UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2012**

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
For the transition period from _____ to _____

Commission file number**: 000-30653**

Galaxy Gaming, Inc.
(Exact name of registrant as specified in its charter)

Nevada	**20-8143439**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
6980 O'Bannon Drive, **Las Vegas, Nevada**	**89117**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number: **702-939-3254**

Securities registered under Section 12(b) of the Exchange Act:

Title of each class
none

Securities registered under Section 12(g) of the Exchange Act:

Title of each class
Common Stock, par value $0.001

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes [ ] No [X]

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 [X]

Indicate by checkmark 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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) 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. Yes [ ] No [X]

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

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller reporting company [X]

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's second fiscal quarter was $3,455,773.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date: 38,310,591 as of March 29, 2012.

GALAXY GAMING, INC.
ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2012

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Unless the context indicates otherwise, references to "Galaxy Gaming," "we," "us," "our" or the "Company," refers to Galaxy Gaming, Inc., a Nevada corporation, the company filing this report. Unless indicated otherwise, the terms and titles, "Chief Executive Officer," "CEO," "Interim Chief Financial Officer," "Interim CFO," "Interim Secretary," "Interim Treasurer," "Chairman," "Chairman of the Board" and "President" refers to Mr. Robert B. Saucier; "CFO," "Chief Financial Officer," "Secretary" and "Treasurer," refers to Mr. Gary A. Vecchiarelli; "COO" refers to our "Chief Operating Officer," Mr. William O'Hara and "Board" refers to the Company's board of directors.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that do not relate to historical or current facts, but are "forward looking" statements. These statements relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These statements may also relate to future events or trends, our future prospects and proposed new products, services, developments, or business strategies, among other things. These statements can generally (although not always) be identified by their use of terms and phrases such as anticipate, appear, believe, could, would, estimate, expect, indicate, intent, may, plan, predict, project, pursue, will, continue and other similar terms and phrases, as well as the use of the future tense.

Actual results could differ materially from those expressed or implied in our forward looking statements. Our future financial condition and results of operations, as well as any forward looking statements, are subject to change and to inherent known and unknown risks and uncertainties. You should not assume at any point in the future that the forward looking statements in this report are still valid. We do not intend, and undertake no obligation, to update our forward looking statements to reflect future events or circumstances.

PART I

ITEM 1. BUSINESS

BUSINESS

We are an established global gaming company specializing in the design, development, manufacturing, marketing and acquisition of proprietary casino table games and associated technology, platforms and systems for the casino gaming industry. We are a leading supplier of gaming entertainment products worldwide and provide a diverse offering of quality products and services at competitive prices, designed to enhance the player's experience.

Galaxy Gaming is a Nevada corporation formed in December 2006. In 2007, we entered into several asset purchase agreements with Galaxy Gaming, LLC ("GGLLC") related to selected assets, such as inventory, fixed assets, patents, patent applications, trademarks, trademark applications, copyrights and trade secrets of proprietary games, side bets, inventions and ideas related to the casino gaming industry. In addition to these tangible and intangible assets, we acquired the existing client and revenue base from GGLLC. We became a publicly traded company in 2009 as the result of a reverse merger with Secured Diversified Investment, Ltd. ("SDI"). See Note 1 in Part 8 for more information.

Casinos use our proprietary products to enhance their gaming floor operations and improve their profitability, productivity and security, as well as offer popular cutting-edge gaming entertainment content and technology to their players. We market our products to land-based, riverboat and cruise ship gaming establishments and beginning in 2011, to internet gaming companies. The game concepts and the intellectual property associated with these games are typically protected by patents, trademarks and/or copyrights. We market our products primarily via our internal sales force to casinos throughout North America, the Caribbean, the British Isles, Europe, Australia and to cruise ships and internet gaming sites worldwide. We currently have an installed base of our products on over 3,000 gaming tables located in over 500 casinos, which positions us as the second largest provider of proprietary table games in the world.

We group our products into three product categories we classify as "Proprietary Table Games," "Enhanced Table Systems" and "e-Tables." Our product categories are summarized below. Additional information regarding our products may be found on our web site, www.galaxygaming.com. Information found on the web site should not be considered part of this report.

Proprietary Table Games. We design, develop and deliver our Proprietary Table Games to enhance our casino clients' table game operations. Casinos use our Proprietary Table Games in lieu of those games in the public domain (e.g. Blackjack, Craps, Roulette, etc.) because of their popularity with players and to increase profitability. Our Proprietary Table Games are grouped into two product types we call "Side Bets" and "Premium Games." Side Bets are proprietary features and wagering schemes typically added to public domain games such as poker, baccarat, pai gow poker, craps and blackjack table games. Premium Games are unique stand-alone Proprietary Table Games with their own unique set of rules and strategies. Generally, Premium Games generate higher revenue per table placement than the Side Bet games. Internally, we track revenue by each of our Proprietary Table Games. We do not internally track direct costs associated with the revenue of each of our proprietary casino games since it would require subjective allocations of common costs. Samplings of our Proprietary Table Games are listed below.

Side Bets	Premium Games
21 Magic	*Buffalo Blackjack Bonus*
21+3 Classic Blackjack	*Deuces Wild*
21+3 Top 3 Blackjack	*Emperor's Challenge*
21+3 Xtreme Blackjack	*Four the Money*
All 6 for Three Card Poker	*High Card Flush*
Bonus Blackjack	*Kokomo Stud*
Bonus Craps	*Player's Edge 21*
Bust Bonus	*Random Wild*
Colors for Pai Gow Poker	*Rainbow Poker*
D-T Dice for Pai Gow Poker	*Roulette Craps*
Double Action Blackjack	*Super 3 Poker*
Double Match	*Texas Shootout*
Emperor's Treasure	*Three Card Poker*
JoKolor for Pai Gow Poker	*Three Card Split*
Lucky 8 Baccarat	*Triple Attack Blackjack*
Lucky Ladies	*Two Way Hold'em Casino Poker*
Pai Gow Insurance	*YES Dice*
Poker 3 bonus	
Prime for Three Card Poker	
Poker 3 Bonus	
Quick Draw	
Share the Wealth	
Suited Royals	
Super Pairs	
Triple Match	

Enhanced Table Systems. Enhanced Table Systems are electronic enhancements used on casino table games to add to player appeal and to enhance game security. We include three products in this category: our Bonus Jackpot System, our Inter-Casino Jackpot System and MEGA-Share.

Enhanced Table Systems: Bonus Jackpot System. The Bonus Jackpot System facilitates a jackpot players can win by making a qualified wager. The jackpot is awarded to a player (or players) upon obtaining a specific triggering event. Our Bonus Jackpot System allows for two-way communication between gaming tables located anywhere in the world using one or more data processing centers. We believe this achievement for casino table games was the first of its kind in the world. The world-wide availability of connecting tables has been made possible through an agreement we entered into with Amazon Web Services, a unit of Amazon.com.

The Bonus Jackpot System is an advanced electronic system installed on gaming tables that is used to detect players' wagers, evaluate game play, determine dealer efficiency and to assist in calculating jackpots and bonusing offerings. The Bonus Jackpot System also includes an electronic display system used on gaming tables to display game information to the players known as TableVision. Casinos use TableVision as an enhanced display to generate additional player interest and to promote various aspects of the game offered such as jackpots and bonusing programs. The Bonus Jackpot System allows the casino to seamlessly collect and process data and in turn, offer jackpots and other bonusing schemes to their players as determined by them using the data collected and processed.

The most current version of the Bonus Jackpot System is the Andromeda 4, which allows for sensors up to 16 player positions and up to 6 sensors per player position (maximum total of 96 data gathering points). Sensors can be placed discreetly under the felt or be an enhanced sensor with a multi-colored LED light. The enhanced sensors increase security and reliability while providing the player with a positive indication a wager has been recorded. Another feature of our Bonus Jackpot system is the ability to keep track of and display more than one jackpot. This ability, combined with the expansion of multiple sensors, permits us to offer a unique bonusing system called "MEGA-Share" to our casino clients.

Enhanced Table Systems: Inter-Casino Jackpot System. We leverage the abilities of our Bonus Jackpot System to connect and/or aggregate bonus or progressive jackpots from multiple casinos into a common network. This methodology has long been practiced in the slot machine industry beginning with the introduction of IGT's Megabucks in the 1990's. These systems are referred to as "wide area progressives" and nearly every major slot machine manufacturer has a wide area progressive system. We developed our version of a wide area progressive jackpot system for table games that we call the Inter-Casino Jackpot System. Our preferred method of compensation is to collect a transaction fee from our casino clients based upon their player's participation in the Inter-Casino Jackpot System.

Enhanced Table Systems: MEGA-Share. MEGA-Share is a game play methodology invented by us that allows a player of one of our table games to share in the winnings of a jackpot together with other players. An example of this concept would be when multiple table game players are playing in a casino and one of them obtains a winning hand entitling them to a jackpot, the event also triggers a second MEGA-Share jackpot that is divided among all players who made a MEGA-Share qualified wager. MEGA-Share rewards the other players playing on other tables, other games, or even other casinos with a share of the MEGA-Share jackpot, provided that they placed a qualifying MEGA-Share wager. We believe the Bonus Jackpot System and MEGA-Share may offer casinos an opportunity to significantly increase player interest, thereby increasing casino revenues and generating increased recurring revenue for us.

e-Tables. In 2011, we licensed the worldwide rights (excluding Oklahoma, Kentucky and the Caribbean) to the TableMAX e-Table system. Simultaneously we obtained e-Table rights to the casino table games *Caribbean Stud*, *Caribbean Draw*, *Progressive Blackjack*, *Texas Hold'em Bonus* and *Blackjack Bullets*. A description of this agreement is contained in Note 16 of Item 8. The TableMAX e-Table system is a fully automated, dealer-less, multi-player electronic table game platform. These platforms allow us to offer our table game content in markets where live table games are not permitted. Our e-Table product enables the automation of certain components of traditional table games such as data collection, placement of bets, collection of losing bets and payment of winning bets. This automation provides benefits to both casino operators and players, including greater security and faster speed of play, reduced labor and other game related costs and increased profitability.

Our revenues consist of primarily recurring royalties received from our clients for the licensing of our game content and other products. Typically over 90% of our total revenues are recurring. In 2012, recurring revenues represented 99% of our total revenues. These recurring revenues generally have few direct costs thereby generating high gross profit margins in excess of 90%. In lieu of reporting as "gross profit," this amount would be comparable to "revenues less cost of ancillary products and assembled components" on our financial statements. Additionally, we receive non-recurring revenue as reimbursement from the sale of associated products.

For more information about our revenues, operating income and assets, see "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" included in this Form 10-K.

STRATEGY

At Galaxy, we believe that casino games which players are loyal to and enjoy playing will not only enhance their experience, but be profitable for our clients. We will continue to expand our product offering by focusing on innovative products and services that we can target market to players. As we continue to develop and enhance our brand names and reputation, we anticipate expanding to new product lines that complement our overall strategy and enhance our market presence.

Our long-term business strategy is designed to enhance client value by producing products players enjoy playing. We will enhance shareholder value by capitalizing on existing and emerging markets and the worldwide proliferation of gaming and continue to build our recurring revenues. To achieve both of these objectives, we employ the following strategies:

1. Expand our inventory of products and technologies to attain a fully comprehensive portfolio;
2. Increase our per unit price point by leveraging our Enhanced Table Systems; and
3. Grow our e-Table business.

Expand our inventory of products and technologies to attain a fully comprehensive portfolio. Historically, only one company in the table game industry, SHFL Entertainment, Inc., has had the ability to offer casinos nearly all of the table game products they require. Their unique ability to offer numerous products both in terms of game content and what they term as "utility" products (e.g. card shufflers, smart dealing shoes, baccarat displays, etc.), has stifled competition from other companies, including us, who are disadvantaged without a complete product line offering. Our strategy is to be an alternative for casino operators by offering a complete and comprehensive portfolio of games, products, systems, technologies and methodologies for casino table games. If we achieve this objective, we intend to offer complete turn-key systems rather than compete solely as a purveyor of individual products only. We continuously develop and/or seek to acquire new proprietary table games to complement our existing offerings and to extend our penetration of proprietary table games on the casino floor. We expect to accomplish this strategic shift through internal development of products as well as continued acquisitions from others.

Our first preference is to develop internally our products and intellectual property. Our CEO works closely with our engineering team to develop new cutting-edge table game content and ancillary products. Together they have been responsible for the continued development of our Proprietary Table Games and Enhanced Table Systems. We intend to further expand our product line including so-called "utility" products now offered by our competitors through our continued research, design, development and engineering efforts.

In addition, we are constantly seeking to acquire marketable products developed by others. Since 2010, we have made five successful acquisitions. In 2010, we acquired the *Deuces Wild Hold'em Fold'em* and *Random Wild* games and associated intellectual property from T&P Gaming, Inc. In October 2011, we acquired over 20 different table games, including *21+3*, *Two-way Hold'em* and *Three Card Poker* from Prime Table Games. Those games are currently played on approximately 500 tables in 200 casinos in the United States, the United Kingdom and in the Caribbean. Prime Table Games' intellectual property portfolio included 47 patents and patents pending, 96 worldwide trademark and design registrations and 47 domain name registrations. In November 2011, we acquired the table games *Bonus Craps*, *Four The Money*, *Rainbow Poker* and *Roulette Craps* together with nine patents, various trademarks and an assignment of existing licensing agreements with various casinos throughout the United States from Lakes Entertainment, Inc. In March 2012, we acquired *Double Action Blackjack* as a result of a settlement with Unax Service, LLC (see Note 11 in Part 8 for more details). In September 2012, we acquired *High Card Flush* from Red Card Gaming, Inc., which was awarded the 2012 Casino Journal's Best New Table Game, as voted on by casino table game managers.

We anticipate the continued acquisition and/or development of additional new proprietary table games and associated intellectual property. When combined with our existing portfolio, new proprietary games will give us the comprehensive spectrum of products to offer casinos a complete solution, thereby increasing our competitiveness in the marketplace.

Increase our per unit price point by leveraging our Enhanced Table Systems. Our Enhanced Table Systems permit us the opportunity to significantly increase the amount of recurring revenue we receive from each table game placement. Accordingly, our goal is to concentrate on installing new game placements using one or more of our Enhanced Table Systems and to convert our existing Proprietary Table Game placements that currently do not incorporate our Enhanced Table Systems. We have modified most of our Premium Table Games and many of our Side Bets to benefit from the economics this new system affords us. In the future, we intend to be able to offer this platform for all games.

Additionally, we expect that most or all of our new Proprietary Table Games will include the Bonus Jackpot System component. The technology developed with the Bonus Jackpot System has allowed us to offer not only bonus jackpots and progressive jackpots, but also provides us the infrastructure to offer our Inter-Casino Jackpot System and MEGA-Share. We have identified jurisdictions where we may have the ability to offer this program and have commenced seeking the requisite approvals. In jurisdictions where our Inter-Casino Jackpot System is approved, we have increased our sales efforts towards connecting casinos together into a common jackpot system.

We invented the concept called MEGA-Share, which we first installed in December 2011. MEGA-Share and our Inter-Casino Jackpot System are unrelated but can be combined if so desired by our clients. A casino could operate either one or both simultaneously. We believe MEGA-Share has the ability to become a "must-have" product for casinos and as a result could be a significant contributor to our future revenue growth. Accordingly, we also intend to intensify our sales efforts on obtaining MEGA-Share placements.

Grow our e-Table business. Our TableMAX product line is developed for us by TableMAX Corporation. Having installed the majority of TableMAX e-Tables we received last year, we are awaiting the next major release of the TableMAX e-Table, referred to as the "Model E." We have been informed by TableMAX Corporation that the majority of the Model E's development is complete. We anticipate the requisite approvals for the Model E in 2013 and expect to offer this product to gaming operators in mid or late 2013.

COMPETITION

We compete with other gaming products and supply companies for space on the casino floor, as well as for our client's capital spending. Our competition for casino placement and the attention of players comes from a variety of sources, including companies that design and market proprietary table games, electronic table game platforms, e-Tables and other gaming products.

With respect to our Proprietary Table Games, we compete with several companies who primarily develop and license proprietary table games. Our competitors include, but are not limited to, SHFL Entertainment, DEQ Systems, TCS/John Huxley, and Masque Publishing. Competition in this product group is particularly based on price, brand recognition, player appeal and the strength of underlying intellectual property. Smaller developers and vendors are more able to participate in developing and marketing table games, compared to other gaming products, because of the lower cost and complexity associated with the development of these products and a generally less stringent regulatory environment. Larger competitors have superior capital resources, distribution and product inventory than we do. We compete on these bases, as well as on the strength of our extensive sales, service and distribution channels. We have been able to increase our placements of table games not only because of the general growth of casino gaming, but also by displacing other proprietary and public domain table game products.

With respect to our Enhanced Table Systems, we compete primarily with SHFL Entertainment and DEQ Systems. SHFL Entertainment has a progressive jackpot system it uses with its proprietary table games. DEQ Systems, which has limited game content, often uses its platform with other companies' games including ours and SHFL Entertainment.

With respect to our Inter-Casino Jackpot System, we compete primarily with SHFL Entertainment. We believe the methodology used by our Inter-Casino Jackpot System will likely become popular and as a result, we anticipate new competitors in the future.

With respect to our e-Table system, there are numerous other companies that manufacture and/or sell e-Tables that are similar. These companies include, but are not limited to, TCS/John Huxley, Aristocrat, Interblock, Aruze Gaming Corporation, Novomatic Industries, PokerTek, Inc. and SHFL Entertainment. Our e-Tables, as well as those of other companies, also compete for casino floor space with live table games and slots. One of our competitive strengths in this segment is the ability to offer our proprietary table game titles on e-Table platforms. In 2010, we entered into a royalty agreement with PokerTek, Inc. to license our game content whereby we would receive royalties for the use of our products if placed on their electronic platform. In 2012, we did not earn any royalties from this agreement. We anticipate we will receive minimal revenues from this agreement in 2013.

Many of our competitors have longer operating histories, significantly greater resources, greater brand recognition and more firmly established supply relationships. Moreover, we expect additional competitors to emerge in the future. We believe that the principal competitive factors in our market include products that appeal to casinos and players, jurisdictional approvals and a well-developed sales and distribution network. Although we plan to compete effectively in this market, we recognize that this market is relatively new and is evolving rapidly, and accordingly, there can be no assurance that we will be able to compete effectively. We believe that our success will depend upon our ability to remain competitive in our field. We compete with others in efforts to obtain or create innovative products, obtain financing, acquire other gaming companies, and license and distribute products. The failure to compete successfully in the market for proprietary table games, electronic table game platforms and multi-casino jackpots could have a material adverse effect on our business.

We believe we have competitive advantages resulting from broad alliances and lengthy business relationships with our clients and an extensive intellectual property portfolio. Our historically high levels of customer service and support, worldwide name and brand recognition and geographic diversity are also competitive assets. We believe our reputation for consistently delivering and supporting quality products will encourage operators to select our products and enable us to maintain and create a substantial market position.

MANUFACTURING AND SUPPLIERS

We obtain most of the parts for our products from third party suppliers, including both off-the-shelf items as well as components manufactured to our specifications. We also manufacture a small number of parts in-house that are used both for product assembly and for servicing existing products. We generally perform warehousing, quality control, final assembly and shipping ourselves from our facilities in Las Vegas, Nevada, although small inventories are maintained and repairs are performed by our field service employees. We believe that our sources of supply for components and raw materials are adequate and that alternative sources of materials are available.

RESEARCH AND DEVELOPMENT

While we are committed to growing the sales of our marketed products, we strive to maintain a robust pipeline of products under development to bring to market. We employ a staff of electrical, mechanical and software engineers, graphic artists and game developers to support, improve and upgrade our products and to develop and explore other potential table game products. We perform our research and development ourselves at our corporate offices. We may also use third party developers to conduct research and development for certain product offerings.

We believe that one of our strengths is identifying new product opportunities and developing new products. Therefore we expect to continue to spend a significant portion of our annual revenues on research and development, including the acquisition of intellectual property from third parties. We have incurred approximately $333,000 and $286,000 in research and development expenditures during 2012 and 2011, respectively. Consistent with our increased focus on development of new products, we anticipate increased research and development expenditures in 2013.

INTELLECTUAL PROPERTY

Our products and the intellectual property associated with them are typically protected by patents, trademarks and copyrights. There can be no assurance that the steps we have taken to protect our intellectual property will be sufficient. In addition, the laws of some foreign countries do not protect intellectual property to the same extent as the laws of the United States, which could increase the likelihood of infringement. Furthermore, other companies could develop similar or superior products without violating our intellectual property rights. If we resort to legal proceedings to enforce our intellectual property rights, the proceedings could be burdensome, disruptive and expensive, and distract the attention of management, and there can be no assurance that we would prevail.

We have been and are subject to litigation claiming that we have infringed the rights of others and/or that certain of our patents and other intellectual property are invalid or unenforceable. We have also brought actions against others to protect our rights. A description of certain of these matters is contained in Note 11 of Item 8 and incorporated herein by this reference.

