorded at the invoiced amount. Any accounts receivable amount relating to a sales installment contract greater than twelve months beyond the calendar year end is recorded as a long term asset and is classified as "accounts receivable, financed contracts - long term". Management believes that receivables are fully collectible. While the ultimate result may differ, management believes that any write off not allowed for will not have a material impact on the Company's financial position.

#### Inventory

Inventory is stated at the lower of cost or market. The first-in, first-out cost method is used to value inventory.

#### Furniture, Equipment and Software

Furniture, equipment and purchased software 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.

#### Intangible Asset

In March 1999, the Company received patent number 5,957,776 relating to its table game control system. Expenses incurred in obtaining this patent are carried at cost and are being amortized over seventeen years using the straight-line method.

#### Long-lived Assets

The Company periodically assesses the recoverability of long-lived assets and certain identifiable intangible assets by reviewing for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future 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. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

#### Income Taxes

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" which requires the use of the "liability method" of accounting for income taxes. Accordingly, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax bases of assets and liabilities, using enacted tax rates in effect for the year in which the differences are expected to reverse.

#### Stock-based Compensation

Effective January 1, 2006 the Company adopted FASB Statement No. 123(R) "Share-Based Payment" (SFAS 123(R)), which requires an entity to reflect on its income statement, instead of pro forma disclosures in its financial footnotes, the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair market value of the award.

#### Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements ("SFAS No. 157"). This standard clarifies the principle that fair value should be based on the assumptions that market participants would use when pricing an asset or liability. Additionally, it establishes a fair value hierarchy that prioritizes the information used to develop those assumptions. This standard is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are currently evaluating the impact of this statement. We believe the adoption of SFAS No. 157 will not have a material impact on our consolidated financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which provides companies with an option to report selected financial assets and liabilities at fair value. This standard is effective beginning after December 31, 2007. We presently do not anticipate that the provisions of SFAS No. 159 will apply to the Company.

In December 2007, the FASB issued Statement No. 141R, "Business combinations" which establishes principles for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired and liabilities assumed in a business combination, the goodwill acquired in a business combination, and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a business combination. We are required to apply this standard prospectively to business combinations for which the acquisition date is on or after January 1, 2009. Earlier application is not permitted.

#### **NOTE 2. OPERATING LEASE**

The Company leases its office facilities under a lease agreement which expires July 2010. Future minimum lease payments are as follows:

2008- - -	\$24,000
2009- - -	\$25,200
2010- - -	\$14,700

Rent expense was \$18,820 and \$15,120 in 2007 and 2006, respectively.

#### **NOTE 3. STOCKHOLDERS' EQUITY**

During 2007, the Company issued 15,000 restricted common shares to board members for their services with a fair value of \$23,063. The Company also issued 12,200 common shares to its employees for services with a fair value of \$20,270.

Stock Options

In October 2001, the Company implemented an Employee Stock Incentive Plan. This plan provides for the issuance of options to employees to purchase shares of the Company's common stock at an exercise price at least equal to the fair value of the Company's common stock at the grant date. These options are exercisable for a period of seven years from the date of grant. The Company has reserved 1,000,000 shares of its common stock for potential issuance under this plan. As of December 31, 2007, 370,000 stock options were available for grants.

SFAS 123(R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Statements of Operations. The Company recorded \$0 of related compensation expense for the years ended December 31, 2007 and 2006 as no options were granted during these years.

The Company uses the Black-Sholes-Merton ("Black Sholes") option-pricing model as the method for determining the estimated fair market value for employee stock awards. This is the same option-pricing model used in prior years to calculate pro forma compensation expense under SFAS 123 footnote disclosures. Compensation expense for employee stock awards is recognized on a straight-line basis over the vesting period of the award.

The following is a summary of all activity involving options for the years ended December 31:

		Weighted Average Exercise Price	Weighted Average Remaining Term	Aggregate Intrinsic Value
	Outstanding and exercisable Options			
Balance, December 31, 2005	<b><u>492,500</u></b>	\$ 0.13		
Granted	-			
Exercised	17,500	\$ 0.13		
Cancelled	=			
Balance, December 31, 2006	<b><u>475,000</u></b>	<u>\$ 0.13</u>		
Granted	- 0 -			
Exercised	137,500	\$0.14		
Cancelled	- 0 -			
Balance, December 31, 2006	<b><u>337,500</u></b>	<b><u>\$ 0.13</u></b>	<b><u>3.6</u></b>	<b><u>1,474,875</u></b>

The aggregate intrinsic value in the table represents the difference between the closing stock price on December 31, 2007 and the exercise price, multiplied by the number of in-the-money options that would have been received by the option holders had all option holders exercised their options on December 31, 2007. The total intrinsic value of options exercised during years ended December 31, 2007 and 2006 was approximately \$599,500 and \$21,000

respectively. We received proceeds of \$19,563 in 2007 and \$2,187 in 2006 from stock option exercises and realized no tax benefit since they were incentive stock options.

**NOTE 4. SUPPLEMENTAL CASH FLOW INFORMATION**

Cash paid for interest was \$0 and \$0 for the years ended December 31, 2007 and 2006 respectively. There were no cash payments for income taxes for the years ended December 31, 2007 and 2006.

**NOTE 5. INCOME TAXES**

The income tax provisions consists of the following for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Current tax expense	\$- 0 -	\$- 0 -
Deferred tax expense benefit	470,000	24,000
Net change in valuation allowance	- 0 -	(209,000)
<b>Total income tax expense (benefit)</b>	<b>\$ 470,000</b>	<b>\$ (185,000)</b>

The reconciliation between expected federal income tax rates is as follows:

	2007		2006	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Expected federal tax \$	\$404,000	34.0%	\$25,000	34.0%
State income tax, net of federal tax benefit	60,000	5.0	5,000	6.8
Other	6,000	0.5	(6,000)	(8.1)
Change in valuation allowance	<u>\$- 0 -</u>	<u>- 0 -</u>	<u>\$(209,000)</u>	<u>(282.9)</u>
<b>Total</b>	<b><u>\$470,000</u></b>	<b><u>39.6%</u></b>	<b><u>\$(185,000)</u></b>	<b><u>(250.2)%</u></b>

The Company, up until 2006, carried a full valuation allowance against its deferred tax assets, comprised primarily of its net operating loss carryforwards. After demonstrating several years of profitability, Table Trac Inc. has reversed the valuation allowance and has recorded a deferred tax asset totaling \$185,000 relating to their net operating loss carry forward as of December 31, 2006. The following table summarizes the Company's deferred tax assets and liabilities at December 31, 2007 and 2006:

	2007	2006
Current deferred tax asset (liabilities):		
Deferred revenue	\$ 67,000	\$ -
Accounts Receivable	(458,000)	-
Inventory	(64,000)	-
Prepaid Expenses	(4,000)	-
Accounts payable and accrued expenses	<u>38,000</u>	=
Net current deferred tax liability	<b><u>\$ (421,000)</u></b>	<b><u>\$ -</u></b>
Long-term deferred tax asset:		



Net operating loss carryforwards	<u>\$ 136,000</u>	<u>\$ 185,000</u>
Net deferred tax asset (liability)	<u>\$(285,000)</u>	<u>\$185,000</u>

At December 31, 2007, the Company has Federal and State net operating loss carryforwards of approximately \$350,000 available to offset future taxable income through 2027.