GOVERNMENT REGULATION

We are subject to regulation by governmental authorities in most jurisdictions in which we offer our products. The manufacturing and distribution of casino games, gaming equipment, systems technology, and related services, as well as the operation of casinos, is all subject to regulation by a variety of federal, state, international, tribal, and local agencies with the majority of oversight provided by individual state gaming control boards. While the regulatory requirements vary by jurisdiction, most require:

- Findings of suitability for the company, individual officers, directors, key employees and major shareholders
- Documentation of qualification, including evidence of financial stability
- Specific approvals for gaming equipment manufacturers and distributors
- Licenses, registrations and/or permits

Gaming regulatory requirements vary from jurisdiction to jurisdiction, and obtaining licenses, registrations, findings of suitability for our officers, directors, and principal stockholders and other required approvals with respect to us, our personnel and our products are time consuming and expensive. Generally, gaming regulatory authorities have broad discretionary powers and may deny applications for or revoke approvals on any basis they deem reasonable. We have approvals that enable us to conduct our business in numerous jurisdictions, subject in each case to the conditions of the particular approvals. These conditions may include limitations as to the type of game or product we may sell or lease, as well as limitations on the type of facility, such as riverboats, and the territory within which we may operate, such as tribal nations. We have authorizations with certain Native American tribes throughout the United States whom have compacts with the states in which their tribal dominions are located or operate or propose to operate casinos. These tribes generally require suppliers of gaming and gaming-related equipment to obtain authorizations.

The nature of the industry and our worldwide operations make this process very time consuming and require extensive resources. We engage legal resources familiar with local customs in certain jurisdictions to assist in keeping us compliant with applicable regulations worldwide. Through this process, we seek to assure both regulators and investors that all our operations maintain the highest levels of integrity and avoid any appearance of impropriety.

Gaming laws and regulations serve to protect the public interest and ensure gambling related activity is conducted honestly, competitively, and free of corruption. Regulatory oversight additionally ensures that the local authorities receive the appropriate amount of gaming tax revenues. As such, our financial systems and reporting functions must demonstrate high levels of detail and integrity.

We have obtained or applied for all required government licenses, permits, registrations, findings of suitability, and approvals necessary to manufacture and distribute gaming products in all jurisdictions where we directly operate. Although many regulations at each level are similar or overlapping, we must satisfy all conditions individually for each jurisdiction. We have never been denied a gaming related license, nor have our licenses ever been suspended or revoked.

Gaming jurisdictions. Gaming jurisdictions that have legalized gaming typically require various licenses, registrations, findings of suitability, permits, and approvals of manufacturers and distributors of gaming devices and equipment as well as licensure provisions related to changes in control. In general, such requirements involve restrictions and approvals. Additionally, we license and/or lease our products through licensed distributors. We offer our products throughout most of the United States, Canada, Caribbean, United Kingdom and selected parts of Europe.

Native American gaming regulation. Gaming on Native American lands within the United States is governed by the Federal Indian Gaming Regulatory Act of 1988 ("IGRA") and specific tribal ordinances and regulations. Class III gaming, as defined under IGRA, also requires a Tribal-State Compact, which is a written agreement between a specific tribe and the respective state. This compact authorizes the type of Class III gaming activity and the standards, procedures and controls under which the Class III gaming activity must be conducted. The National Indian Gaming Commission ("NIGC") has oversight authority over gaming on Native American lands and generally monitors tribal gaming including the establishment and enforcement of required minimum internal control standards. Each tribe is sovereign and must have a tribal gaming commission or office established to regulate tribal gaming activity to ensure compliance with IGRA, NIGC, and its Tribal-State Compact. We have complied with each of the numerous vendors licensing and specific product approval and shipping notification requirements imposed by Tribal-State Compacts and enforced by tribal and/or state gaming agencies under IGRA in the Native American lands in which we do business.

Application of future or additional regulatory requirements. In the future we intend to seek the necessary registrations, licenses, approvals, and findings of suitability for us, our products, and our personnel in other jurisdictions throughout the world. However, we may be unable to obtain such necessary items, or if such items are obtained, may be revoked, suspended, or conditioned. In addition, we may be unable to obtain on a timely basis, or to obtain at all, the necessary approvals of our future products as they are developed, even in those jurisdictions in which we already have existing products licensed or approved. If the necessary regulations are not sought after or the required approvals not received, we may be prohibited from selling our products in that jurisdiction or may be required to sell our products through other licensed entities at a reduced profit.

EMPLOYEES

We have twenty-three employees, including executive officers, management personnel, accounting personnel, office staff, sales staff, service technicians and research and development personnel. Our employees are co-employed by Advanstaff, Inc. a professional employer organization engaged by us to provide payroll and human resource services. As needed from time to time, we also pay for the services of independent contractors.

ITEM 1A. RISK FACTORS.

A smaller reporting company is not required to provide the information required by this Item.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We do not own any real property used in the operation of our current business. We maintain our corporate office at 6980 O'Bannon Drive, Las Vegas, Nevada. We currently pay rent to a related party pursuant to a lease entered into effective in 2010 with a current monthly rental payment of $10,359. We currently occupy 6,200 square feet and are currently anticipating that we will need to seek additional space to accommodate our expanded operations in the near future. See Note 11 in Item 8 for further details.

ITEM 3. LEGAL PROCEEDINGS

We have been named in and have brought lawsuits in the normal course of business. A description of these matters is contained in Note 11 in Item 8 and incorporated herein by this reference.

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

Prior to our reverse merger with SDI in 2009, we were a privately-held company. Also prior to the reverse merger, the common stock of SDI was quoted on the OTC Bulletin Board ("OTCBB"), which is sponsored by the Financial Industry Regulatory Authority ("FINRA"), under the symbol SDFD.OB. The OTCBB is a network of security dealers who buy and sell stock. The dealers are connected by a computer network that provides information on current "bids" and "asks," as well as volume information. A few months after the reverse merger, FINRA reissued SDI's stock ticker symbol as SECD.OB. After we were merged with SDI, we requested a new symbol from FINRA and were issued the symbol GLXZ.

The following table sets forth the range of high and low closing sale prices for our common stock for each of the periods indicated as reported by the OTCBB.

	2012		2011	
Quarter Ended	**High ($)**	**Low ($)**	**High ($)**	**Low ($)**
December 31,	0.25	0.18	0.30	0.16
September 30,	0.26	0.16	0.35	0.15
June 30,	0.29	0.17	0.50	0.23
March 31,	0.28	0.13	0.40	0.19

The SEC has adopted rules that regulate broker-dealer practices in connection with transactions in penny stocks. Penny stocks are generally equity securities with a market price of less than $5.00, other than securities registered on certain national securities exchanges or quoted on the NASDAQ system, provided that current price and volume information with respect to transactions in such securities is provided by the exchange or system. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock, to deliver a standardized risk disclosure document prepared by the SEC, that: (a) contains a description of the nature and level of risk in the market for penny stocks in both public offerings and secondary trading; (b) contains a description of the broker's or dealer's duties to the customer and of the rights and remedies available to the customer with respect to a violation of such duties or other requirements of the securities laws; (c) contains a brief, clear, narrative description of a dealer market, including bid and ask prices for penny stocks and the significance of the spread between the bid and ask price; (d) contains a toll-free telephone number for inquiries on disciplinary actions; (e) defines significant terms in the disclosure document or in the conduct of trading in penny stocks; and (f) contains such other information and is in such form, including language, type size and format, as the SEC shall require by rule or regulation.

The broker-dealer also must provide, prior to effecting any transaction in a penny stock, the customer with (a) bid and offer quotations for the penny stock; (b) the compensation of the broker-dealer and its salesperson in the transaction; (c) the number of shares to which such bid and ask prices apply, or other comparable information relating to the depth and liquidity of the market for such stock; and (d) a monthly account statement showing the market value of each penny stock held in the customer's account.

In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from those rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written acknowledgment of the receipt of a risk disclosure statement, a written agreement as to transactions involving penny stocks, and a signed and dated copy of a written suitability statement.

These disclosure requirements may have the effect of reducing the trading activity for our common stock. Therefore, stockholders may have difficulty selling our securities.

HOLDERS OF OUR COMMON STOCK

As of March 29, 2013, we had 38,310,591 shares of our common stock issued and outstanding, held by 278 shareholders.

DIVIDEND POLICY

There are no restrictions in our articles of incorporation or bylaws that prevent us from declaring dividends. The Nevada Revised Statutes, however, do prohibit us from declaring dividends where after giving effect to the distribution of the dividend:

- We would not be able to pay our debts as they become due in the usual course of business
- Our total assets would be less than the sum of our total liabilities plus the amount that would be needed to satisfy the rights of shareholders who have preferential rights superior to those receiving the distribution

We have not declared any dividends and we do not plan to declare any dividends in the foreseeable future.

TRANSFER AGENT

Our stock transfer agent and registrar is Empire Stock Transfer, Inc. located at 1859 Whitney Mesa Drive, Henderson, Nevada 89014. Their telephone number is (702) 818-5898.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

We have not yet adopted any formal equity compensation plans. In anticipation of establishing an equity compensation plan we:

- Agreed that our outside Board members serving through 2012 were to receive immediately-vested options to purchase 46,250 shares of our common stock per quarter.
- On March 29, 2012, our Board agreed to an initial employee stock grant program which granted 802,500 shares to 12 different employees in various grant sizes.
- As condition of his employment agreement, our Board granted options to Gary A. Vecchiarelli, our CFO to purchase 100,000 shares of our common stock at an exercise price equal to the closing price of our common stock on the trading day prior to the grant date ($0.25). Such options will vest over three years as follows: 33% on the first anniversary (July 1, 2013) and in equal monthly installments for the remaining 24 months.

RECENT SALES OF UNREGISTERED SECURITIES

On February 24, 2011 we sold a total of 533,333 shares of common stock and 266,667 warrants for total cash proceeds of $200,000.

On October 1, 2011, as a part of the asset acquisition structure for Prime Table Games, 2,000,000 shares valued at $0.24 each were issued separately to the two owners of Prime Table Games.

The offering and sale of our shares were exempt from registration under rule 506 of Regulation D. The shares were offered exclusively to accredited and/or sophisticated investors and there was no solicitation or advertising.

ITEM 6. SELECTED FINANCIAL DATA

The following table presents selected historical financial data. We derived the selected statements of operations data for the years ended December 31, 2012 and 2011 and balance sheet data as of December 31, 2012 and 2011 from our audited financial statements and notes thereto that are included elsewhere in this annual report. We derived the selected statements of operations data and balance sheet data for the years ended December 31, 2010 and 2009 from our audited financial statements that do not appear in this annual report.

You should read the following financial information together with the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this annual report. The information set forth below is not necessarily indicative of our future financial condition or results of operations.

	Years ended December 31,				
Statement of Operations Data:	**2012** [2]	**2011** [2]	**2010**	**2009** [1]	**2008**
Total revenues	$ 7,222,550	$ 3,684,865	$ 2,950,157	$ 2,765,674	$ 2,067,445
Net income (loss)	621,726	(473,336)	(135,861)	(447,711)	(504,204)
EBITDAS [3]	2,847,459	147,212	18,154	(266,266)	(387,840)
Statement of Cash Flows Data:					
Net cash provided by (used in) operating activities	$ 2,140,911	$ (273,425)	$ (136,671)	$ (421,587)	$ (36,830)
Net cash (used in) provided by investing activities	(62,204)	(10,175)	(2,704)	19,918	(102,912)
Net cash (used in) provided by financing activities	(1,402,484)	22,073	174,970	784,623	162,992
Balance Sheet Data:					
Cash and cash equivalents	$ 398,424	$ 182,907	$ 444,434	$ 408,839	$ 25,885
Current assets	2,290,724	1,448,272	988,972	1,008,994	408,312
Total assets	22,404,946	23,115,411	1,921,782	1,725,661	1,151,364
Current liabilities	3,562,098	3,061,780	739,750	1,031,936	1,031,936
Total liabilities	21,812,962	22,775,599	1,148,448	2,204,328	2,204,328
Shareholders' equity (deficit)	591,984	339,812	33,584	(478,667)	(1,120,198)

During 2009, we disposed of a real estate investment in a non-cash trade for 50,000 shares of common stock resulting in a loss of $99,950 from discontinued operations. This amount has been included in net loss for 2009.

(1) *In 2011, we made a significant acquisition of assets from Prime Table Game, LLC and Prime Table Games UK. The allocation of the total purchase price to the net assets acquired is as follows:*

Patents	*$ 13,259,000*
Customer relationships	*3,400,000*
Trademarks	*2,740,000*
Debt discount	*1,530,000*
Goodwill	*1,091,000*
Non-compete agreement	*660,000*
Total	*$ 22,680,000*

We transferred the following consideration for the net assets acquired:

Common stock – 2,000,000 shares	*$ 480,000*
Note payable – Prime Table Games LLC	*12,200,000*
Note payable – Prime Table Games UK	*10,000,000*
Total	*$ 22,680,000*

(2) In addition to disclosing financial results prepared in accordance with U.S. GAAP, we disclose information regarding EBITDAS. EBITDAS includes adjusting net income/(loss) to exclude interest, taxes,, depreciation, amortization and share based compensation. EBITDAS is not a measure of performance defined in accordance with U.S. GAAP. However, EBITDAS is used by management to evaluate our operating performance. Management believes that disclosure of the EBITDAS metric offers investors, regulators and other stakeholders a view of the our operations in the same manner management evaluates its performance. When combined with U.S. GAAP results, management believes EBITDAS provides a comprehensive understanding of our financial results. EBITDAS should not be considered as an alternative to net income/(loss) or to net cash provided by/(used in) operating activities as a measure of operating results or of liquidity. It may not be comparable to similarly titled measures used by other companies, and it excludes financial information that some may consider important in evaluating our performance. A reconciliation of U.S. GAAP net income/(loss) from operations to EBITDAS is as follows:

	Years ended December 31,				
EBITDAS Reconciliation:	**2012**	**2011**	**2010**	**2009**	**2008**
Net income (loss)	$ 621,726	$ (473,336)	$ (135,861)	$ (447,711)	$ (504,204)
Interest income	(21,600)	(24,821)	(26,150)	(29,265)	(30,938)
Interest expense	882,547	142,002	114,409	176,671	123,880
Income tax provision	(341,823)	—	—	—	—
Depreciation	50,488	40,149	12,833	16,040	16,374
Amortization	1,564,969	435,218	26,258	7,040	7,048
Share based compensation expense	91,152	28,000	26,665	10,959	—
EBITDAS	$ 2,847,459	$ 147,212	$ 18,154	$ (266,266)	(387,840)

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition, results of operations and liquidity and capital resources as of December 31, 2012 and 2011 and for the years ended December 31, 2012 and 2011. This discussion should be read together with our audited consolidated financial statements and related notes included in Item 8. Financial Statements and Supplementary Data.. Some of the information contained in this discussion includes forward-looking statements that involve risks and uncertainties; therefore our "Special Note Regarding Forward-Looking Statements" should be reviewed for a discussion of important factors that could cause actual results to differ materially from the results described in, or implied by, such forward-looking statements.

OVERVIEW

We develop, acquire, manufacture and market technology and entertainment-based products for the gaming industry for placement on the casino floor. Our products primarily relate to licensed casino operators' table games activities and focus on either increasing their profitability, productivity and security or expanding their gaming entertainment offerings in the form of proprietary table games, electronically enhanced table game platforms or fully-automated electronic tables. Our products are offered in highly regulated markets throughout the world. Our products are manufactured at our headquarters and manufacturing facility in Las Vegas, Nevada, as well as outsourced for certain sub-assemblies in the United States.

Plan of operation. See Item 1. Business and Note 1 in Item 8. for a more detailed discussion of our business, strategy and a description of each of our product categories.

Results of operations for the years ended December 31, 2012 and 2011. For the year ended December 31, 2012 our operations generated gross revenues of $7,222,550 compared to $3,684,865 in the prior year, an increase of $3,537,685 or 96%. This material increase was due primarily to the performances of the Prime Table Game assets added to our portfolio in October 2011 and the addition of e-Tables resulting from the TableMAX transaction in February 2011. Of this revenue, $7,144,744 or 98.9% was derived from product leases and royalties in 2012, compared to $3,655,148 or 99.1% in 2011. We consider our revenues from product leases and royalties to be our recurring revenues, and expect such revenues to provide the majority of our income going forward.

As a result of the increased product leases and royalties, we experienced an increase in the sale or reimbursement of our products and manufactured equipment, to $77,806 in 2012 from $29,717 in 2011, an increase of $48,089 or 162%. Additionally, we increased prices on certain ancillary products. While our revenue related to products and manufactured equipment increased dramatically, our cost of ancillary products and assembled components decreased to $70,205 in 2012 from $81,482 in 2011, a decrease of $11,277 or 13.8%. The majority of this decrease was related to useful life of our leased asset costs capitalized ending in 2012. Furthermore, the increased use of volume discounts and alternative sourcing of products contributed to additional savings.

Selling, general and administrative expenses were $4,113,502 in 2012 compared to $3,198,029 in 2011, an increase of $915,473 or 28.6%. The increase was primarily due to increased sales related expenses including sales commissions, payroll, travel and trade shows; increases in regulatory costs associated with product approvals and gaming licenses in new jurisdictions; and increases in legal expenses associated with the ongoing legal proceedings. Research and development expenses were $332,536 in 2012 compared to $286,142 in 2011, an increase of $46,394 or 16.2%. Our research and development costs increased due to the advancement of the Bonus Jackpot System Andromeda series. Amortization expense increased to $1,564,969 in 2012 from $435,218 in 2011, an increase of $1,129,751 or 260%. This increase in amortization relates to the full year of amortization related to the intangible assets purchased from Prime Table Games.

Other expenses increased to $810,947 in 2012 from $117,181 in 2011, an increase of $693,766 or 592%. The majority of these costs is the interest expense related to the Prime Table Games acquisition. Total interest expense was $882,547 for 2012, compared to $142,002 in 2011, or an increase of $740,545 or 522%. The increase in interest expense is due to interest payments related to the Prime Table Games acquisition.

Our net income increased to $621,726 in 2012 compared to a loss of $473,336 in 2011, or an increase of $1,095,062. The transition from a loss to profit was primarily due to the revenues derived from the Prime Table Games acquisition. Of the net income in 2012, $341,823 represents recognition of an income tax benefit as we anticipate a greater than 50% likelihood of realizing such tax benefits.

Liquidity and capital resources. Prior to 2012, we incurred net losses for all annual periods since inception. We have typically funded our operating costs, research and development activities, working capital investments and capital expenditures associated with our growth strategy with proceeds from the issuances of our common stock and other financing arrangements. We expect our revenues and earnings to increase in future periods, and we expect to reinvest these earnings in additional inventory and working capital to fund anticipated growth in our recurring revenue business.

As of December 31, 2012 we had total current assets of $2,290,724 and total assets of $22,404,946. Our total current liabilities as of December 31, 2012 were $3,562,098 and total liabilities were $21,812,962. Of our current assets, we had $398,424 in cash and equivalents as of December 31, 2012. We had restricted cash of $216,964 related to jackpot liabilities. Such funds are restricted by regulatory guidelines and may not be used for operations. The corresponding jackpot liability of $222,109 has been recorded in current liabilities. The difference of $5,145 represents December's client billing related to the player funded portion of the jackpot.

Our operating activities provided $2,140,911 in cash for the year ended December 31, 2012 and we used cash in operations of $273,425 for the year ended December 31, 2011. The primary component of our positive operating cash flow for the year ended December 31, 2012 was due to the increased profit from operations. The growth in the deferred revenue account represents our continued overall revenue growth.

Additionally, investing activities used cash of $62,204 for the year ended December 31, 2012, which includes acquisition of property and equipment of $18,467 and acquisition of products leased or held for lease of $47,416.

Cash used in financing activities during the year ended December 31, 2012 were $1,402,484, primarily relating to the Prime Table Games acquisition.

We intend to fund our continuing operations through increased sales and ongoing operations. Additionally, the issuance of debt or equity financing arrangements may be required to fund expenditures or other cash requirements.

We granted employees 802,500 shares of stock at a fair value of $0.10 per share of common stock. This was the only issuance of common stock in 2012 and we did not receive any proceeds from this grant. The grant has been recorded as share-based compensation expense and is included in selling, general & administrative expense on the statement of operations.

On February 24, 2011 we sold 533,333 shares of common stock and 266,667 warrants for total cash proceeds of $200,000. On October 4, 2011 we granted 2,000,000 shares of common stock, valued at $0.24 per share, as a part of the value for the acquisition of Prime Table Games' assets.

Despite our prior successful funding efforts, there can be no assurance that we will be successful in raising additional funding, if required. If we are not able to secure additional funding, the implementation of our business plan may be impaired. There can be no assurance that such additional financing will be available to us on acceptable terms or at all. We will from time to time acquire products and businesses complementary to our business. As a public entity, we may issue shares of our common stock and preferred stock in private or public offerings to obtain financing, capital or to acquire other businesses that can improve our performance and growth. To the extent that we seek to acquire other businesses in exchange for our common stock, fluctuations in our stock price could have a material adverse effect on our ability to complete acquisitions.

We restated our balance sheet, statement of stockholders' equity and statement of cash flows for the year ended December 31, 2011. The restatement is due to a non-cash accounting adjustment related to the foreign currency translation of the note payable to Prime Table Games UK. This accounting adjustment did not have an effect on the statement of operations or our liquidity and capital resources.

Off balance sheet arrangements. As of December 31, 2012 there were no off balance sheet arrangements.

Significant equipment. We do not anticipate the purchase of any significant equipment for the next twelve months.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A smaller reporting company is not required to provide the information required by this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors
Galaxy Gaming, Inc.
Las Vegas, Nevada

We have audited the accompanying balance sheets of Galaxy Gaming, Inc. as of December 31, 2012 and 2011, 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 Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company has determined that it is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits 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 includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Galaxy Gaming, Inc. as of December 31, 2012 and 2011 and the results of its operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/s/ Silberstein Ungar, PLLC

Silberstein Ungar, PLLC
Bingham Farms, Michigan
March 29, 2013

GALAXY GAMING, INC.
BALANCE SHEETS

ASSETS	December 31, 2012	December 31, 2011 (Restated)
Current assets:		
Cash and cash equivalents	$ 398,424	$ 182,907
Restricted cash	216,964	17,221
Accounts receivables, net allowance for bad debts of $44,223 and $41,306	1,026,768	843,328
Prepaid expenses	29,443	57,650
Inventory	217,772	217,162
Note receivable – related party, current portion	17,155	17,491
Deferred tax asset	341,823	—
Other current assets	42,375	112,513
Total current assets	2,290,724	1,448,272
Property and equipment, net	43,399	42,637
Products leased and held for lease, net	47,433	32,800
Intangible assets, net	18,550,416	20,111,763
Goodwill	1,091,000	1,091,000
Note receivable – related party, net of current portion	371,106	374,449
Other assets, net	10,868	14,490
Total assets	$ 22,404,946	$ 23,115,411
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 286,983	$ 274,576
Accrued expenses	251,734	337,979
Deferred revenue	440,342	336,048
Jackpot liabilities	222,109	21,350
Notes payable, current portion	2,360,930	2,091,827
Total current liabilities	3,562,098	3,061,780
Long-term debt		
Notes payable, net of debt discount, net of current portion	18,250,864	19,713,819
Total liabilities	21,812,962	22,775,599
Commitments and Contingencies (See Note 11)		
Stockholders' equity		
Preferred stock, 10,000,000 shares, $.001 par value preferred stock authorized; 0 shares issued and outstanding	—	—
Common stock, 65,000,000 shares authorized; 38,310,591 shares issued and outstanding (2011 – 37,508,091)	38,311	37,507
Additional paid-in capital	2,113,097	1,915,311
Stock warrants	401,827	513,181
Stock subscription receivable	—	(3,916)
Accumulated deficit	(1,565,505)	(2,187,231)
Accumulated other comprehensive (loss) income	(395,746)	64,960
Total stockholders' equity	591,984	339,812
Total liabilities and stockholders' equity	$ 22,404,946	$ 23,115,411

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

GALAXY GAMING, INC.
STATEMENTS OF OPERATIONS

	Year Ended December 31,	
	2012	**2011**
Revenue:		
Product leases and royalties	$ 7,144,744	$ 3,655,148
Product sales and service	77,806	29,717
Total revenue	7,222,550	3,684,865
Costs and expenses:		
Costs of ancillary products and assembled components	70,205	81,482
Selling, general and administrative	4,113,502	3,198,029
Research and development	332,536	286,142
Depreciation	50,488	40,149
Amortization	1,564,969	435,218
Total costs and expenses	6,131,700	4,041,020
Income (loss) from operations	1,090,850	(356,155)
Other income (expenses)		
Interest income	21,600	24,821
Interest expense	(882,547)	(142,002)
Gain on settlement	50,000	—
Total other income (expense)	(810,947)	(117,181)
Income (loss) before provision for income taxes	279,903	(473,336)
Provision for income taxes	341,823	—
Net income (loss)	$ 621,726	$ (473,336)
Basic earnings per share	$ 0.02	$ (0.01)
Diluted earnings per share	$ 0.02	$ (0.01)
Weighted average number of shares outstanding		
Basic	38,119,310	35,427,726
Diluted	38,119,310	37,508,091

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

GALAXY GAMING, INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Year Ended December 31,	
	2012	**2011**
Net income (loss)	$ 621,726	$ (473,336)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(460,706)	64,960
Total comprehensive income (loss)	$ 161,020	$ (408,376)

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

GALAXY GAMING, INC.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (RESTATED)

	Common Stock		Additional Paid in	Stock	Stock Subscription	Accumulated	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Capital	Warrants	Receivable	Deficit	Income (Loss)	Equity
Beginning balance, January 1, 2011	34,974,758	$ 34,974	$ 1,252,393	$ 470,632	$ (10,520)	$ (1,713,895)	$ —	$ 33,584
Net loss	—	—	—	—	—	(473,336)	—	(473,336)
Other comprehensive income	—	—	—	—	—	—	64,960	64,960
Common stock and warrants issued for cash	533,333	533	156,918	42,549	—	—	—	200,000
Share based compensation expense	—	—	28,000	—	—	—	—	28,000
Payments received for stock subscription receivable	—	—	—	—	6,604	—	—	6,604
Common stock issued in connection with asset acquisition	2,000,000	2,000	478,000	—	—	—	—	480,000
Balance, December 31, 2011 (Restated)	37,508,091	37,507	1,915,311	513,181	(3,916)	(2,187,231)	64,960	339,812
Net income	—	—	—	—	—	621,726	—	621,726
Other comprehensive loss	—	—	—	—	—	—	(460,706)	(460,706)
Share based compensation expense	802,500	804	90,348	—	—	—	—	91,152
Expiration of previously issued warrants	—	—	111,354	(111,354)	—	—	—	—
Write-off of uncollectible stock subscription receivable	—	—	(3,916)	—	3,916	—	—	—
Balance, December 31, 2012	38,310,591	$ 38,311	$ 2,113,097	$ 401,827	$ —	$ (1,565,505)	$ (395,746)	$ 591,984

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

GALAXY GAMING, INC.
STATEMENTS OF CASH FLOWS

	Year Ended December 31,	
Cash flows from operating activities:	**2012**	**2011 (Restated)**
Net income (loss) for the year	$ 621,726	$ (473,336)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	50,488	40,149
Amortization expense	1,564,969	435,218
Amortization of debt discount	208,632	52,158
Provision for bad debts	35,000	44,000
Write-off of inventory	—	15,000
Deferred income tax benefit	(341,823)	—
Share-based compensation	91,152	28,000
Changes in operating assets and liabilities:		
Increase in restricted cash	(199,743)	(17,221)
Increase in accounts receivable	(218,440)	(575,185)
Decrease (increase) in other current assets	70,138	(100,813)
Increase in inventory	(610)	(107,327)
Decrease (increase) in prepaid expenses	28,207	(32,710)
Increase in accounts payable	12,407	78,677
(Decrease) increase in accrued expenses	(86,245)	203,434
Increase in deferred revenue	104,294	115,181
Increase in jackpot liabilities	200,759	21,350
Net cash provided by (used in) operating activities	2,140,911	(273,425)
Cash flows from investing activities:		
Acquisition of property and equipment	(18,467)	(20,948)
Payments received on note receivable	3,679	28,510
Increase in products leased or held for lease	(47,416)	(17,737)
Net cash used in investing activities	(62,204)	(10,175)
Cash flows from financing activities:		
Collection of stock subscription receivable	—	6,604
Principal payments on notes payable	(1,402,484)	(184,531)
Proceeds from issuance of common stock	—	200,000
Net cash (used in) provided by financing activities	(1,402,484)	22,073
Effect of exchange rate changes on cash	(460,706)	—
Net increase (decrease) in cash and cash equivalents	215,517	(261,527)
Cash and cash equivalents – beginning of year	182,907	444,434
Cash and cash equivalents – end of year	$ 398,424	$ 182,907
Supplemental cash flow information:		
Cash paid for interest	$ 673,915	$ 115,537
Cash paid for income taxes	$ —	$ —
Non – cash investing and financing activities:		
Intangible assets acquired through the issuance of notes payable recorded at fair values	$ —	$ 21,150,000
Intangible assets acquired through the issuance of common stock recorded at fair values	$ —	$ 480,000
Debt discount related to fair value of notes payable	$ —	$ 1,530,000
Effect of exchange rate on note payable in foreign currency	$ —	$ 64,960
Write-off of uncollectible stock subscription receivable	$ 3,916	$ —

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

GALAXY GAMING, INC.

Notes to Financial Statements

NOTE 1. NATURE OF OPERATIONS

Unless the context indicates otherwise, references to "Galaxy Gaming, Inc.," "we," "us," "our," or the "Company," refers to Galaxy Gaming, Inc., a Nevada corporation ("Galaxy Gaming" or "GGINC"). "GGLLC" refers to Galaxy Gaming, LLC, a Nevada limited liability company that was a predecessor of our business but is not directly associated with Galaxy Gaming, Inc.

History of business entities. GGINC was incorporated in the State of Nevada on December 29, 2006, and acquired the business operations of several companies using the "*Galaxy Gaming*" moniker. Pursuant to these agreements, GGLLC sold selected assets, such as inventory and fixed assets, to GGINC. On January 1, 2007, GGLLC entered into several agreements with GGINC. On December 31, 2007, GGINC acquired, through an asset purchase agreement, GGLLC's remaining intellectual property including patents, patent applications, trademarks, trademark applications, copyrights, know-how and trade secrets related to the casino gaming services including but not limited to games, side bets, inventions and ideas. GGINC also acquired the existing client base from GGLLC.

Secured Diversified Investment, Ltd. Secured Diversified Investment, Ltd., a publicly held Nevada corporation ("SDI"), was served with an involuntary petition for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Nevada, Case No. 08-16332. The Bankruptcy Court's Order for Relief was entered on July 30, 2008. By order entered January 27, 2009, the Bankruptcy Court confirmed SDI's Plan of Reorganization ("Plan"). On February 10, 2009, SDI entered into a share exchange agreement with GGINC (the "Reverse Merger"). In connection with the Reverse Merger, SDI obtained 100% of the issued and outstanding shares of GGINC and simultaneously GGINC became a wholly-owned subsidiary of SDI. Pursuant to the terms and conditions of the Reverse Merger and the terms of the Plan, SDI issued 25,000,000 shares of common stock pro-rata to the former shareholders of GGINC in exchange for obtaining ownership of 100% of the issued and outstanding shares of GGINC"). SDI also issued 4,000,006 shares of new common stock on a pro rata basis to its creditors in exchange for the discharge of its outstanding debts under Chapter 11 of the U.S. Bankruptcy Code. All of SDI's issued and outstanding equity interests existing prior to the Reverse Merger were extinguished and rendered null and void. Immediately following these events there were 29,000,006 shares of common stock issued and outstanding. Following the closing of the share exchange agreement, SDI discontinued all prior operations and focused exclusively on the business and operations of its wholly-owned subsidiary, GGINC. On September 1, 2009, our Board approved a merger of SDI with its subsidiary, GGINC, pursuant to Nevada Revised Statute. §92A.180 ("Short Form Merger") and the surviving merged company was named "Galaxy Gaming, Inc."

In October 2011, we executed an asset purchase agreement ("PTG Agreement") with Prime Table Games LLC and Prime Table Games UK (collectively "Prime Table Games" or "PTG"). Under the terms of the PTG Agreement, we acquired over 20 different table games, including *21+3, Two-way Hold'em* and *Three Card Poker*, which are currently played on approximately 500 tables in 200 casinos in the United States, the United Kingdom and in the Caribbean (*Three Card Poker* rights are limited to the British Isles). The intellectual property portfolio includes 47 patents and patents pending, 96 worldwide trademark and design registrations and 47 domain name registrations. See Note 16.

Description of business. We are engaged in the business of designing, developing, manufacturing and/or acquiring proprietary casino table games and associated technology, platforms and systems for the global gaming industry. Beginning in 2011, we expanded our product line with the addition of fully automated table games, known as e-Tables and separately, we entered into agreements to license our content for use by internet gaming operators. Casinos use our proprietary products to enhance their gaming floor operations and improve their profitability, productivity and security, as well as offer popular cutting-edge gaming entertainment content and technology to their players. We market our products to land-based, riverboat and cruise ship gaming establishments and to internet gaming companies. The game concepts and the intellectual property associated with these games are typically protected by patents, trademarks and/or copyrights. We market our products primarily via our internal sales force to casinos throughout North America, the Caribbean, the British Isles, Europe, Australia and to cruise ships and internet gaming sites worldwide. We currently have an installed base of our products on over 3,000 gaming tables located in over 500 casinos, which positions us as the second largest provider of proprietary table games in the world.

Revenues consist of primarily recurring royalties received from our clients for the licensing of our game content and other products. These recurring revenues generally have few direct costs thereby generating high gross profit margins. In lieu of reporting as *gross profit*, this amount would be comparable to *revenues less cost of ancillary products and assembled components* on our financial statements. Additionally, we receive non-recurring revenue from the sale of associated products.

We group our products into three product categories we classify as "Proprietary Table Games," "Enhanced Table Systems" and "e-Tables." Our product categories are summarized below. Additional information regarding our products may be found on our web site, www.galaxygaming.com. Information found on the web site should not be considered part of this report.

Proprietary Table Games. We design, develop and deliver our Proprietary Table Games to enhance our casino clients' table game operations. Casinos use our Proprietary Table Games in lieu of those games in the public domain (e.g. Blackjack, Craps, Roulette, etc.) because of their popularity with players and to increase profitability. Our Proprietary Table Games are grouped into two product types we call "Side Bets" and "Premium Games." Side Bets are proprietary features and wagering schemes typically added to public domain games such as poker, baccarat, pai gow poker, craps and blackjack table games. Examples of side bets include such popular titles as *Lucky Ladies*, *21+3* and *Bonus Craps*. Premium Games are unique stand-alone games with their own unique set of rules and strategies. Examples of Premium Games include such popular titles as *Texas Shootout*, *Three Card Poker* and *Emperor's Challenge*. Typically, Premium Games command a higher price point per unit than Side Bets.

Enhanced Table Systems. Enhanced Table Systems are electronic enhancements used on casino table games to add to player appeal and enhance game security. We include in this product category our *Bonus Jackpot System*, our *Inter-Casino Jackpot System* and our *MEGA-Share*.

Our *Bonus Jackpot System* is designed to compete with our competitors' progressive jackpot systems and contains special features designed to further enhance the table game player's experience and in turn, the casino's profit. The *Bonus Jackpot System* consists of two independent components known as the *Bet Tabulator System*, which is used to detect players' wagers and *TableVision*, which is an electronic display attached to a gaming tables. Our current version of the *Bonus Jackpot System* is known as the "*Andromeda Series*." Advancements in the *Andromeda Series* includes the ability for two-way communication between gaming tables located anywhere in the world and one or more data processing centers. Currently known as our *Inter-Casino Jackpot System*, we believe this achievement for casino table games was the first of its kind in the world. The availability of the data processing centers is the result of an agreement we entered into with Amazon Web Services, a unit of Amazon.com. In addition, our clients may use our *Andromeda Series* to communicate with their data center or internal server using their private network. The *Andromeda Series* allows up to 16 player positions and 6 betting positions per player. The *Andromeda Series* was the first of its kind, allowing for the most sensors to be placed on a single gaming gable. Through the *TableVision* component, the *Andromeda Series* includes the ability to keep track of and display more than one jackpot.

Our *Inter-Casino Jackpot System* leverages the capabilities of our *Bonus Jackpot System* to connect and/or aggregate bonus or progressive jackpots from multiple casinos into a common network. This methodology often referred to as a "wide area progressive" has long been practiced in the slot machine industry, but was first introduced to table games in Nevada by us in April 2011.

MEGA-Share is a game play methodology invented by us that allows a player of one of our table games to share in the winnings of a jackpot together with other players. An example of this concept would be when multiple table game players are playing in a casino and one player obtains a winning hand entitling them to a jackpot, the event also triggers a second *MEGA-Share* jackpot that is divided among all players who placed a *MEGA-Share* qualifying wager. *MEGA-Share* rewards other players playing on other tables, other games, or even in other casinos with a share of a second jackpot simply for having a wager placed at the time another player won the main jackpot.

e-Tables. In February 2011, we entered into a definitive agreement to license the worldwide rights, excluding Oklahoma, Kentucky and the Caribbean, to the *TableMAX* e-Table system and simultaneously obtained the e-Table rights to the casino table games *Caribbean Stud*, *Caribbean Draw*, *Progressive Blackjack*, *Texas Hold'em Bonus* and *Blackjack Bullets*. See Note 16. The *TableMAX* e-Table system is a fully automated, multi-player electronic table game platform which does not need a human dealer. These platforms allow us to offer our Proprietary Table Game content in markets where live table games are not permitted. The e-Table product enables automation of certain components of traditional table games such as data collection, placement of bets, collection of losing bets and payment of winning bets. This automation provides benefits to both casino operators and players, including greater security and faster speed of play, reduced labor and other game related costs and increased profitability.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

This summary of our significant accounting policies is presented to assist in understanding our financial statements. The financial statements and notes are representations of our management team, who are responsible for their integrity and objectivity. These accounting policies conform to Generally Accepted Accounting Principles ("GAAP") and have been consistently applied to the preparation of the financial statements.

Basis of presentation. The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the SEC. In the opinion of management, all adjustments necessary in order for the financial statements to be not misleading have been reflected herein.

Basis of accounting. The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recognized as income when earned and expenses are recognized when they are incurred. We do not have significant categories of cost as our income is recurring with high margins. Expenses such as wages, consulting expenses, legal, regulatory and professional fees and rent are recorded when the expense is incurred.

Cash and cash equivalents. We consider cash on hand, cash in banks, certificates of deposit, and other short-term securities with maturities of three months or less when purchased, as cash and cash equivalents. Our bank accounts are deposited in insured institutions. The funds are insured up to $250,000 per account. To date, we have not experienced uninsured losses.

Restricted cash. We are required by gaming regulation to maintain sufficient reserves in restricted accounts to be used for the purpose of funding payments to winners of our jackpots offered. Compliance with restricted cash requirements for jackpot funding is reported to gaming authorities in various jurisdictions.

Inventory. Inventory consists of ancillary products such as signs, layouts, and bases for the various games and electronic devices and components to support our Enhanced Table Systems. Inventory value is determined by the average cost method and management maintains inventory levels based on historical and industry trends. We regularly assess inventory quantities for excess and obsolescence primarily based on forecasted product demand. See Note 5.

Products leased and held for lease. In 2011, we began to provide products whereby we maintain ownership and charge a fee for the use of the product. Since we retain title to the equipment, we classify these assets as "products leased and held for lease" and they are shown on the accompanying balance sheets. These assets are stated at cost, net of depreciation. Depreciation on leased products is calculated using the straight-line method over a three year period.

Property and equipment. Property and equipment are being depreciated over their estimated useful lives, 3 to 5 years, using the straight-line method of depreciation for book purposes.

Intellectual property and intangible assets. These intellectual property and intangible assets have finite lives and are being amortized using the straight-line method over their economic useful lives, five to thirty years. Material assets added over the past several years are as follows:

Client installation base	60 months
Patents	87 - 132 months
Trademarks	144 – 360 months
Client relationships	264 months

The intangible assets are analyzed for potential impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill. A goodwill balance of $1,091,000 was created as a result of the PTG asset acquisition. This asset will be assessed for impairment at least annually and if found to be impaired, its carrying amount will be reduced and an impairment loss will be recognized.

Impairment of long-lived assets. We continually monitor events and changes in circumstances that could indicate carrying amounts of long-lived assets may not be recoverable. When such events or changes in circumstances are present, we assesses the recoverability of long-lived assets by determining whether the carrying value of such assets will be recovered through undiscounted expected future cash flows. If the total of the future cash flows is less than the carrying amount of those assets, we recognize an impairment loss based on the excess of the carrying amount over the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or the fair value less costs to sell.

Fair value of financial instruments. The fair value of cash and cash equivalents, restricted cash, accounts receivable, prepaid expenses, other current assets, inventory, notes receivable-related party, deferred tax assets, accounts payable, accrued expenses, deferred revenue, jackpot liabilities and notes payable approximates the carrying amount of these financial instruments due to their short-term nature. The fair value of long-term debt, which approximates its carrying value, is based on current rates at which we could borrow funds with similar remaining maturities.

Concentration of risk. We are exposed to risks associated with clients who represent a significant portion of total revenues. As of December 31, 2012 and 2011, we had revenues from one client account for 13.2% and 8.1% of total revenues, respectively. The amounts in accounts receivable related to this significant client at December 31, 2012 and 2011 were $132,327 and $65,488, respectively.

Revenue recognition. Revenue is primarily derived from the licensing of our products and intellectual property. Consistent with our strategy, revenue is generated from negotiated month-to-month recurring licensing fees or the performance of our products, or both. We also, occasionally, receive a one-time sale of certain products and/or reimbursement of our manufactured equipment.

Substantially, all revenue is recognized when it is earned. Depending upon the product and negotiated terms, our clients may be invoiced monthly in advance, monthly in arrears or quarterly in arrears for the licensing of our products. If billed in advance, the advance billings are recorded as deferred revenue on our balance sheet. If billed in arrears, we recognize the corresponding preceding period's revenue upon invoicing at the subsequent date. Generally, we begin earning revenue with the installation or "go live" date of the associated product in our clients' establishment. The monthly recurring invoices are based on executed agreements with each client.

Additionally, clients may be invoiced for product sales at the time of shipment or delivery of the product. Revenue from the sale of our associated products is recognized when the following criteria are met:

(1) Persuasive evidence of an arrangement between us and our client exists;
(2) Shipment has occurred;
(3) The price is fixed and or determinable; and
(4) Collectability is reasonably assured or probable.

The combination of hardware and software included in our Enhanced Table Systems and e-Tables are essential to the operation of the respective systems. As such, we do not segregate the portion of revenue between manufactured equipment and any software or electronic devices needed to use the equipment when the system is provided. We do not market the software separately from the equipment.

Costs of ancillary products and assembled components. Ancillary products include paytables (display of payouts), bases, layouts, signage and other items as they relate to support specific proprietary games in connection with the licensing of our games. Assembled components represent the cost of the equipment, devices and incorporated software used to support the *Bonus Jackpot System*.

Research and development. We incur research and development costs to develop our new and next-generation products. Our products reach technological feasibility shortly before the products are released and therefore R&D costs are expensed as incurred. Employee related costs associated with product development are included in R&D costs.

Foreign currency translation. For non-US functional accounts, assets and liabilities are translated at exchange rates in effect at the balance sheet date, and income and expense accounts at the average exchange rates for the year. Resulting currency translation adjustments are recorded as a separate component of shareholders' equity. We record foreign currency transactions at the exchange rate prevailing at the date of the transaction with resultant gains and losses being included in results of operations. Realized foreign currency transaction gains and losses have not been significant for any period presented.

Income taxes. We record deferred tax assets and liabilities based on temporary differences between the financial reporting and tax bases of assets and liabilities, applying enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. We reduce deferred tax assets by a valuation allowance when it is more likely than not that some or all of the deferred tax assets will not be realized.

Our provision for income taxes includes interest and penalties related to uncertain tax positions. We only recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement.

Basic income (loss) per share. Basic earnings per share is calculated by dividing net income by the weighted average number of common shares issued and outstanding during the year. Diluted earnings per share is similar to basic, except that the weighted average number of shares outstanding is increased by the potentially dilutive effect of outstanding stock options and warrants, if applicable, during the year, using the treasury stock method.

Stock-based compensation. We measure and recognize all stock-based compensation, including restricted stock and stock-based awards to employees, under the fair value method. We measure the fair value of stock-based awards using the Black-Scholes model and restricted shares using the grant date fair value of the stock. Compensation is attributed to the periods of associated service and such expense is recognized on a straight-line basis over the vesting period of the awards. Forfeitures are estimated at the time of grant, with such estimate updated when the expected forfeiture rate changes.

Use of estimates and assumptions. We are required to make estimates, judgments and assumptions that we believe are reasonable based on our historical experience, contract terms, observance of known trends in our company and the industry as a whole, and information available from other outside sources. Our estimates affect reported amounts for assets, liabilities, revenues, expenses and related disclosures. Actual results may differ from initial estimates.

Reclassifications. Certain accounts and financial statement captions in the prior periods have been reclassified to conform to the current period financial statements.

Recently adopted accounting standards - adopted

Fair value measurements disclosure. In May 2011, the Financial Accounting Standards Board ("FASB") issued an accounting standards update that clarifies and amends the existing fair value measurement and disclosure requirements. This guidance became effective prospectively for interim and annual periods beginning after December 15, 2011. We adopted the provisions of the guidance in the first quarter of 2012. The adoption did not have a material impact on our financial statements.

Comprehensive income. In June 2011, the FASB issued an Accounting Standards Update ("ASU") that eliminates the option to present components of other comprehensive income as part of the statement of changes in equity and now requires an entity to present items of net income and other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This guidance also required companies to present on the face of the financial statements reclassification adjustments from other comprehensive income to net income, but in December 2011, the FASB issued an ASU that deferred this requirement. The guidance became effective for fiscal years beginning after December 15, 2011. We adopted the provisions of the guidance in 2012 and elected to present items of net income and other comprehensive income in two separate but consecutive statements.

New accounting standards not yet adopted

Qualitative impairment assessment for goodwill and other indefinite-lived intangibles. In July 2012, the FASB issued an ASU that gives an entity the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances, an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. This guidance was effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, which will be our fiscal year 2013. We do not expect the adoption of the guidance will have a material impact on our financial statements.

NOTE 3. NOTE RECEIVABLE – RELATED PARTY

The note receivable at December 31, 2012 and 2011 was as follows:

	2012	2011
Note receivable	$ 388,261	$ 391,940
Less: current portion	(17,155)	(17,491)
Total long-term note receivable	$ 371,106	$ 374,449

A note receivable was acquired as part of the 2007 asset purchase agreement with GGLLC. The note receivable is a ten year unsecured note with a 6% fixed interest rate, monthly principal and interest payments of $6,598 with the unpaid principal and interest due in February 2017. Interest income associated with this note receivable was $22,976 and $24,821 for the years ended December 31, 2012 and 2011, respectively. The terms of the note were amended in September 2010 whereby the monthly principal and interest payment was reduced to $3,332 and the unpaid principal and interest is due August 2015.

Management evaluates collectability on a regular basis and will set up reserves for uncollectible amounts when it has determined that some or all of this receivable may be uncollectible. At December 31, 2012, management believed that 100% of the note receivable principal and interest amounts are collectable.

NOTE 4. PREPAID EXPENSES

Prepaid expenses consist of the following as of December 31, 2012 and 2011:

	2012	2011
IT system	$ 9,065	$ 6,129
Insurance	8,096	18,371
Trade show expense	4,520	13,557
Professional services	3,000	7,500
Other prepaid expenses	2,757	1,145
Inventory costs	2,005	—
Property taxes	—	588
Rent	—	10,360
Total prepaid expenses	$ 29,443	$ 57,650

NOTE 5. INVENTORY

Inventory consists of the following as of December 31, 2012 and 2011:

	2012	2011
Raw materials and component parts	$ 109,637	$ 116,359
Finished goods	80,291	58,973
Work-in-process	60,739	76,830
Subtotal	250,667	252,162
Less: inventory reserve	(32,895)	(35,000)
Total inventory	$ 217,772	$ 217,162

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2012 and 2011:

	2012	2011
Computer equipment	$ 51,516	$ 43,845
Furniture and fixtures	73,772	62,976
Office equipment	10,320	10,320
Leasehold improvements	6,367	6,367
	141,975	123,508
Less: accumulated depreciation	(98,576)	(80,871)
Property and equipment, net	$ 43,399	$ 42,637

Included in depreciation expense was $17,705 and $22,412 related to property and equipment for the years ended December 31, 2012 and 2011, respectively.

NOTE 7. PRODUCTS LEASED AND HELD FOR LEASE

Products leased and held for lease consisted of the following at December 31, 2012 and 2011:

	2012	2011
Enhanced table systems	$ 98,573	$ 51,157
Less: accumulated depreciation	(51,140)	(18,357)
Products leased and held for lease, net	$ 47,433	$ 32,800

Included in depreciation expense was $32,783 and $17,737 related to products leased and held for lease for the years ended December 31, 2012 and 2011, respectively.

NOTE 8. INTANGIBLE ASSETS

Intangible assets consisted of the following at December 31, 2012 and 2011:

	2012	2011
Patents	$ 13,615,967	$ 13,615,967
Customer relationships	3,400,000	3,400,000
Trademarks	2,740,000	2,740,000
Non-compete agreements	660,000	660,000
Other intangible assets	150,000	150,000
	20,565,967	20,565,967
Less: accumulated amortization	(2,015,551)	(454,204)
Intangible assets, net	$ 18,550,416	$ 20,111,763

Included in amortization expense was $1,561,347 and $413,858 related to the above intangible assets for the years ended December 31, 2012 and 2011, respectively.

Included in intangible assets at December 31, 2012 and 2011 are other intangible assets of $150,000. This amount relates to the 2008 purchase of a regional territory from an outside sales representative. The total value of this agreement was $150,000 and the resulting intangible asset has an infinite life.

In October 2011, we acquired the following intangible assets related to the asset purchase with Prime Table Games:

	Fair Value
Patents	$ 13,259,000
Customer relationships	3,400,000
Trademarks	2,740,000
Goodwill	1,091,000
Non-compete agreement	660,000
Total	$ 21,150,000

NOTE 9. ACCRUED EXPENSES

Accrued expenses, consisted of the following at December 31, 2012 and 2011:

	2012	2011
Commissions	$ 67,026	$ 32,258
Salaries & payroll taxes	65,052	69,986
Professional fees	63,510	21,057
Vacation	50,949	55,773
Other accrued expenses	2,692	15,025
Accrued interest	2,505	1,380
Legal settlement expense	—	127,500
Trade show expenses	—	15,000
Total accrued expenses	$ 251,734	$ 337,979

NOTE 10. LONG-TERM DEBT

Long-term debt consisted of the following at December 31, 2012 and 2011:

	2012	2011
Note payable – related party	$ 1,122,915	$ 1,148,448
Notes payable, net of debt discount - PTG	19,488,879	20,657,198
	20,611,794	21,805,646
Less: current portion	(2,360,930)	(2,091,827)
Total long-term debt	$ 18,250,864	$ 19,713,819

The note payable – related party requires monthly principal and interest payments of $9,159, at a fixed interest rate of 7.3% through February 2017, at which time there is a balloon payment due of $1,003,000. This note payable is a result of the asset purchase agreement with GGLLC and under the direction of GGLLC, the payments are to be made on GGLLC's behalf directly to Bank of America. The note agreement remains in the name of GGLLC and we have no direct obligation to Bank of America. Additionally, Bank of America has filed a complaint against us. See Note 11 for further details.

In October 2011, we closed an asset acquisition with Prime Table Games. Included within the structure of the $23 million acquisition was a $22.2 million component consisting of two promissory notes: 1) a note payable for $12.2 million, and 2) a note payable for £6.4 million ($10.0 million USD) note. The notes were recorded at fair value, net of a debt discount of $1,530,000.

Maturities of our long-term debt as of December 31, 2012 are as follows:

Maturities as of:	Total
2013	$ 2,360,930
2014	2,855,755
2015	3,474,639
2016	4,193,202
2017	5,379,440
Thereafter	3,617,038
Total long term debt	$ 21,881,004
Less: debt discount	(1,269,210)
Long-term debt, net of debt discount	$ 20,611,794

NOTE 11. COMMITMENTS AND CONTINGENCIES

Operating lease obligations. We lease our offices from a related party that is connected with our CEO. We entered into a lease effective September 1, 2010 for a period of two years with a monthly rental payment of $10,359. Our lease expired at the end of August 2012 and is currently on a term of month-to-month. In addition to our offices, we rent various temporary storage facilities in the range of $150 to $460 a month. All temporary facilities have rental agreements with a monthly term. Rent expense was $141,598 and $130,300 for the years ended December 31, 2012 and 2011, respectively.

Based upon our current growth projections, we anticipate either renewing our existing lease agreement and/or expanding our operations with a lease of a second office, or in the alternative, we may elect to not renew our existing lease and seek an entirely new facility sometime in 2013. The amounts shown in the accompanying table reflect our estimates of lease obligations for the twelve months ending 2013 through 2017 and are based upon our current estimates of our projected needs and our forecast of the commercial real estate market in Las Vegas. These estimates are summarized as follows:

Twelve Months Ended December 31,	Annual Obligation (Estimate)
2013	$ 158,184
2014	218,700
2015	229,635
2016	241,116
2017	253,170
Thereafter	838,034
Total Estimated Lease Obligations	$ 1,938,839

Legal proceedings. From time to time, in the normal course of operations, we are a party to litigation matters and administrative claims by private parties or industry regulators. Litigation can be expensive and disruptive to normal business operations. Moreover, the results of complex legal proceedings are difficult to predict and our view of these matters may change in the future as the litigation and events related thereto unfold. We expense legal fees as incurred. We record a provision for contingent losses when it is both probable that a liability will be incurred and the amount or range of the loss can be reasonably estimated. Except as otherwise stated below, we have concluded that we cannot estimate the reasonably possible loss or range of loss, including reasonably possible losses in excess of amounts already accrued, for each specific matter disclosed below. An unfavorable outcome to any legal matter, if material, could have an adverse effect on our operations or our financial position, liquidity or results of operations.

California administrative licensing action – In March 2003, Galaxy Gaming of California, LLC ("GGCA"), then a subsidiary of GGLLC, submitted an application to the California Gambling Control Commission (the "Commission") for a determination of suitability for licensure to do business with tribal gaming operations in California. At the time, our CEO was a member of GGCA and was required to be included in the application process. The Division of Gambling Control of the California Department of Justice ("Division") processed the application and in 2005 made an initial recommendation to the Commission alleging GGCA was unsuitable. Claiming the information compiled by the Division was inaccurate and the process seriously flawed and biased, GGCA and our CEO, requested the Commission assign an administrative law judge to further adjudicate the process in December 2006. The Commission granted their request and required the Division to first submit a statement of issues ("SOI") against GGCA, which was filed in October 2009.

In February 2009, we independently applied to the Commission for a finding of suitability. We also sought the abandonment of the GGCA application. Since the Division (subsequently renamed the "*Bureau* of Gambling Control"), named our CEO in the SOI, the Commission decided to not process our application until resolution of the administrative action relating to GGCA. It also did not act upon our request to abandon the GGCA application. During these proceedings, we are entitled to conduct business in California, provided that we obtain the requisite authorization with each tribe in California either through obtainment of an appropriate license or an exempt status determination. Total revenues derived from California for the year ended December 31, 2012 and 2011, were $276,727 and $177,402, respectively. Our ability to continue to conduct business in California could be contingent upon a successful resolution of the action against GGCA. Accordingly, we decided to vigorously defend the administrative action, seek the abandonment of the GGCA application and seek an independent finding of suitability with the Commission.

The GGCA administrative action remains pending. Hearings before the Administrative Law Judge ("ALJ") concluded in February 2012, and closing briefs were filed in November 2012. It is anticipated the ALJ will present her findings to the Commission, which will ultimately decide the matter, subject to judicial review. An adverse decision could prevent us from conducting business in California and potentially pay reasonable costs of the investigation and prosecution of the case. Although the action is against our CEO and GGCA, it is unknown whether the Bureau will attempt to seek reimbursement against us or whether such reimbursement would be granted. An adverse finding of suitability could also influence other gaming regulatory agencies and negatively affect our ability to conduct business in those jurisdictions. We believe the allegations against GGCA and our CEO are baseless and entirely without merit and intend to continue to vigorously respond to this action.

Sherron Associates settlement. In October 2011, we and our CEO entered into a settlement agreement ("Sherron Settlement") with Sherron Associates, Inc. ("Sherron"). In connection with the Sherron Settlement, we agreed to pay Sherron the sum of $150,000 in monthly installments in the amount of $7,500 per month starting November 2011 and with scheduled increases over the course of one year to a maximum of $17,500 per month. The obligation was memorialized by a promissory note, at zero percent interest. We recorded a provision for litigation settlement of $150,000 during the quarter ended September 30, 2011. In addition, the Sherron Settlement required our CEO to pay either the sum of $350,000 by June 1, 2012 or $375,000 by November 1, 2012. We and our CEO separately complied with our respective obligations contained within the Sherron Settlement and the matter is now concluded.

Reel Games, Inc. dismissal. In November 2011, we were served with a complaint by Reel Games, Inc. ("Reel Games") in the United States District Court Southern District of Florida, alleging amongst other things, misappropriations of trade secrets, breach of confidence, fraud and intentional interference with contract. Reel Games claimed that the value of the information misappropriated alone was in excess of $1 million. The allegations stemmed from a mutual non-disclosure and non-circumvention agreement executed by the parties in May 2010, in connection with us evaluating the acquisition of certain assets of Reel Games. In December 2011, we filed a Motion for Dismissal and in October 2012, the District Court dismissed the action with prejudice. Other than the attorney fees incurred by us in the litigation, we paid no consideration to Reel Games or any other party.

Unax Gaming settlement. In early 2012, we filed a complaint against UNAX Service, LLC ("UNAX Gaming") for patent infringement. In May 2012, we entered into a settlement agreement with UNAX Gaming. As a result of the UNAX Settlement, UNAX Gaming assigned all of its rights and interest in the games "*Double Action Blackjack*" and "*Squeezit Blackjack*" which were deemed to have infringed on several patents held by us. The UNAX Settlement also called for UNAX Gaming to reimburse us $20,000 for court costs and attorney fees. Additionally, we received a note receivable from UNAX Gaming in the amount of $50,000. The note receivable bore annual interest of 6% and payments of interest only were to be made monthly, starting on June 1, 2012. The note receivable required payments of principal in the amount of $25,000 to be paid on or before December 31, 2012 and $25,000 on or before June 30, 2014. The note receivable had a provision whereby the second principal payment due in June 2014 would be forgiven if UNAX Gaming complied with all terms of the UNAX Settlement and makes all other interest and principal payments timely. In the event UNAX Gaming failed to make any of the foregoing payments on the dates specified, all remaining payments would have become immediately due and subject to payment of interest beginning immediately at an annual rate of 10%. As of December 31, 2012 UNAX Gaming paid in full the outstanding balance.

Washington administrative notice. In March 2012, we received a notice of administrative charges from the Washington State Gambling Commission ("Commission") as a result of a routine audit conducted by them in 2010. The notice involves alleged untimely notifications, predominantly by predecessor companies. We continue to communicate with Commission officials and the matter remains pending. Our executive leadership team believes the matter will be resolved without material effect to our business operations in Washington. We could be subject to fines, reimbursement of the commission's investigative costs or harsher sanctions if unsuccessful. For the year ended December 31, 2012 and 2011, Washington revenues were $1,148,242 and $1,154,925, respectively.

Bank of America action. In October 2012, we were served with a complaint by Bank of America ("BofA") regarding a promissory note payable between GGLLC and BofA. See Note 10. The complaint alleges we received valuable assets from GGLLC in 2007 for little or no consideration. We obtained these assets as a part of the asset purchase agreement from GGLLC for fair and just compensation and have at all times been fully compliant with our obligations to GGLLC. We have never been a party to any agreement with BofA and deny any and all liability to them. In November 2012, we filed our answer to their complaint and additionally, we filed a counter-lawsuit against BofA claiming Slander of Business, Abuse of Process, Breach of Contract and Detrimental Promissory Reliance. We intend to vigorously defend ourselves in this matter and pursue all available remedies against BofA, including but not limited to, recovery of damages caused by them. Our executive leadership team believes the matter will be resolved favorably and without material effect to our business, however, we could be subject to penalty interest and acceleration of the outstanding amount if unsuccessful.

NOTE 12. STOCKHOLDERS' EQUITY

We had 65,000,000 shares of $.001 par value common stock and 10,000,000 shares of $.001 par value preferred stock authorized as of December 31, 2012.

In 2011, we issued 533,333 shares and stock warrants of 266,667 generating cash proceeds of $200,000 that was used to fund ongoing operations. As a part of the asset acquisition of Prime Table Games in October 2011, a total of 2,000,000 shares of common stock valued at $480,000 were issued to the two owners..

Additionally, in March 2012, our Board of Directors approved a stock grant for a small group of employees that granted 802,500 shares of restricted common stock valued at $0.10 per share. There were 38,310,591 common shares and no preferred shares issued and -0- outstanding at December 31, 2012.

NOTE 13. RELATED PARTY TRANSACTIONS

We lease our offices from a related party that is related to our CEO. The lease was entered into effective September 1, 2010 for a period of two years requiring a monthly rental payment of $10,359. Our lease expired at the end of August 2012 and is currently on a term of month-to-month.

We paid legal fees directly to the law firm retained by our CEO. The law firm was engaged in 2009, 2010 and 2011 for the express purpose of defending the Sherron litigation. We believed this strategy to vacate the underlying judgment was a faster, surer and less expensive method to defend the Sherron litigation, than other alternatives available to us. Total fees from this law firm charged to expense were $0 and $61,887 for 2012 and 2011, respectively. We anticipate no further legal fees pertaining to the Sherron litigation as a result of the settlement. See Note 11.

We have a note receivable from a related party totaling $388,261 and $391,940 at December 31, 2012 and 2011, respectively. See Note 3.

We have a note payable to a related party. See Note 10.

Certain administrative, accounting and legal support services are performed by a related party of the CEO. We accrued or paid fees to the related party in the amount of $29,875 and $24,175 in the years ended December 31, 2012 and 2011, respectively.

NOTE 14. INCOME TAXES

The components of the provision (benefit) consist of the following:

	2012
Current:	
Federal	$ (51,655)
Deferred:	
Federal	(290,168)
Total	$ (341,823)

The income tax provision (benefit) differs from that computed using the federal statutory rate applied to income before taxes as follows:

	2012
Tax provision/(benefit) computed at the federal statutory rate	$ 97,966
Allowance for doubtful accounts	(737)
Inventories	1,021
Employee benefits	(1,688)
Share based compensation	6,616
Fixed assets	10,434
Intangible assets	35,651
Permanent items	5,570
Research and development credit	11,639
Net operating loss	(166,472)
Valuation allowance	(341,823)
Income tax provision (benefit)	$ (341,823)

Significant components of our deferred tax assets and liabilities as of December 31, 2012 are shown below.

	2012
Deferred Tax Assets:	
Allowance for doubtful accounts	$ 15,478
Inventories	11,513
Employee benefits	17,832
Share based compensation	6,616
Fixed assets	47,949
Foreign tax credits	48,986
General business credits	31,802
Net operating losses	255,982
Other	736
Total deferred tax assets before valuation allowance	436,894
Valuation allowance	(48,986)
Total deferred tax assets	387,908
Deferred Tax Liabilities:	
Fixed assets	10,434
Intangible assets	35,651
Total deferred tax liabilities	46,085
Net deferred tax assets	$ 341,823

We have a previous net operating loss carry-forward of approximately $1,207,000. Any income will be netted against this loss carry-forward, with the remainder to be used through the year 2028 to offset future taxable income. The cumulative net operating loss carry-forward for income tax purposes may differ from the cumulative financial statement loss due to permanent differences and timing differences between book and tax reporting. Additionally, we have a foreign tax credit carry-forward of approximately $49,000 that can be used in the future to offset federal income tax owed.

We periodically review the need for a valuation allowance against deferred tax assets based upon earnings history and trends.

NOTE 15. STOCK OPTIONS AND WARRANTS

Warrant activity. We issued 266,667 warrants in connection with the sale of common stock during the quarter ended June 30, 2011. We have accounted for these warrants as equity instruments in accordance with *EITF 00-19 (ASC 815-40) Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock*, and as such, will be classified in stockholders' equity as they meet the definition of "…indexed to the issuer's stock" in *EITF 01-06 (ASC 815-40) The Meaning of Indexed to a Company's Own Stock*. We have estimated the fair value of the warrants issued in connection with the sale of common stock at $42,549 for the year ended December 31, 2011, using the Black-Scholes option pricing model with the following assumptions:

	Warrants issued year ended December 31, 2011
Dividend yield	0%
Expected volatility	146%
Risk free interest rate	0.66%
Expected life (in years)	3.00

A summary of warrant activity is as follows:

	Common Stock Warrants	Weighted Average Exercise Price
Outstanding – January 1, 2011	1,750,715	$ 0.45
Issued	266,667	0.40
Exercised	—	—
Expired	—	—
Outstanding – December 31, 2011	2,017,382	0.43
Issued	—	—
Exercised	—	—
Expired	(686,429)	0.40
Outstanding – December 31, 2012	1,330,953	$ 0.45
Exercisable – December 31, 2012	—	—

Stock options. For the years ended December 31, 2012 and 2011, we issued 285,000 and 323,750 stock options, respectively. Stock options issued to members of our Board of Directors were 185,000 and 323,750 for the years ended December 31, 2012 and 2011, respectively. For our Board of Directors, the stock options were valued at the fair market value of the services performed that resulted in an expense of $8,000 and $12,000 for each year ended December 31, 2012 and 2011, respectively.

In July 2012, we issued our Chief Financial Officer 100,000 stock options at an exercise price equal to the closing price of our common stock on the trading day prior to the grant date ($0.25). The stock options granted were calculated to have a fair value of $17,415 using the Black-Scholes option pricing model with the following assumptions:

	Options issued year ended December 31, 2012
Dividend yield	0%
Expected volatility	118%
Risk free interest rate	0.33%
Expected life (years)	3.00

During the year ended December 31, 2011, we issued 22,500 stock options each year as part of the employment agreement with our prior CFO, who subsequently terminated his employment. Because the options were nullified as a result of his resignation, the expense was reversed as of December 31, 2011.

The cost of the options issued to the members of our Board of Directors and our Chief Financial Officer have been classified as share based compensation for the years ended December 31, 2012 and 2011, respectively.

A summary of stock option activity is as follows:

	Common Stock Options	Weighted Average Exercise Price
Outstanding – January 1, 2011	291,250	$ 0.45
Issued	323,750	0.40
Exercised	—	—
Expired	—	—
Outstanding – December 31, 2011	615,000	0.43
Issued	285,000	0.40
Exercised	—	—
Expired	(800,000)	—
Outstanding – December 31, 2012	100,000	$ 0.45
Exercisable – December 31, 2012	—	—

NOTE 16. ASSET ACQUISITIONS AND SIGNIFICANT TRANSACTIONS

Acquisition of Prime Table Games' assets. In October 2011, we executed an asset purchase agreement (the "PTG Agreement") with Prime Table Games LLC and Prime Table Games UK (collectively "Prime Table Games"). Under the terms of the PTG Agreement we acquired over 20 different table games, including *21+3*, *Two-way Hold'em* and *Three Card Poker* which are currently played on approximately 500 tables in 200 casinos in the United States, the United Kingdom and in the Caribbean (*Three Card Poker* rights are limited to the British Isles). The intellectual property portfolio includes 36 patents, 11 patents pending, 96 worldwide trademark and design registrations and 47 domain name registrations. The two principals of Prime Table Games also executed with us a non-compete agreement.

We accounted for the asset purchase as a business combination using the acquisition method of accounting which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the purchase date and be recorded on the balance sheet regardless of the likelihood of success of the related product or technology. The process for estimating the fair values of identifiable intangible assets involves the use of significant estimates and assumptions, including estimating future cash flows and developing appropriate discount rates. Transaction costs are not included as a component of consideration transferred and were expensed as incurred. The PTG Agreement related transaction costs expensed for the year ended December 31, 2011 were approximately $20,000.

Consideration Transferred. The acquisition-date fair value of the consideration transferred consisted of the following items:

Common stock – 2,000,000 shares	$	480,000
Note payable – Prime Table Games LLC		12,200,000
Note payable – Prime Table Games UK		10,000,000
Total	$	22,680,000

The note payable to Prime Table Games UK is in the amount of £6,400,000 (GBP). At the closing of the acquisition, the parties agreed to a conversion rate of one United States Dollar is equal to 64/100 British Pound Sterling, ($1.00USD = £0.64GBP). Interest on the promissory notes was 0% in 2011. The fair value of the notes, net of the debt discount was $20,670,000. The rate increases to 3% in 2012 and increases at 1% per year thereafter to maximum of 9%. Payments on each of the notes are as follows:

Prime Table Games LLC. Monthly payments are due under this note, commencing with $100,000 due on or before January 28, 2012. Subsequent payments are due on the 28th day of each month and the payment amount shall increase to $130,000 per month beginning 16 months after the closing, $160,000 per month beginning in 28 months, $190,000 per month beginning in 40 months and $220,000 beginning in 52 months until fully paid.

Prime Table Games UK. Monthly payments are due under this note, commencing with £64,000 due on or before January 28, 2012. Subsequent payments are due on the 28th day of each month and the payment amount shall increase to £76,800 per month beginning 16 months after the closing, £89,600 per month beginning in 28 months, £102,400 per month beginning in 40 months, £115,200 per month in 52 months until fully paid.

In the event future monthly revenue received by us from the "Assets," as defined in the Prime Agreement is less than 90% of the notes monthly payment due to Prime Table Games, then the note payments may, at our option, be adjusted to the higher of $100,000 per month (for the Prime Table Games LLC note) and £64,000 per month (for the Prime Table Games UK note) or 90% of the monthly revenue amount. If we engage in this payment adjustment election, the note shall not be deemed in default and the interest rate of the note will increase 2% per annum for the duration of the note or until the standard payment schedule resumes.

The notes are collateralized by the all of the assets acquired from Prime Table Games LLC and Prime Table Games UK.

Fair value estimate of assets acquired and liabilities assumed. The total purchase consideration is allocated to Prime Table Games intangible assets based on their estimated fair values as of the closing date. The allocation of the total purchase price to the net assets acquired is as follows:

Patents	$	13,259,000
Customer relationships		3,400,000
Trademarks		2,740,000
Debt discount		1,530,000
Goodwill		1,091,000
Non-compete agreement		660,000
Total	$	22,680,000

Acquisition of Lakes Entertainment's assets. In November 2011, we entered into an asset purchase agreement (the "Lakes Agreement") with Lakes Entertainment, Inc., a Minnesota corporation ("Lakes"). Under the Lakes Agreement, we acquired certain business assets of Lakes. The acquisition includes a portfolio of patented casino table games, including *Bonus Craps*, *Four The Money*, *Rainbow Poker*, and *Roulette Craps*, together with an assignment of the Lakes' rights under existing licensing agreements with various casinos throughout the United States. The assignment of some of the contractual rights included in the acquisition will require the consent of the licensee and may be subject to customary regulatory approvals.

The purchase price was $1 plus additional revenue sharing payments ("Contingent Consideration"), which we are obligated to pay. The Contingent Consideration is based upon differing percentages of the gross revenues generated by the acquired assets following the acquisition. Under the Lakes Agreement, Lakes has retained a perpetual, royalty-free license to install and offer for play any of the assigned casino games in any casino owned or managed by Lakes. The Lakes Agreement allows us the option at any time to buy-out Lakes' right to the Contingent Consideration. In the event an agreed amount of Contingent Consideration has been not received within 18 months after the closing of the Lakes Agreement, Lakes will have the option to re-acquire all assets assigned under the Lakes Agreement and to collect all revenue generated by such assets going forward. In connection with the Lakes Agreement, Lakes has executed a non-competition agreement restricting Lakes participation in any business whose products are substantially similar to the casino games acquired by us under the Lakes Agreement for a period of two years.

TableMAX agreement. In February 2011, we entered into a definitive agreement ("TMAX Agreement") with TableMAX Corporation ("TMAX") a provider of electronic table games and platforms headquartered in Las Vegas, Nevada and a principal investor in TMAX. Under the terms of the TMAX Agreement, we have exclusive worldwide rights (excluding one international territory and two U.S. states) to the TMAX electronic gaming platform and certain game titles. We created an operating division (the "TableMAX Division") which conducts sales, distribution, marketing, engineering, sub-licensing and manufacturing related to the TMAX products and related intellectual property. The TableMAX Division is wholly owned by us and is not considered owned by, related to, a joint venture partner of or an agent of TMAX in any manner. The term of the TMAX Agreement is five years. At any time during the term of the TMAX Agreement, either TMAX or we may make a written offer to purchase the sole ownership of the TableMAX Division. Such offer shall be subject to the parties' mutual agreement and neither party shall be under any obligation to accept such an offer. If such an agreement has not been consummated within six months of the expiration of the TMAX Agreement, then each party must indicate to the other party no later than six months from the scheduled expiration of the TMAX Agreement, their intent to renew the TMAX Agreement for a term of at least one year, or terminate.

TMAX agreed to assign, for the term of the TMAX Agreement, all of its existing gaming installations and usable inventory to the TableMAX Division. We agreed to furnish our intellectual property relating to our table game content for use by the TableMAX Division, royalty-free for the term of the TMAX Agreement. The TMAX Agreement specifies annual performance targets whereby we are required, on a cumulative basis, to have minimum table placements. If we fail to meet the performance criteria as defined in the TMAX Agreement, we will be required to pay TMAX the difference between TMAX's share of the actual profit obtained by the TableMAX Division and the estimated profit that would have been obtained if the minimum performance criteria had been obtained.

We are responsible for the losses of the TableMAX Division however, TMAX has agreed to reimburse us during the first 12 months from the date of the TMAX Agreement for operating expenses of the TableMAX Division up to a maximum of $600,000. Subsequent to the 12 months anniversary of the TMAX Agreement, TMAX notified us that they would continue to reimburse us for the losses attributed with the TableMAX Division through December 31, 2012. Net profits from the TableMAX Division will be split between TMAX and us on a sliding scale basis dependent upon the number of TableMAX Division table installations and profit results as defined in the TMAX Agreement. While TMAX has not agreed to reimbursement of losses subsequent to December 31, 2012, we have not experienced significant losses attributable to the TableMAX Division.

Included in other current assets is $38,925 representing reimbursement due from TMAX at December 31, 2012.

NOTE 17. SUBSEQUENT EVENTS

Bank of America Update. In February 2013, The Alix Saucier Regulatory Trust (also a party to the complaint filed by Bank of America) filed a motion to dismiss based on the arbitration clause in the original agreement with Bank of America. The motion was converted from a dismissal to a stay of the proceedings and the court ordered all parties to arbitration. Additionally, Bank of America sought a dismissal of our counter-complaints and no action was taken on their motion as the court asked us to provide further detailed information to substantiate our counter-complaints.

In accordance with ASC 855-10, we have analyzed our operations subsequent to December 31, 2012 to the date these financial statements were issued, and has determined that we do not have any material subsequent events to disclose in these financial statements other than the events discussed above.

NOTE 18. CORRECTION OF ERRORS AND RESTATEMENTS

We have restated our ending balances for 2011, as well as the balance sheet, statement of stockholders' equity, and statement of cash flows for 2011 to correct an error in our accounting. The error relates to an adjustment for foreign currency translation of the notes payable balance to Prime Table Games UK, which is recorded in the functional currency pound sterling. The adjustment records an unrealized translation adjustment to the accumulated other comprehensive income (loss) account. There was no effect on the statement of operations.

The following are the previous and corrected balances for the year ended December 31, 2011:

December 31, 2011 Financial Statements	Line Item	Corrected	Previously Stated
Balance Sheet	Notes payable, current portion	2,091,827	1,835,240
Balance Sheet	Notes payable, net of debt discount, net of current portion	19,713,819	20,035,366
Balance Sheet	Total liabilities	22,775,599	22,840,599
Balance Sheet	Accumulated other comprehensive income	64,960	—
Balance Sheet	Total shareholders' equity	339,812	274,852
Statement of Stockholders' Equity	Accumulated other comprehensive (loss) income	64,960	—
Statement of Stockholders' Equity	Total shareholders' equity	339,812	274,852
Statement of Cash Flows	Non-cash investing and financing activities:		
	Effect of exchange rate on note payable in foreign currency	64,960	—

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

No events occurred requiring disclosure under Item 307 and 308 of Regulation S-K during the fiscal year ending December 31, 2012.

ITEM 9A(T). CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in company reports filed or submitted under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include without limitation, controls and procedures designed to ensure that information required to be disclosed in company reports filed or submitted under the Exchange Act is accumulated and communicated to management, including our CEO and Treasurer, as appropriate to allow timely decisions regarding required disclosure.

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our CEO and CFO carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of December 31, 2012. Based on their evaluation, they concluded that our disclosure controls and procedures were effective.

Our internal control over financial reporting is a process designed by, or under the supervision of, our CEO and CFO and effected by our Board, management and other personnel, to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of our financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of our financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with the authorization of our Board and management; 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 our financial statements.

Under the supervision and with the participation of our management, including our CEO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation under the criteria established in Internal Control – Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2012.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

During the most recently completed fiscal year, there has been no change in our internal control over financial reporting that has materially affected or is 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

Directors and executive officers. The following information sets forth the names of our current directors and executive officers and their ages.

Name	Age	Office(s) held
Robert B. Saucier	58	President, CEO, Chairman of the Board, interim CFO, interim Secretary and interim Treasurer
William O'Hara	72	COO and Director
Gary A. Vecchiarelli	35	CFO, Secretary and Treasurer

Set forth below is a brief description of the background and business experience of each of our current executive officers and directors.

Robert B. Saucier is our President, CEO, and Chairman of the Board. Mr. Saucier is our founder and has served as our President and CEO since inception and for our accounting and operational predecessors since 1997. Besides leading the executive team, Mr. Saucier's primary responsibilities include product development, strategic planning, developing acquisition strategies and investor relations. During his career, Mr. Saucier has founded and grown five start-up companies. He was founder and CEO of the Mars Hotel Corporation, (1992 - 1998) a company that developed and managed the first non-tribal casino in Washington. Previously, Mr. Saucier founded International Pacific, an Inc. 500 company which recorded a 2,447% growth rate (five year period) and served as its President and Chairman (1986 -1992). He also founded and led Titan International, Inc. (1981 - 1986), a company that was engaged in electronic safety, security and surveillance systems. Throughout his career, Mr. Saucier has consulted with and invested in numerous business ventures and real estate development projects.

William O'Hara is our Chief Operating Officer and a director and is in charge of the day-to-day operations of our business. After a successful 21-year career in the cosmetic, cosmetology and aesthetic industry, Mr. O'Hara began his gaming industry career as the first employee of Shuffle Master Gaming in 1991. Mr. O'Hara relocated to Las Vegas in 1992 to head up that company's sales, service and marketing. In 1998, he joined Casinovations, Inc. as Senior Vice President of operations and president of its Mississippi subsidiary. In 2000, Mr. O'Hara joined PDS Gaming as the Senior Vice President of their newly formed electronic table games division. Mr. O'Hara joined our team in February 2008. Mr O'Hara previously served on the Board of Directors of the Missouri Riverboat Gaming Association and Casino Management Association.

Gary A. Vecchiarelli is our Chief Financial Officer, Corporate Treasurer and Secretary. Mr. Vecchiarelli has over thirteen years of professional experience in accounting and finance. Most of Mr. Vecchiarelli's career has been in public accounting with two national accounting firms. Early in his career, Mr. Vecchiarelli worked with Crawford, Pimentel & Co., Inc, a regional firm based in San Jose, CA and national firm McGladrey & Pullen, LLP from 2003 to 2008. From 2008 to 2011, Mr Vecchiarelli joined BDO USA, LLP ("BDO") where he played a key role in helping to open and establish the firm's Las Vegas audit practice. Mr. Vecchiarelli has significant experience working with complex accounting issues including mergers & acquisitions, revenue recognition, SEC financial reporting and Sarbanes-Oxley compliance. During his tenure with BDO, Mr. Vecchiarelli's clientele included gaming manufacturers Aruze Gaming America, Inc., FortuNet, Inc. and one of the world's largest timeshare companies - Diamond Resorts International. Mr. Vecchiarelli is a member of the American Institute of Certified Public Accountants, Financial Executives International and Institute of Management Accountants. Currently, he is President of the Las Vegas Chapter of the Institute of Management Accountants and has served on its Board of Directors since 2008. Mr. Vecchiarelli maintains an active CPA license in the states of California and Nevada.

Mr. Daniel Scott and Mr. Richard Baldwin were outside Directors who resigned in March 2012 and October 2012, respectively.

Our bylaws authorize no less than one and no more than fifteen directors. We currently have two directors.

Term of office. Our directors are appointed for a one-year term to hold office until the next annual meeting of our shareholders or until removed from office in accordance with our bylaws. Our officers are appointed by our Board and hold office until removed by the Board.

Family relationships. There are no family relationships between or among the directors, executive officers or persons nominated or chosen by us to become directors or executive officers.

Director or officer involvement in certain legal proceedings. To the best of our knowledge, except as described below, during the past five years, none of the following occurred with respect to a present or former director or executive officer of the Company: (1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; (2) any conviction in a criminal proceeding or being subject to a pending criminal proceeding (excluding traffic violations and other minor offenses); (3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of any competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities or banking activities; and (4) being found by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission or the Commodities Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacated.

None.

Committees of the Board. We do not currently have an executive committee or stock plan committee.

Audit committee. We do not have a separately-designated standing audit committee. The entire Board performs the functions of an audit committee, but no written charter governs the actions of the Board when performing the functions of what would generally be performed by an audit committee. The Board approves the selection of our independent accountants and meets and interacts with the independent accountants to discuss issues related to financial reporting. In addition, the Board reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants our annual operating results, considers the adequacy of our internal accounting procedures and considers other auditing and accounting matters including fees to be paid to the independent auditor and the performance of the independent auditor.

Nominating committee. Our Board does not maintain a nominating committee. As a result, no written charter governs the director nomination process. The size of our Board, at this time, does not require a separate nominating committee.

When evaluating director nominees, our directors consider the following factors:

(1) The appropriate size of our Board;
(2) Our needs with respect to the particular talents and experience of our directors;
(3) The knowledge, skills and experience of nominees, including experience in finance, administration or public service, in light of prevailing business conditions and the knowledge, skills and experience already possessed by other members of the Board;
(4) Experience in political affairs;
(5) Experience with accounting rules and practices; and
(6) The desire to balance the benefit of continuity with the periodic injection of the fresh perspective provided by new Board members.

Our goal is to assemble a Board that brings together a variety of perspectives and skills derived from high quality business and professional experience. In doing so, the Board will also consider candidates with appropriate non-business backgrounds. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Board may also consider such other factors as it may deem are in our best interests as well as our stockholders. In addition, the Board identifies nominees by first evaluating the current members of the Board willing to continue in service. Current members of the Board with skills and experience that are relevant to our business and who are willing to continue in service are considered for re-nomination. If any member of the Board does not wish to continue in service or if the Board decides not to re-nominate a member for re-election, the Board then identifies the desired skills and experience of a new nominee in light of the criteria above. Current members of the Board are polled for suggestions as to individuals meeting the criteria described above. The Board may also engage in research to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate or assist in identifying potential nominees, although we reserve the right in the future to retain a third party search firm, if necessary. The Board does not typically consider shareholder nominees because it believes that our current nomination process is sufficient to identify directors who serve our best interests.

Section 16(a) beneficial ownership reporting compliance. Section 16(a) of the Exchange Act requires our directors and executive officers and persons who beneficially own more than ten percent of a registered class of our equity securities to file with the SEC initial reports of ownership and reports of changes in ownership of common stock and other equity securities. Officers, directors and greater than ten percent beneficial shareholders are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To the best of our knowledge based solely on a review of Forms 3, 4, and 5 (and any amendments thereof) received by us during or with respect to the year ended December 31, 2012, the following persons have failed to file, on a timely basis, the identified reports required by Section 16(a) of the Exchange Act during fiscal year ended December 2012:

Name and principal position	Number of late reports	Transactions not timely reported	Known failures to file a required form
Robert B. Saucier, CEO	1	1	0
Gary A. Vecchiarelli, CFO	1	1	0
William O'Hara, COO	n/a	n/a	n/a
Dan Scott, director	n/a	n/a	n/a
Rich Baldwin, director	n/a	n/a	n/a

Code of Ethics. As of December 31, 2012, we had not adopted a Code of Ethics for Financial Executives, which would include our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions.

ITEM 11. EXECUTIVE COMPENSATION

Compensation discussion and analysis. Our current executive compensation system consists of cash compensation to the executive officers, who are primarily responsible for the day-to-day management and continuing development of our business.

We presently do not have an employment agreement or any fixed policy regarding compensation of Robert Saucier, our CEO. Currently, Mr. Saucier receives cash compensation of approximately $120,000 per year, which was raised to that level as of January 1, 2012. As our founder, Mr. Saucier holds a strong entrepreneurial interest in developing and expanding our business to the best of his ability.

In connection with Mr. Vecchiarelli's appointment as Chief Financial Officer, on July 1, 2012, we entered into an employment agreement with Mr. Vecchiarelli extending through the period ended on June 30, 2015. Under the terms of the employment agreement, Mr. Vecchiarelli will be paid a base salary as indicated below:

	Monthly Gross Salary	Annualized
July 1, 2012 to December 31, 2012	$ 10,000	$ 120,000
January 1, 2013 to June 30, 2013	$ 11,000	$ 132,000
As of July 1, 2013	$ 12,500	$ 150,000

Additionally, Mr. Vecchiarelli will be eligible for incentive bonus compensation up to 50% of his base salary. The basis and methodology for receiving an incentive bonus will be at the sole discretion of our Board of Directors. Mr. Vecchiarelli also received a grant of 100,000 options to purchase our common stock, with the strike price of the options to be determined based on the closing price of our common stock on the day prior to his hire date. Such options will vest over three years as follows: 33% on the first anniversary (July 1, 2013) and in equal monthly installments for the remaining 24 months.

Our COO, William O'Hara, is party to a three-year employment agreement with us. The initial three-year term expired in February 2011, however Mr. O'Hara continues to be represented by the agreement. Mr. O'Hara's compensation arrangement consists of a base annual salary together with a potential monthly bonus to be awarded for those months in which we achieve higher sales figures than in any previous month. The objective of this arrangement is to provide Mr. O'Hara with an incentive for him to lead the operations towards a continually expanding revenue base. Additionally, Mr. O'Hara was the recipient of a stock grant of 225,000 shares at a strike price of 10 cents per share on March 29, 2012. See "Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters" for more complete information.

Summary compensation table. The table below summarizes all compensation awarded to, earned by, or paid to our current executive officers for each of the last two completed fiscal years.

SUMMARY COMPENSATION TABLE

Name and principal position	Year	Salary ($)	Bonus ($)	Stock awards ($)	Option awards ($) [A]	Non-equity incentive plan ($)	Nonqualified deferred earnings ($)	All other compensation ($)	Total ($)
Robert Saucier, CEO	2012	120,000	-	-	-	-	-	-	120,000
	2011	30,782	-	-	-	-	-	-	30,782
Gary A. Vecchiarelli, CFO	2012	65,113	-	-	2,902	-	-	-	68,015
	2011	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
William O'Hara, COO	2012	162,168	-	22,500	-	-	-	-	184,668
	2011	148,438	-	-	-	-	-	-	148,438

Narrative disclosure to the summary compensation table. We do not have a written employment contract with our CEO, Robert Saucier. His compensation increased to $120,000 annually as of January 1, 2012. Our COO, William O'Hara is party to a three-year employment agreement with us. Mr. O'Hara receives a base annual salary of $150,000. In addition, for each month in which our total sales are higher than any previous month, Mr. O'Hara earns a bonus equal to 10% of the increased sales above the prior monthly record. Mr. O'Hara's contract expired in February 2011, however, Mr. O'Hara will receive six months of severance pay including benefits if his termination is other than for cause. Our former CFO, Secretary, and Treasurer, Andrew Zimmerman was also party to a three-year employment agreement with us through November 2012. Mr. Zimmerman's base compensation consisted of a monthly salary paid in semi-monthly installments. Under his employment agreement with us, Mr. Zimmerman's base salary began at $6,600 and increased in phases over the course of his first year of employment to a maximum of $12,500 per month. Mr. Zimmerman's employment with us ended effective February 1, 2012.

The dollar amounts of Option awards are the aggregate grant date fair value of the option awards. Please refer to Note 15 for further information about our calculation of those amounts, which we based on the reported closing market price of our common stock on the date we granted the options.

Outstanding equity awards at fiscal year-end table. The table below summarizes all unexercised options, stock that has not vested, and equity incentive plan awards for each named executive officer outstanding as of the end of our last completed fiscal year.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	OPTION AWARDS					STOCK AWARDS			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (#)
Robert B. Saucier, CEO	-	-	-	-	-	-	-	-	-
William O'Hara, COO	-	-	-	-	-	-	-	-	-
Gary A. Vecchiarelli, CFO	100,000	-	-	$0.25	7/1/2017	-	-	-	-

Compensation of directors table. The table below summarizes all compensation paid to our directors for our last completed fiscal year.

DIRECTOR COMPENSATION

Name	Fees earned or paid in cash	Stock awards	Option awards	Non-equity incentive plan compensation	Non-qualified deferred compensation earnings	All other compensation	Total
Robert B. Saucier	$120,000	-	-	-	-	-	$120,000
William O'Hara	162,168	-	-	-	-	-	162,168
Dan Scott	-	-	4,000	-	-	-	4,000
Richard Baldwin	-	-	12,000	-	-	-	12,000

Narrative disclosure to the director compensation table. Robert Saucier and William O'Hara do not currently receive any cash compensation from us or for their service as members of the Board. The compensation summarized above reflects the compensation each of our directors and former directors received in their capacities as our executive officers. Dan Scott and Richard Baldwin each received a cash stipend in the amount of $4,000 per quarter. We have also agreed that Mr. Scott and Mr. Baldwin were to receive immediately-vested options to purchase 46,250 shares of our common stock per quarter. Mr. Scott and Mr. Baldwin resigned effective March 2012 and October 2012, respectively.

Stock option grants. In anticipation of establishing an equity compensation plan we granted options to our CFO to purchase 100,000 shares of our common stock, with the strike price of the options to be determined based on the closing price of our common stock on the day prior to his hire date ($0.25). Such options will vest over three years as follows: 33% on the first anniversary (July 1, 2013) and in equal monthly installments for the remaining 24 months. We also agreed that our outside Board members, Dan Scott and Richard Baldwin, would receive immediately-vested options to purchase 46,250 shares of our common stock per quarter. The exercise price and term of such stock options was not determined at the grant date. However, all options granted to directors were expired at December 31, 2012 due to their separation.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 28, 2012, the beneficial ownership of our common stock by each executive officer and director, by each person known by us to beneficially own more than 5% of the our common stock and by the executive officers and directors as a group. Except as otherwise indicated, all shares are owned directly and the percentage shown is based on 38,310,591 shares of common stock issued and outstanding on March 28, 2012:

Name of beneficial owner (1)	Amount of beneficial ownership	Percent of class
Triangulum Partners, LLC (2)	23,666,667	61.78%
William O'Hara, COO and director (3)	237,500	0.62%
Gary A. Vecchiarelli, CFO	20,000	0.05%
Total of All Directors and Executive Officers:	23,924,167	62.45%
More Than 5% beneficial owners:	**None.**	

(1) As used in this table, "beneficial ownership" means the sole or shared power to vote, or to direct the voting of, a security, or the sole or shared investment power with respect to a security (i.e., the power to dispose of, or to direct the disposition of, a security). In addition, for purposes of this table, a person is deemed, as of any date, to have "beneficial ownership" of any security that such person has the right to acquire within 60 days after such date.
(2) Mr. Saucier is the Manager of Triangulum Partners, LLC. In that capacity, he is able to direct voting and investment decisions regarding the entity's shares of common stock.
(3) Of Mr. O'Hara's 237,500 shares of our stock, 225,000 was granted as part of an Employee Stock Grant program on March 29, 2012. See Item 11. Executive Compensation and See Note 15 in Item 8.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

Except as set forth below, none of our directors or executive officers, nor any proposed nominee for election as a director, nor any person who beneficially owns, directly or indirectly, shares carrying more than 5% of the voting rights attached to all of our outstanding shares, nor any members of the immediate family (including spouse, parents, children, siblings, and in-laws) of any of the foregoing persons has any material interest, direct or indirect, in any transaction over the last two years or in any presently proposed transaction which, in either case, has or will materially affect us:

(1) We currently lease our corporate offices at 6980 O'Bannon Drive, Las Vegas, Nevada from a party related to our CEO.

We are not a "listed issuer" within the meaning of Item 407 of Regulation S-K and there are no applicable listing standards for determining the independence of our directors. Applying the definition of independence set forth in Rule 4200(a)(15) of The Nasdaq Stock Market, Inc., we do not have any independent directors.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Below is the table of Audit Fees billed by our auditor in connection with the audit of our annual financial statements for the years ended:

Fee type	2012	2011
Audit fees	$ 37,500	$ 37,500
Audit-related fees	1,750	23,208
Tax fees	9,350	3,500
All other fees	—	—
Total fees	$ 48,600	$ 64,208

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS SCHEDULES

(a) Financial Statements and Schedules

The following financial statements and schedules listed below are included in this Form 10-K.

Financial Statements (See Item 8)

(b) Exhibits

Exhibit Number	Description
3.1	Amended and Restated Articles of Incorporation[1]
3.2	Amended and Restated Bylaws[1]
10.1	Employment agreement with William O'Hara, Chief Operating Officer
10.2	Lease agreement with Abyss Group, LLC for 6980 O'Bannon Drive (related party)
10.3	Amendment to lease agreement with Abyss Group, LLC for 6980 O'Bannon Drive (related party)
10.4	Assignment of lease agreement between Abyss Group, LLC and the Therese Saucier Living Trust for 6980 O'Bannon Drive (related party)
10.5	Exclusive Operating and License Agreement with TableMAX Gaming, Inc. [2]
10.6	Asset Purchase Agreement with Prime Table Games, LLC[3]
10.7	Prime Table Games Promissory Note and Security Agreement - US[3]
10.8	Prime Table Games Promissory Note and Security Agreement - UK[3]
10.9	Employment agreement with Gary A. Vecchiarelli, Chief Financial Officer[4]
23.1	Consent of Silberstein Ungar, PLLC, Certified Public Accountants
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101**	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2012 formatted in Extensible Business Reporting Language (XBRL).

[1]Incorporated by reference to the Form 8k, filed by the Company with the Securities and Exchange Commission on February 13, 2009
[2]Incorporated by reference to the Form 8k, filed by the Company with the Securities and Exchange Commission on February 24, 2011
[3]Incorporated by reference to the Form 8k, filed by the Company with the Securities and Exchange Commission on October 11, 2011
[4]Incorporated by reference to the Form 8k, filed by the Company with the Securities and Exchange Commission on July 6, 2012
***Provided herewith*

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

By: /s/ Robert B. Saucier
Robert B. Saucier
President, Chief Executive Officer and Director
April 1, 2013

By: /s/ Gary A. Vecchiarelli
Gary A. Vecchiarelli
Chief Financial Officer, Treasurer and Secretary
April 1, 2013

By: /s/ William O'Hara
William O'Hara
Chief Operating Officer and Director
April 1, 2013

Employment Agreement

This employment agreement (the "Agreement") is made and entered into as of February 8, 2008, by and between Galaxy Gaming, Inc., a Nevada corporation (the "Company") and **William E. O'Hara** (the "Employee")

Recitals

A. The Company is engaged in the business of developing, distributing and otherwise commercializing gaming equipment, games, operating systems for gaming equipment and related products and services throughout the United States, Canada and other countries.

B. Employee understands that Employee will be employed in a sensitive position with access to, and requiring knowledge of confidential and commercially valuable information of the Company and its subsidiaries and affiliates, the unauthorized use or disclosure of which, during and following Employee's separation of employment, could cause the Company and its subsidiaries serious and irreparable injury.

C. Employee also acknowledges that, by virtue of Employee's position with the Company, Employee will have dealings with customers who have close and ongoing relationships with the Company and that Employee's competition for or ·solicitation of such customers following Employee's separation of employment would cause the Company serious and irreparable injury.

D. Employee acknowledges that the Company would not have entered into this Agreement without Employee's express understanding of and agreement with the confidentiality, non-competition and non-solicitation provisions set forth in this Agreement.

E. The Company desires to employ Employee, and Employee desires to serve as an employee of the Company, on the terms and conditions set forth in this Agreement.

In consideration of the mutual covenants and promises of the parties, the Company and Employee agree as follows:

1. Duties

During the Term of this Agreement, Employee will be employed by the Company to serve as Operations Manager of the Company and its subsidiaries and affiliates. If the Company achieves public company status during the Term, Employee's title will be Chief Operating Officer but all other terms and conditions of this Agreement shall continue in effect unchanged. Employee shall devote substantially all of Employee's business time, attention, energy, knowledge, and skill solely and exclusively to the conduct of the business of the Company as may be reasonably necessary to effectively discharge Employee's duties under this Agreement and, subject to the supervision and direction of the Chief Executive Officer of the Company, will perform those duties and have such authority and _ powers as are customarily associated with the offices of a Chief Operating Officer of a company engaged in a business that is similar to the business of the Company and/or assigned to him by the President, including (without limitation): (a) the authority to direct and manage the day-to-day operations and affairs of the Company and (b) the authority to hire and discharge employees of the Company. Unless the parties agree otherwise in writing, during the term of this Agreement, Employee will not be required -to -perform services; under –this Agreement other than at Company's principal place of business in Clark County, Nevada; provided, however, that Company may, from time to time, require Employee to travel temporarily to other locations on the Company's business. Prior written consent of Company shall be required before Employee may undertake to perform any services whether .as an employee, consultant, officer, director, etc. of a business, commercial or professional nature, whether for compensation or otherwise. Although Company's consent may not be unreasonably withheld, it shall hereby be deemed reasonable for Company to deny its consent with respect to any and all outside gaming activities.

2. Term of Employment

2.1 Definitions

For purposes of this Agreement the following terms have the following meanings:

(a) "Severance Period"-means that period of time commencing on the date that a Termination Other than for Cause is effected and continuing for twelve (12) months if the Termination Other than for Cause is effected during the first twelve (12) months of the contract, nine (9) months if the Termination Other than for Cause is effected during the second twelve (12) months of the contract and six (6) months if the Termination other than for Cause is effected at any time thereafter.

(b) "Termination ·for Cause" means termination by Company of Employee's employment by reason of: (i) Employee's material fraud, dishonesty, willful misconduct or gross negligence in the performance of Employee's duties hereunder, including willful failure to perform such duties as may be properly assigned him hereunder; (ii) Employee's breach of the Confidentiality or Non-competition provisions of this Agreement at Sections 5.1 and 5.2; (iii) Employee's material breach of any provision of this Agreement; (iv) Employee's willful or habitual failure to abide by the policies established by the Company; (v) by reason of Employee's gross negligence or intentional misconduct with respect to the performance of Employee's duties under this Agreement (vi) conviction of or a guilty or nolo contendre plea to a felony or misdemeanor involving moral turpitude; or (vii) Employee's failure to qualify (or, having so qualified, being thereafter disqualified or suspended) or Company's reasonable determination that Employee would not qualify or would not continue to be qualified under any suitability or licensing requirements to which Employee may be subject by reason of Employee's position with the Company or any of its subsidiaries or affiliates, under the laws of any applicable gaming jurisdiction, except that any such failure to qualify or disqualification or suspension resulting from Employee's corporate conduct, rather than individual conduct, shall not constitute Termination for Cause hereunder; provided however that unless such cause constitutes a crime or jeopardizes the safety or welfare of the Company's property, licenses,' employees, or customers (in which case no cure period shall apply) no such termination will be deemed a Termination for Cause under subsections 2.1(a)(iii), (iv) or (v) unless the Company has provided Employee with written notice of what it reasonably believes are the grounds for any Termination for Cause and Employee fails to cure such grounds to the Company’s reasonable satisfaction during the 30 day period following receipt of such written notice.

(c) "Termination Other than for Cause" means termination by Company of Employee's employment at any time in the Company's sole discretion for reasons other than those which constitute Termination for Cause.

(d) "Voluntary Termination" means termination by the Employee of the Employee's employment with the Company, excluding termination by reason of Employee's death or disability as described in Sections 2.5 and 2.6.

2.2 Basic Term

The Term of employment of employee by the company will commence on February 18, 2008 and will extend through the period ending on February 28, 2011 (the "Termination Date"). Company and Employee may extend the term of this Agreement by mutual written agreement.

2.3 Termination for Cause

Termination for Cause may be effected by Company at any time during the term of this Agreement and may be effected by written notification to Employee; provided, however, that no Termination for Cause will be effective unless Employee has been provided with the prior written notice and opportunity for remedial action described in Section 2.1(a). If the Company believes Employee has engaged in conduct that would constitute Termination for Cause, the Company may suspend Employee with pay ·until such time as Company has made a decision whether to terminate Employee for cause. Upon Termination for Cause, Employee is to be immediately paid all accrued salary, incentive compensation to the extent earned, vested deferred compensation (other than stock, pension or profit sharing plan benefits, which will be paid in accordance with the applicable plan), accrued vacation pay and reimbursable business expenses, all to the date of termination, but Employee will not be paid any severance compensation. All the provisions and obligations of Employee under Sections 5.1 and 5.2 will survive Termination for Cause.

2.4 Termination Other Than for Cause

Notwithstanding anything else in this Agreement, Company may effect a Termination Other Than for Cause at any time upon giving notice to Employee of such Termination Other Than for Cause. Upon any Termination Other Than for Cause, Employee will immediately be paid all accrued salary, all incentive compensation to the extent earned, severance compensation as provided in Section 4, vested deferred compensation (other than stock, pension or profit sharing plan benefits, which will be paid in accordance with the applicable plan), accrued vacation pay and reimbursable business expenses, all to the date of termination. All the provisions and obligations of Employee under Sections 5.1 and 5.2 will survive Termination Other Than for Cause.

2.5 Termination Due to Disability

In the event that, during the term of this Agreement, Employee should, in the reasonable judgment of the Company, fail after reasonable accommodation by Company to perform Employee's duties under this Agreement because of illness or physical or mental incapacity ("Disability ") for more than 30 days in the aggregate in any 12-month period, Company will have the right to terminate Employee's employment under this Agreement by 30 day written notification to Employee and payment to Employee of all accrued salary and incentive compensation to the extent earned, vested deferred compensation (other than stock, pension or profit sharing plan benefits, which will be paid in accordance with the applicable plan), all accrued vacation pay, and reimbursable business expenses all to ·the date of termination. All the provisions and obligations of Employee under Sections 5.1 and 5.2 will survive Termination Due to Disability.

2.6 Death

In the event of Employee's death during the term of this Agreement, Employee's employment is to be deemed to have terminated as of date of death, and Company will pay to Employee's estate accrued salary, incentive compensation to the extent earned, vested deferred compensation (other than pension plan or profit sharing plan benefits, which will be paid in accordance with the applicable plan), accrued vacation pay, and reimbursable business expenses, all to the date of termination. Company shall make the payments to Employee's estate or beneficiary as applicable. If Employee dies during the Severance Period, the remaining Severance due will be paid in a lump sum to the Employee's estate and Employee's estate and/or beneficiary(ies).

2.7 Voluntary Termination

Employee may voluntarily terminate Employee's employment with the Company by providing the Company with 30-day notice. In the event of a Voluntary Termination, Company will immediately pay to Employee all accrued salary, all incentive compensation to the extent earned, vested deferred compensation (other than pension plan or profit -sharing plan benefits, which will be paid in accordance with the applicable plan), accrued vacation pay, and reimbursable business expenses, all to the date of termination, but Employee will not be paid any severance compensation. All the provisions and obligations of Employee under Sections 5.1 and 5.2 will survive Voluntary Termination.

3. Salary, Benefits and Other Compensation

3.1 Base Salary

As payment for the services to be rendered by Employee as provided in Section 1 and subject to the terms and conditions of Section 2, Company agrees to pay to Employee a "Base Salary," in equal bi-monthly installments. The Base Salary will be as follows:

Month	**Monthly Salary**
February 2008	$8,000.00 pro-rata
March 2008	$8,000.00
April 2008	$8,500.00
May 2008	$9,000.00
June 2008	$9,500.00
July 2008	$10,000.00
August 2008	$10,500.00
September 2008	$11,000.00
October 2008	$11,500.00
November 2008 and thereafter	$12,000.00

3.2 Revenue Growth Incentive

Company agrees to also pay to Employee a Monthly Gross Recurring Revenue Increase Incentive on the 20th of each month based on the prior month's increase over the highest monthly gross recurring revenue· during the Term. Increased revenue arising from acquisitions, mergers, joint ventures and the like shall not be included. The Monthly Gross Recurring Revenue Increase Incentive will be as follows:

Month Payable	Monthly Gross Recurring Revenue Increase Incentive
February and March 2008	No Incentive payable
April 2008 based on increase in March 2008	15% of Monthly Gross Recurring Revenue Increase
May 2008 based on increase in April 2008	15% of Monthly Gross Recurring Revenue Increase
June 2008 based on increase in May 2008	15% of Monthly Gross Recurring Revenue Increase
July 2008 based on increase in June 2008	12.5% of Monthly Gross Recurring Revenue Increase
August 2008 based on increase in July 2008	12.5% of Monthly Gross Recurring Revenue Increase
September 2008 based on increase	12.5% of Monthly Gross Recurring Revenue Increase in August 2008
October 2008 based on increase in September 2008	10% of Monthly Gross Recurring Revenue Increase
November 2008 based on increase	10% of Monthly Gross Recurring Revenue Increase in October 2008
December 2008 based on increase	10% of Monthly Gross Recurring Revenue Increase in November 2008
January 2008 and thereafter	10% of Monthly Gross Recurring Revenue Increase

The Monthly Gross Recurring Revenue Increase shall mean that month's increase in gross recurring revenue over the highest monthly gross recurring revenue occurring at any time during the Term. For example:

(a) If the Company's monthly gross recurring revenue in March 2008 is $100,000 and in April 2008 is $110,000, Company would pay to Employee on May 20, 2008 a Revenue Growth Incentive of $10,000.00 x 15% = $1500.00.

(b) If the Company's monthly gross recurring revenue history is as follows:

Month	Gross Monthly Recurring Revenue
March 2008	$100,000
April 2008	$110,000
May 2008	$105,000
June 2008	$108,000
July 2008	$112,000

Employee would receive Revenue Growth Incentives as follows:

Date	Revenue Growth Incentive
May 20, 2008	$10,000 (increase in April) x 15% =.$1500
June 20, 2008	$0 monthly gross recurring revenue decreased in May
July 20, 2008	$0 monthly gross recurring revenue increased in June over May but not over highest previous point which occurred in April
August 20, 2008	$2,000 (increase in July over previous high in April) x 12.5% = $250

3.3 Section 125 Plan Benefits

As Employee becomes eligible per Company's policy, Employee will receive Section 125 Plan Benefits as a level 4 employee pursuant to Appendix B attached hereto as may be amended from time to time by Company.

3.4 Incentive Bonus Plans

If Company becomes a public company and if there is a public offering, to the extent allowed by Securities and Exchange regulations and other applicable laws and regulations, Employee shall ·be eligible for pre-public offering stock purchase and to participate in any Company stock option programs on the same basis as an employee of comparable position and compensation as Employee, provided however: (i) Company is not obligated to and there is no guaranty that it will become a public company; (ii) Company is making no representation and is not obligated to provide any stock options to its employees or Employee at all; (iii) Company may structure its stock option plan(s), if .any, in its sole discretion in accord with its business plans and purposes; and (iv) the Company's Board of Director(s) shall have sole discretion in determining who may or may not be entitled to stock options under the plan. As Employee becomes eligible, Employee shall be entitled to participate in all bonus, incentive, stock option, savings, and retirement plans, policies, and programs made available by the Company to other peer employees of the Company.

3.5 Benefit Plans

During the term of Employee's employment under this Agreement, the Employee is eligible to participate in all employee benefit plans to the extent maintained by the Company, including (without limitation) any life, disability, health, accident and other insurance programs, paid time off, and similar plans or programs, subject in each case to the generally applicable terms and conditions of the plan or program in question and to the determinations of any committee administering such plan or program. On termination of the Employee for any reason, the Employee will retain all of Employee's rights to benefits that have vested under such plans, but the Employee's rights to participate in those plans will cease on the Employee's termination (unless contrary to law, e.g., COBRA rights) unless the termination is a Termination Other Than for Cause, in which case Employee's rights of participation will continue for a period of six (6) months following Employee's termination.

3.6 Withholding of Taxes

The Employee understands that the services to be rendered by Employee under this Agreement will cause the Employee to recognize taxable income, which is considered under the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder as compensation income subject to the withholding of income tax (and Social Security or other employment taxes). The Employee hereby consents to the withholding of such taxes as are required by the Company.

3.7 Paid Time Off

As Employee becomes eligible per Company's policy, Employee will receive paid time off to be used for vacation, sick and/or personal days as a level 4 employee pursuant to Appendix B attached hereto as may be amended from time to time by Company.

3.7 Expenses

During the term of this Agreement, Company will reimburse Employee for Employee's reasonable out-of-pocket expenses incurred in connection with Company's business, including travel expenses, food, and lodging while away from home, subject to such policies as Company may from time to time reasonably establish for its employees.

3.8 Changes by Company

The Company reserves the right to modify, suspend, not implement or discontinue any and all of the above-mentioned plans, practices, policies, benefits, and programs at any time as long as such action is taken generally with respect to other similarly situated peer employees of the Company and may structure the plan, practices, policies, benefits and programs, if any, in its sole discretion in accord with its business plans and purposes.

4. Severance Compensation

4.1 Termination Other Than for Cause

In the event Employee's employment is terminated in a Termination Other Than for Cause, Employee will be paid as severance pay Employee's Base Salary at that time plus Section 125 plan benefits during the Severance Period, on the dates specified in Section 3.1 for payment of Employee's Base Salary, provided, however, that Employee's entitlement to any such payments or benefits shall be expressly subject to, contingent upon, and in consideration of (i) the continued validity and enforceability of Sections 5.1 and 5.2 hereunder, and (ii) the Company receiving a release prepared by the Company and executed by Employee, waiving and releasing the Company, its subsidiaries and affiliates, and their officers, directors, agents, benefit plan trustees and employees from any and all claims, whether known or unknown, and regardless of type, cause or nature, including but not limited to claims arising under all salary, bonus, stock, paid time off, insurance and other benefit plans and all state and federal anti-discrimination, civil rights and human rights laws, ordinances and statutes, including Title VII of the Civil Rights Act of 1964 and 1991, the Age Discrimination in Employment Act as amended by the Older Worker's Benefit Protection Act of 1990, and the American's with Disabilities Act covering Employee's employment with the Company, its subsidiaries and affiliates, and the cessation of that employment.

During the Severance Period, Employee shall remain an employee of the Company solely for group health and life insurance purposes and for the ability to exercise stock options, and shall receive service credit therefore during that period. Employee will be responsible for the employee portion of the cost of such insurance during the Severance Period similar to other employees.

Notwithstanding anything to the contrary in this Section 4.1, the Company's obligations under this Section 4.1 shall cease (except for obligations pursuant to the terms of any benefit plan or law, e.g., COBRA) and Employee shall immediately return all severance payments previously received during the Severance Period if Employee breaches in any material respect any of the covenants set forth in Sections 5.1 or 5.2 of this _Agreement and such breach is not cured to the Company's satisfaction within ten days from the date written notice thereof is given to Employee by the Company. Employee understands that the Company additionally shall have the right to seek enforcement of Employee's obligations under Sections 5.1 and 5.2

4.2 Other Termination

In the event of a Voluntary Termination, Termination for Cause, Termination for Death, or Termination Due to Disability, Employee or Employee's estate will not be entitled to any severance pay.

5. Confidentiality and Non-competition

5.1 Confidentiality

(a) Employee's position with the Company will or has resulted in exposure and access to confidential and proprietary information which Employee did not have access to prior to holding the position, which information is of great value to the Company and the disclosure of which, directly or indirectly, would be irreparably injurious and detrimental to -the Company. Employee agrees to use best efforts and to observe the utmost diligence to guard and protect all confidential or proprietary information relating to the Company from disclosure to third parties. Employee shall not at any time use or make available, either directly or indirectly, to any competitor or potential competitor of the Company or any of its subsidiaries, or their affiliates or divulge, disclose, communicate to any firm corporation or other business entity in any manner whatsoever, any confidential or proprietary information covered or contemplated by this Agreement, unless expressly authorized to do so by the Company in writing.

(b) For the purpose of this Agreement, "Confidential Information" shall mean all information of the Company, its subsidiaries and affiliates, relating to or useful in connection with the business of the Company, its subsidiaries or affiliates, whether or not a "trade secret" within the meaning of applicable law, which is not generally known to the general public and which has been or is from time to time disclosed to, developed by or learned by Employee as a result of employment with the Company. Confidential Information includes, but is not limited to the Company's product development and marketing programs, data, future plans, formulas, finances, profits, sales, net income, indebtedness, financial management systems, pricing systems, methods of operation and determination of prices, processes, trade secrets, client and customer lists, suppliers, organizational charts, salary and benefit programs, training programs, computer software, development or experimental work, business records, files, drawings, prints, prototyping models, letters, notes, notebooks, reports, and copies thereof, whether prepared by him or others, and any other information or documents which Employee is told or reasonably ought to know that the Company regards is confidential. Confidential Information is not information which is or becomes generally known other than through Employee's acts in violation of this Agreement. Disclosures made by the Company to governmental authorities, to its customers or potential customers, to its suppliers or potential suppliers; to its employees or potential employees, to its consultants or potential consultants or disclosures made by the Company in any litigation or administrative or governmental proceedings shall not mean that the matters so disclosed are available to the general public.

(c) Employee agrees that all records, reports, notes, compilations, or other recorded matter, and copies or reproductions thereof, relating to the Confidential Information or any other aspect of the Company's operations, activities or business, made or received by Employee during any period of employment with the Company whether or not Confidential Information (including but not limited to, documents, reports, correspondences, computer printouts, work papers, files, computer lists, telephone and address books, rolodex cards, computer tapes, disks, and any and all records in Employee's possession (and all copies thereof) containing any such information created in whole or in part by Employee within the scope of Employee's employment, even if the items do not contain Confidential Information) are and shall be the Company's exclusive property, and Employee will keep the same at all times in the Company's custody and subject to its control, and will promptly deliver the same to Company upon termination of Employment for any reason whatsoever (or at any prior time at the request of the Company).

(e) This paragraph and any of its provisions will survive Employee's separation of employment for any reason, provided that Employee shall continue to be bound by the confidentiality obligations contained in this Agreement for two (2) years after the termination of employment, except that confidentiality obligations with respect to any information that constitutes a trade secret and has been designated in writing as such shall continue in effect for so long as the information remains a trade secret.

5.2 Non-competition

Employee shall execute simultaneously with this Agreement the Employee Non-Competition and Non-Solicitation Agreement attached as Appendix A.

5.3 Injunctive Relief

Employee acknowledges and agrees that the terms provided in Sections 5.1 and 5.2 are the minimum necessary to protect the Company, its affiliates and subsidiaries, its successors and assigns in the use and enjoyment of the confidential information and the good will of the business of the Company. Employee further agrees that damages cannot fully and adequately compensate the Company in the event of a breach or violation of the restrictive covenants (Confidential Information and non-competition) and that without limiting the right of the Company to pursue all other legal and equitable remedies available to it, that the Company shall be entitled to injunctive relief, including but not limited to a temporary restraining order, temporary injunction and permanent injunction against Employee and every other person or entity concerned thereby, to prevent any such violations or any continuation of such violations for the protection of the Company. The granting of injunctive relief will not act as a waiver by the Company to pursue any and all additional remedies. EMPLOYEE AGREES TO PAY THE COSTS, EXPENSES AND REASONABLE ATTORNEY FEES INCURRED BY THE COMPANY IN PURSUING ANY OF ITS RIGHTS WITH RESPECT TO SUCH VIOLATIONS, IN ADDITION TO THE ACTUAL DAMAGES SUSTAINED BY THE COMPANY AS A RESULT THEREOF.

6. Assignment of Inventions

All processes, discoveries, developments, designs, · ideas, innovations, improvements, formulas, processes, techniques, know-how, data, inventions, patents, copyrights, trademark?, and other intangible rights (collectively the "Inventions") that may be. made, conceived, reduced to practice, developed or learned by Employee, either alone or with others, during the term of .Employee's employment, whether or not conceived or developed during Employee's working hours, that relate at the time of conception or reduction to practice of the Invention to the business of the Company or to Company's actual or demonstrably anticipated research and development, or that result from any work performed by Employee for Company, will be the sole property of Company, and Employee hereby assigns to the Company all of Employee's right, title and interest in and to such Inventions. Employee must disclose to Company all inventions conceived during the term of employment, whether or not the invention constitutes property of Company under the terms of this Section, but such disclosure will be received by Company in confidence. Employee must execute all documents, including applications, assignments, etc., required by Company to establish Company's rights under this Section. If Company is unable for any reason whatsoever, including Employee's mental or physical incapacity, to secure Employee's signature to apply for or to pursue any application for any United States or foreign letters patent or copyright registrations (or on any document transferring ownership thereof) covering inventions or original works of authorship assigned to Company under this Agreement, the Employee hereby irrevocably designates and appoints Company and its duly authorized officers and agents as Employee's agent and attorney in fact, to act for and in Employee's behalf and stead to execute and file any such applications and documents and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent or copyright registrations or transfers thereof with the same legal force and effect as if executed by the Employee. This appointment is coupled with an interest in and to the inventions and works of authorship and shall survive Employee's death or disability. Employee hereby waives and quitclaims to Company any and all claims, of any nature whatsoever, which Employee now or may hereafter have for infringement of any patents or copyright resulting from or relating to any such application for letters patent or copyright registrations assigned hereunder to Company.

7. Miscellaneous

7.1 Waiver

The waiver of any breach of any provision of this Agreement will not operate or be construed as a waiver of any subsequent breach of the same or other provision of this Agreement.

7.2 Notice

All notices and other communications under this Agreement must be in writing and must be given by personal delivery, telecopy, or first class mail, certified or registered with return receipt requested, and will be deemed to have been duly given upon actual receipt or refusal of receipt if personally delivered; five (5) days after mailing, if mailed; or 48 hours after transmission, if delivered by telecopy, to the respective persons named below. Mailed notices shall be addressed to parties at the addresses set forth below, but each party may change its address by written notice duly given pursuant to this Section 7.2.

If to Employee:	William E. O'Hara 554 Eagle Perch Place Henderson, Nevada 89012
If to Company:	Robert Saucier President Galaxy Gaming, Inc. 6980 O'Bannon Drive Las Vegas, Nevada 89117
With a copy to:	Stephen Sanville General Counsel Galaxy Gaming, Inc. 6980 O'Bannon Drive Las Vegas, Nevada 89117

7.3 Arbitration

(a) Any controversy or claim arising out of or relating of this Agreement shall be settled by binding arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes (including the Optional Rules for Emergency Measures Of Protection) and judgment on the award entered in any court having jurisdiction.

(b) The arbitration proceedings shall be conducted before a panel of three neutral arbitrators, all of whom shall be members of the bar of the state of Nevada, actively engaged in the practice of employment law for at least ten years.

(c) Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy otherwise resolved. Either party also may, without waiving any remedy under this Agreement, seek .from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the arbitral tribunal's determination of the merits of the controversy.

(d) Each party shall bear its own costs, expenses and attorneys fees and an equal share of the arbitrators' and administrative fees of arbitration.

(e) Except as may be required by law, neither a party nor an arbitrator may disclose the existence content or results of any arbitration hereunder without the prior written consent of both parties. All documents, testimony and records shall be received, heard and maintained by the arbitrators in secrecy, available for the inspection only of the Company or Employee and their respective attorneys and their respective experts who shall agree in advance and in writing to receive all such information confidentially and to maintain such information in secrecy until such information shall become generally known.

(f) The place of arbitration shall be Clark County, Nevada.

(g) In consideration for and as a material condition of Employee's employment with the Company, Employee agrees that final and binding arbitration is the exclusive means for resolving any claim or controversy arising out of or related to this Agreement. This Agreement is a waiver of all rights Employee may have to a civil court action. Accordingly, only an arbitrator, not a judge or jury, will decide the dispute, although the arbitrator has the authority to award any type of relief that could otherwise be awarded by a judge or jury.

7.4 Governing Law; Partial Invalidity; Jurisdiction and Venue

(a) This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflict law applicable to contracts made and to be performed with such state.

(b) The Agreement shall be liberally construed to maximize protection of the Company's rights in confidential information and customer relations. If any provision of this Agreement is held to be overly broad, invalid or otherwise unenforceable under the applicable law and circumstances by the reviewing court, Employee agrees to modification or reduction of the scope of such provision as such court deems necessary and appropriate to permit its enforcement as modified. The invalidity or unenforceability in whole or part, of any provision of this Agreement shall not affect the validity or enforceability of any other provision unless otherwise indicated in this Agreement.

(c) Any judicial-proceeding seeking to enforce any provision of, or based--on any right arising out of, this Agreement or any agreement identified herein may be brought the in state or federal courts in Clark County, Nevada and by the execution and delivery of this Agreement, each of the parties hereto accepts for itself: the jurisdiction of the aforesaid courts and irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts) in any such proceedings, and waives any objection to venue laid therein.

This Agreement and the rights, interests and benefits hereunder are personal to the Employee and shall not be assigned, transferred or pledged in any manner by Employee or any personal representatives, heirs, administrators, distributes or any other person claiming under Employee by virtue of this Agreement. This Agreement and all of the Company's rights and obligations hereunder may be assigned, without Employee's consent, to any entity which acquires substantially all of the assets of the Company or which merges with the Company and which agrees to be bound hereby.

7.6 No Conflicting Agreement

By signing this Agreement Employee warrants that Employee is not a party to any restrictive covenant, agreement, or contract which limits the performance of Employee's duties and--responsibilities under this Agreement or under which such performance would constitute a breach.

7.7 Indemnification

The Company agrees that it will indemnify and hold the Employee harmless to the fullest extent permitted by applicable law from and against any loss, cost, expense or liability resulting from or by reason of the fact of the Employee's employment hereunder, whether as an officer, employee, agent, fiduciary, director or other official of the Company, except to the extent of any expenses, costs, judgments, fines or settlement amounts which result from Employee's conduct which is determined by a court of competent jurisdiction to be knowingly fraudulent or deliberately dishonest or to constitute some other type of willful misconduct.

7.8 Survival of Provisions

The provisions of this Agreement shall survive any separation of Employee if so provided herein and if necessary or desirable fully to accomplish the purpose of such provisions, including without limitation the rights and obligations of the Employee under Paragraphs Separation of Employment, Confidentiality, Assignment hereof.

7.9 Miscellaneous

The Section headings herein are for convenience only and shall not affect the meaning or interpretation of the contents hereof. This Agreement and -referenced Appendixes contain the entire agreement between the parties hereto with respect to the subject matter of this Agreement and supersedes all prior agreements, understandings, plans and negotiations, whether written or oral, between the parties with respect to .the subject matter hereof, including but not limited to any past or future compensation, bonuses, reimbursements, or other payments to Employee from Company. In entering this Agreement, neither party relies on any inducements, promises or representations of the other that do not appear herein. No supplement or modification of this Agreement shall be binding unless in writing and signed by both parties. This Agreement may be -executed in multiple counterparts; each of which shall be deemed an original and all of which together shall constitute one instrument. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representative, successors and permitted assigns.

EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS HAD SUFFICIENT OPPORTUNITY TO REVIEW THIS AGREEMENT WITH EMPLOYEE'S ATTORNEY. IF EMPLOYEE DID NOT DO SO, IT IS BECAUSE EMPLOYEE READ AND UNDERSTOOD THE ENTIRE AGREEMENT AND VOLUNTARILY CHOSE NOT TO OBTAIN LEGAL ADVICE. EMPLOYEE AGREES THAT THE RESTRICTIONS CONTAINED IN THIS AGREEMENT ARE FAIR AND APPROPRIATE UNDER THE CIRCUMSTANCES.

IN WITNESS WHEREOF, the parties hereto have knowingly and voluntarily executed the Agreement as of the day and year first written above.

WILLIAM E. O'HARA	GALAXY GAMING, INC.
/s/ William E. O'Hara Signature	/s/ Robert Saucier Robert Saucier, President

APPENDIX A OF WILLIAM E. O'HARA EMPLOYMENT AGREEMENT

Employee Non-competition and Non-solicitation Agreement

THIS AGREEMENT is made and entered into this 8th day of February, 2008, by and between Galaxy Gaming, Inc., a Nevada corporation ("Company") and William E. O'Hara ("Employee")

WHEREAS, the Company desires to employ Employee or to continue to employ Employee, and Employee desires to perform services for the Company in a position which will allow Employee access to various trade secrets and confidential information belonging to the Company and which will require Employee to perform services of a unique and special nature;

WHEREAS, in the case of a new employee, as a condition of Employee's employment, or in the case of an existing Employee, as a condition of Employee's continued employment, raise or promotion, the Company desires to receive from Employee covenants (a) not to engage, directly or indirectly, in competition with the Company; (b) not to solicit any employee of the Company to terminate his or her employment with the Company; and (c) not to solicit any _customer of the Company to terminate her or his relationship with the Company; and

WHEREAS, the Company and Employee desire to set forth in writing the terms and conditions of their agreements and understandings with respect to these covenants against competition, disclosure of confidential information, solicitation of employees, and solicitation of customers, as this Agreement is a condition of Employee's employment or continued employment and ancillary thereto, and does not purport to set forth all the terms of such employment.

NOW, THEREFORE, in consideration of the foregoing, of the mutual promises herein contained, and as a condition of Employee's hiring or continued employment by the Company, and the compensation now and hereafter paid to Employee, Employee hereby acknowledges and agrees with the Company as follows:

1. Acknowledgments

The Company is engaged in the business of developing, distributing and otherwise commercializing table games and side bets relate to table games for casino customers and is currently developing other table game related gaming equipment, including games, operating systems for game tracking, wagering, accounting and bonus systems, for distribution to casino customers (the Company's "Business Activities"). Employee acknowledges that the Company's business and services are highly specialized, the identity and particular needs of the Company's - customers and suppliers are not generally known, and the documents and information regarding the Company's customers, suppliers, services, methods · of operation, sales, pricing,· costs, methods of determination of prices, financial condition, profits, sales, net income, and indebtedness are highly confidential and constitute trade secrets. Employee further acknowledges that the services rendered to the Company by Employee have been or will be of a special and unusual character which have a unique value to the Company and that Employee has had or will have access to trade secrets and confidential information belonging to the Company, the loss of which cannot adequately be compensated by damages in an action at law.

2. Covenant Against Competition

2.1 Employee acknowledges that the services to be performed under this Agreement are of a special, unique, unusual, extraordinary and intellectual character, that the business of the Company is national in scope, that its products are marketed throughout the United States, Canada and internationally (the "Market Area"), and that the Company competes with other organizations that are or could be located in any part of the Market Area. As an inducement for Company to enter into the Employment Agreement and in consideration of the employment of Employee and the severance pay, benefits and in consideration of continued employment by the Company, Employee hereby covenants and agrees that Employee shall not during the Employment Period, except in the course of Employee's employment hereunder, and for a period of twelve (r2) months thereafter, directly or indirectly engage or invest in, own, manage, operate, control or participate in the ownership, management, operation or control of, be employed, associated or in any manner connected with, or render services or advice to, any business whose products or activities compete in whole or in part with the Business Activities of the Company, within the Geographic Territories within the Market Area in which the Company at any time during the Employment Period conducts its Business Activities; provided, however, that Employee may invest in up to (but not more than) four percent of any class of securities of any enterprise (but without otherwise participating in the activities of such enterprise) if such securities are listed on any national or regional securities exchange or have been registered under Section 12(g) of the Securities Exchange Act of 1934.) If the location where the Company has engaged in Business Activities or provided services to customers is within an area in which gaming activities are regulated by a governmental (state, county, provincial, tribal, country, etc.) body the term "Geographic Territories" shall be all of the geographic area over which the applicable governmental body has jurisdiction.

2.2 During a period twelve (12) months immediately following the termination of Employee's employment, whether with or without cause, Employee shall notify Company in writing by U.S. Mail, return receipt requested, within five days of accepting employment with any other employer (including self-employment) or otherwise participating in any activities prohibited by Section 2.1 above. Said notice shall include the name, address, and telephone number of the new employer(s), the date employment began, and the duties to be performed by Employee.

2.3 Employee further agrees that upon termination employment, whether with or without cause, Employee will notify any new employer, partner, associate or any other person, .firm or corporation with whom Employee becomes associated in any capacity whatever, of the provisions of this Agreement and that Company may give similar notice of it.

3. Non-solicitation of Employees

During the term of Employee's employment with the Company and for a period of twelve (12) months from the voluntary or involuntary termination of Employee's employment with the Company for any reason whatsoever, Employee shall not, either on her or his own account or for any person firm, partnership, corporation, or other entity (a) solicit, interfere with, or endeavor to cause any employee of the Company to leave his or her employment, or (b) induce or attempt -to induce any such employee to breach her or his employment agreement with the Company.

4. Non-solicitation of Customers, Suppliers, etc.

During the term of Employee's employment with the Company and for a period of twelve (12) years from the voluntary or involuntary termination of Employee's employment with the Company for any reason whatsoever, Employee shall not, either on her or his own account or for any person, firm, partnership, corporation, or other entity take any action or perform any services which are similar to the actions taken or services performed by Employee for the Company during said time which actions or services are designed to, or in fact call upon, compete for, solicit, divert, or take away, or attempt to divert or take away, any of the customers, suppliers, endorsers or advertisers of the Corporation.

5. Remedies

If Employee breaches this Agreement, any stock options (whether unvested or vested) received under any Company plan by Employee shall be immediately terminated and cancelled. In addition to all of the remedies otherwise available to the Company, including, but not limited to, recovery from Employee of damages and reasonable attorneys fees incurred in the enforcement of this Agreement, the Company shall have the right to injunctive relief to restrain and enjoin any actual or threatened breach of the provisions of this Agreement. All of the Company's remedies for breach of this Agreement shall be cumulative and the pursuit of one remedy shall not be deemed to exclude any other remedies. If either party to this Agreement shall bring any action for any relief against the other, declaratory or otherwise, arising out of this Agreement, the losing party shall pay to the prevailing party a reasonable sum for attorney fees and costs incurred in bringing such suit and/or enforcing any judgment granted therein.

6. Reasonableness of Restrictions

Employee has carefully read and considered the provisions hereof and, having done so, EMPLOYEE ACKNOWLEDGES AND AGREES THAT THE RESTRICTIONS SET FORTH IN 2, 3 AND 4 OF THIS AGREEMENT ARE FAIR AND REASONABLE BOTH AS TO TIME AND GEOGRAPHIC LIMITATION IN LIGHT OF THE FACT THE COMPANY, ITS AFFILIATES AND SUBSIDIARIES, SOLICIT CUSTOMERS THROUGHOUT THESE GEOGRAPHIC TERRITORIES AND ARE REASONABLY REQUIRED FOR THE PROTECTION OF THE INTERESTS OF THE COMPANY.

7. Separate Covenants

This Agreement shall be deemed to consist of a series of separate covenants. Should a determination be made by a court of competent jurisdiction that the character, duration, or geographical scope of any provision of this Agreement is unreasonable in light of the circumstances as they then exist, then it is the intention and the agreement ·of the Company and Employee that this Agreement shall be construed by the court in such a manner as to. impose only those restrictions on the conduct of Employee which are reasonable in light of the circumstances as they then exist and as are necessary to assure the Company of the intended benefit of this Agreement. If, in any judicial proceeding, a court shall refuse to enforce all of the separate covenants deemed included herein because,-taken together, they are more extensive than necessary to assure the Company of the intended benefit of this Agreement, then it is expressly understood and agreed by the Company and Employee that those of such covenants which, if eliminated, would permit the remaining separate covenants to be enforced in such proceeding, shall, for the purpose of such proceeding, be deemed eliminated from the provisions hereof.

8. Burden and Benefit

This Agreement shall be binding upon, and shall inure to the benefit of, the Company and Employee, and their respective successors and assigns. The Company shall have the right to assign its rights hereunder to any successor in interest, whether by merger, consolidation, sale of assets, or otherwise.

9. Arbitration

9.1 Any controversy or claim arising out of or relating to this Agreement shall be settled by binding arbitration administered by the American Arbitration Association under its National Rules for the Resolution of Employment Disputes (including the Optional Rules for Emergency Measures Of Protection) and judgment on the award entered in any court having jurisdiction.

9.2 The arbitration proceedings shall be conducted before a panel of three neutral arbitrators, all of whom shall be members of the bar of the state of Nevada, actively engaged in the practice of employment law for at least ten years.

9.3 Either party may apply to the arbitrator seeking injunctive relief until the arbitration award is rendered or the controversy otherwise resolved. Either party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any interim or provisional relief that is necessary to protect the rights or property of that party, pending the arbitral tribunal's determination of the merits of the controversy.

9.5 Each party shall bear its own costs, expenses and attorneys fees and an equal share of the arbitrators' and administrative fees of arbitration.

9.6 Except as may be required by law, neither a party nor an arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written consent of both parties. All documents, testimony and records shall be received, heard and maintained by the arbitrators in secrecy, available for the inspection only of the Company or Employee and their respective attorneys and their respective experts who shall agree in advance and in writing to receive all- such information confidentially and to maintain such information in secrecy until such information shall become generally known.

9.7 The place of arbitration shall be Clark County, Nevada.

9.8 In consideration for and as a material condition of Employee's employment with the Company, Employee .agrees that final and binding arbitration is the exclusive means for resolving any claim or controversy arising out of or related to this Agreement. This Agreement is a waiver of all rights Employee may have to a civil court action. Accordingly, only an arbitrator, not a judge or jury, will decide the dispute, although the arbitrator has the authority to award any type of relief that could otherwise be awarded by a judge or jury.

10. Governing Law; Partial Invalidity; Jurisdiction and Venue

10.1 This Agreement shall be governed by and construed in accordance with the laws of the State of Nevada without regard to principles of conflict law applicable to contracts made and to be performed with such state. ·

10.2 The Agreement shall be liberally construed to maximize protection of the Company's rights in confidential information and customer relations. If any provision of this Agreement is held to be overly broad, invalid or otherwise unenforceable under the applicable law and circumstances by the reviewing court, Employee agrees to modification or reduction of the scope of such provision as such court deems necessary and appropriate to permit its enforcement as modified:- The invalidity or unenforceability in-whole-or part, of any provision of this Agreement shall not affect the validity or enforceability of any other provision unless otherwise indicated in this Agreement.

10.3 Any judicial proceeding seeking to enforce any provision of, or based on any right arising out of, this Agreement or any agreement identified herein may be brought the in state or federal courts in Clark County, Nevada and by the execution and delivery of this Agreement, each of the parties hereto accepts for itself the jurisdiction of the aforesaid courts and irrevocably consents to the jurisdiction of such courts (and the appropriate appellate courts) in any such proceedings, and waives any objection to venue laid therein.

11. Severability

The provisions of this Agreement (including in particular, but not limited to, the provisions of Paragraphs 2, 3, and 4 hereof) shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity or enforceability of any one or more of the other provisions hereof.

12. Entire Agreement and Amendments

This Agreement contains the ·entire agreement and understanding by and between the Company and Employee with respect to the covenants contained herein, and no representations, promises, agreements, or understandings, written or oral, not herein contained shall be of any force or effect. No change or modification hereof shall be valid or binding unless the same is in writing and signed by the party against whom such waiver is sought to be enforced. No valid waiver of any provision of this Agreement at any time shall be deemed a waiver of any other provision of this Agreement at such time or will be deemed a valid waiver of such provision at any other time.

13. Notices

All notices, requests, consents, and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or mailed first-class, postage prepaid, certified mail, return receipt requested, to Company;-by personal-notice to its President whose current address is:

Robert B. Saucier
Galaxy Gaming, Inc.
6980 O'Bannon Drive
Las Vegas, Nevada 89117

and to Employee at

William E. O'Hara
554 Eagle Perch Place
Henderson, Nevada 89012

or to such other addresses as either party may specify by written notice to the other.

EMPLOYEE ACKNOWLEDGES THAT EMPLOYEE HAS HAD SUFFICIENT OPPORTUNITY TO REVIEW THIS AGREEMENT WITH AN ATTORNEY. IF EMPLOYEE DID NOT DO SO, IT IS BECAUSE EMPLOYEE READ AND UNDERSTOOD THE ENTIRE AGREEMENT AND VOLUNTARILY CHOSE NOT TO OBTAIN LEGAL ADVICE. EMPLOYEE AGREES THAT THE RESTRICTIONS CONTAINED IN THIS AGREEMENT ARE FAIR AND APPROPRIATE UNDER THE CIRCUMSTANCES

IN WITNESS WHEREOF, the parties hereto have knowingly and voluntarily executed the Agreement as of the day and year first written above.

WILLIAM E. O'HARA	GALAXY GAMING, INC.
/s/ William E. O'Hara Signature	/s/ Robert Saucier Robert Saucier, President

APPENDIX B OF WILLIAM E. O'HARA EMPLOYMENT AGREEMENT

		Personal Time Off			Section 125 Benefit Credit		
	Hours per Pay Period	Year 1	Year 2	Year 3	Year 1	Year 2	Year 3
Level 5	Member	-	-	-	-	-	-
Level 4	Sr. Manager	5	6	7	8%	9%	10%
Level 3	Manager	4	5	6	7%	8%	9%
Level 2	Sr. Administrative	3	4	5	6%	7.%	8%
Level 1	Administrative	2	3	4	5%	6%	7%
	Annual Days:	15	18	21			
		12	15	18			
		9	12	15			
		6	9	12			

LEASE AGREEMENT
6980 O'BANNON DR.
LAS VEGAS, NEVADA

1. **Date of Lease Agreement**. This Lease Agreement (hereinafter called "Lease") is made and entered into August 31, 2010;

2. **Parties**. This Lease is entered into between Galaxy Gaming, Inc. (hereinafter referred to as Tenant), and Abyss Group, LLC (hereinafter collectively referred to as "Landlord").

3. **Premises**. In consideration of Tenant's obligations herein, Landlord agrees to allow Tenant to occupy and possess the real property located at 6980 O'Bannon Dr. Las Vegas, Nevada 89117 (hereinafter referred to as the "Premises").

4. **Duration of this Lease**. This Lease shall begin on the 1st day of September, 2010, and shall continue for a period of two (2) years, terminating on August 31, 2012, (hereafter the Lease Term), unless extended by mutual consent of Tenant and Landlord.

5. **Rent**. Rent shall be the total sum of Ten Thousand Three Hundred Fifty Nine Dollars ($10,359.00) per month, paid in advance on the first day of the month in which it is due (hereafter the Rent). Landlord shall be under no obligation to notify Tenant that the Rent is due.

6. **Services Included with Rent**. No additional services are included in this Lease.

7. **Use**. The Premises shall be used primarily as office space and minor assembly operation and for no other reason, unless specifically authorized by Landlord in writing.

8. **Taxes, Utilities and Common Area Maintenance**. Tenant shall be responsible for the payment of all real and personal property taxes, utilities, including but not limited to water, electricity, sewer, and garbage services, landscaping and common area maintenance fees. If Tenant fails to pay any of these obligations, Landlord may, at its option, pay them and add such sum to the rent due from Tenant.

9. **Entry and Inspection**. Tenant shall permit Landlord or Landlord's agents to enter the Premises at reasonable times and upon reasonable notice for the purpose of inspecting the Premises or for making necessary repairs. Landlord agrees to give Tenant 24 hours notice unless there is an emergency.

10. **Assignment and Subletting**. Landlord may assign this Lease to any party at their option without requiring the consent of Tenant. Tenant shall not assign this Lease to or sublet any portion of the Premises without prior written consent of the Landlord which may not be unreasonably withheld.

11. **Maintenance, Repairs and Alterations**. Tenant acknowledges that the Premises are in good order and repair, unless otherwise indicated herein. Tenant shall, at its own expense, and at all times, maintain the exterior and interior of the Premises in a clean and sanitary manner. Landlord shall maintain, make repairs and replace if necessary all equipment, appliances, roofing, walls, electrical, plumbing, and other system and structural items. Tenant shall irrigate and maintain the surrounding grounds, including lawns and shrubbery, and keep the same clear of rubbish and weeds.

12. **Default**. Any failure by Tenant to pay rent when due, or perform any term hereof, shall, at the option of the Landlord, entitle Landlord to proceed with eviction proceedings in accordance with Nevada law. In the event of a default by Tenant, Landlord may elect to (a) continue the Lease in effect and enforce all their rights and remedies hereunder, including the right to recover the rent as it becomes due whether or not Tenant has been evicted or (b) at any time, terminate all of Tenant's hereunder and recover from Tenant all damages which may incur by reason of the breach of the Lease, including the cost of recovering the Premises, and including the worth at the time of such termination, or at the time of an award if suit be instituted to enforce this provision, of the amount by which the unpaid rent for the balance of the term exceeds the amount of such rental loss which the Tenant proves could be reasonably avoided.

13. **Security**. No security deposit has been required of or collected from, Tenant.

14. **Fixtures**. All fixtures in place at the time of signing this Lease and all fixtures subsequently installed or attached to the Premises shall remain and become (respectively) the property of Landlord.

15. **Waiver**. No failure of Landlord to enforce any term hereof shall be deemed a waiver, nor shall any acceptance of a partial payment of rent be deemed a wavier of Landlord's right to the full amount thereof.

16. **Notices**: Any notice which either party may or is required to give, may be given by

mailing the same, postage prepaid, to Tenant at the Premises or to Landlord at the address shown below or at such other places as maybe be designated by the parties from time to time.

17. **Holding Over**: Any holding over after expiration hereof, with the consent of Landlord, shall be construed as a month-to-month tenancy in accordance with the terms hereof, as applicable.

18. **Time**: Time is of the essence of this agreement.

19. **Attorneys Fees, Venue**: In the event that any legal action is brought by either party to enforce the terms hereof or relating to the demised Premises, the prevailing party shall be entitled to all costs incurred in connection with such action, including reasonable attorney's fee. The parties consent to the laws and the courts of the County of Clark, State of Nevada.

20. **Entire Agreement**: The foregoing constitutes the entire agreement between the parties and may be modified only in writing signed by both parties.

LANDLORD:	TENANT:
ABYSS GROUP, LLC	GALAXY GAMING, INC.
/s/ Therese Saucier By: Therese Saucier	/s/ William O'Hara By: William O'Hara
Its: Manager	Its: Chief Operating Officer and Director

AMENDMENT TO LEASE AGREEMENT

RECITALS

Whereas Abyss Group LLC, a New Mexico limited liability company ("Abyss") and Galaxy Gaming, LLC a Nevada limited liability company ("GGLLC") entered into that certain Office Plaza Office Lease dated August 30, 2004 (the "Lease Agreement") pursuant to which GGLLC as the tenant leased the premises at 6980 O'Bannon Drive consisting of approximately 5,800 square feet of floor area from Abyss as the landlord;

Whereas Abyss, GGLLC and Galaxy Gaming, Inc., a Nevada corporation ("GGI") executed the "Agreement for Assignment, Assumption and Amendment of Lease Agreement" dated January 1, 2007 ("Assignment"), whereby GGI assumed all of GGLLC's obligations and liabilities under the lease agreement.

Whereas Abyss and GGI desire to amend certain articles of the Lease Agreement.

Therefore, the parties mutually agree that the Lease Agreement is hereby amended as follows:

Article 1 FUNDAMENTAL LEASE PROVISIONS 1 (e) Demised Premises: "The demised premises contains approximately 6,000 square feet of floor area"

Article 4 RENTAL: "Effective April 1, 2010 the monthly rental shall be reduced from $18,565.75 to $9,282.88. The reduction shall remain in force until the expiration of the initial lease of August 31, 2010."

All other terms and conditions contained in the Lease Agreement, dated August 30, 2004 and Assignment dated January 1, 2007 shall remain unchanged and in full effect.

/s/ Therese Saucier	4/1/10
Therese Saucier, Manager of Abyss Group LLC	Date
/s/ Robert Saucier	4/1/10
Robert Saucier, President and CEO, Galaxy Gaming Inc.	Date

ABYSS GROUP, LLC

December 31, 2010

Mr. William O'Hara, Chief Operating Officer and Director
Galaxy Gaming, Inc.
6980 O'Bannon Drive
Las Vegas, NV 89117

RE: ASSIGNMENT OF LEASE

Dear Mr. O'Hara:

Pursuant to Section 10 of the Lease Agreement between Galaxy Gaming, Inc. and Abyss Group, LLC dated August 31, 2010 for the premises located at 6980 O'Bannon Drive, Las Vegas Nevada, ("Agreement") please be advised that Abyss Group, LLC has assigned its interest in the Agreement to the Therese Saucier Living Trust. Effective January 1, 2011, the Landlord in the Agreement shall be the Therese Saucier Living Trust and all future rent payments and any future inquiries should be direct to the Therese Saucier Living Trust. Thank you for your past business.

Sincerely,

ABYSS GROUP, LLC

/s/ Therese Saucier
By: Therese Saucier, Manager

Silberstein Ungar, PLLC CPAs and Business Advisors

Phone (248) 203-0080
Fax (248) 281-0940
30600 Telegraph Road, Suite 2175
Bingham Farms, MI 48025-4586
www.sucpas.com

April 1, 2013

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors
Galaxy Gaming, Inc.
Las Vegas, Nevada

To Whom It May Concern:

Silberstein Ungar, PLLC hereby consents to the use in the Form 10-K, Annual Report Pursuant to Section 13 or 15(d) of the Securities Act of 1934, filed by Galaxy Gaming, Inc. of our report dated March 29, 2013, relating to the financial statements of Galaxy Gaming, Inc., a Nevada Corporation, as of and for the periods ending December 31, 2012 and 2011.

Sincerely,

/s/ Silberstein Ungar, PLLC

Silberstein Ungar, PLLC

Bingham Farms, Michigan

CERTIFICATIONS

I, Robert Saucier, certify that;

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2012 of Galaxy Gaming, Inc. (the "registrant");

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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. 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 report based on such evaluation; and

    d. 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):

    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: April 1, 2013

/s/ Robert Saucier
By: Robert Saucier
Title: Chief Executive Officer

CERTIFICATIONS

I, Gary A. Vecchiarelli, certify that;

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2012 of Galaxy Gaming, Inc. (the "registrant");

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. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. 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 report based on such evaluation; and

    d. 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):

    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: April 1, 2013

/s/ Gary A. Vecchiarelli
By: Gary A. Vecchiarelli
Title: Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Galaxy Gaming, Inc. (the "Company") on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission (the "Report"), I, Robert Saucier, Chief Executive Officer of the Company, and I, Gary A. Vecchiarelli, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By: /s/ Robert Saucier
Name: Robert Saucier
Title: Principal Executive Officer
Date: April 1, 2013

By: /s/ Gary A. Vecchiarelli
Name: Gary A. Vecchiarelli
Title: Principal Financial Officer
Date: April 1, 2013

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.