

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

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

For the quarterly period ended June 30, 2023

OR

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

For the transition period from to

Commission file number: 000-30653



GALAXY GAMING

Galaxy Gaming, Inc.

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

Nevada

(State or other jurisdiction of incorporation or organization)

20-8143439

(IRS Employer Identification No.)

6480 Cameron Street Ste. 305 – Las Vegas, NV 89118

(Address of principal executive offices)

(702) 939-3254

(Issuer's telephone number)

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

Title of each class	Trading symbol	Name of exchange on which registered
Common stock	GLXZ	OTCQB marketplace

Indicate by check mark whether the issuer (1) 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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the issuer has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

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

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 24,466,881 common shares as of August 1, 2023.

GALAXY GAMING, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED JUNE 30, 2023
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PART I

ITEM 1. FINANCIAL STATEMENTS

Our financial statements included in this Form 10-Q are as follows:

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GALAXY GAMING, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	June 30, 2023	December 31, 2022
Current assets:		
Cash and cash equivalents	\$ 18,727,722	\$ 18,237,513
Accounts receivable, net of allowance of \$155,614 and \$183,242, respectively	3,901,834	3,449,753
Income tax receivable	517,395	515,259
Prepaid expenses	1,003,200	1,402,824
Other current assets	—	588,838
Total current assets	24,150,151	24,194,187
Property and equipment, net	127,481	143,438
Operating lease right-of-use assets	883,958	1,002,749
Assets deployed at client locations, net	1,538,799	1,399,708
Goodwill	1,091,000	1,091,000
Other intangible assets, net	13,484,984	13,906,111
Other assets	283,649	273,323
Total assets	\$ 41,560,022	\$ 42,010,516
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$ 630,715	\$ 1,129,869
Accrued expenses	3,276,207	3,697,504
Revenue contract liability	126,135	16,667
Current portion of operating lease liabilities	252,845	248,317
Current portion of long-term debt	685,978	940,084
Total current liabilities	4,971,880	6,032,441
Long-term operating lease liabilities	704,250	830,289
Long-term debt and liabilities, net	52,765,523	52,960,772
Deferred tax liabilities, net	54,878	72,401
Total liabilities	58,496,531	59,895,903
Commitments and Contingencies (See Note 7)		
Stockholders' deficit		
Preferred stock, 10,000,000 shares authorized; \$0.001 par value; 0 shares issued and outstanding	—	—
Common stock, 65,000,000 shares authorized; \$0.001 par value; 24,466,881 and 24,411,098 shares issued and outstanding, respectively	24,467	24,411
Additional paid-in capital	18,065,398	17,575,396
Accumulated deficit	(34,849,077)	(35,316,540)
Accumulated other comprehensive loss	(177,297)	(168,654)
Total stockholders' deficit	(16,936,509)	(17,885,387)
Total liabilities and stockholders' deficit	\$ 41,560,022	\$ 42,010,516

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

GALAXY GAMING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2023	June 30, 2022	June 30, 2023	June 30, 2022
Revenue:				
Licensing fees	\$ 7,525,336	\$ 5,676,195	\$ 14,947,870	\$ 11,594,794
Total revenue	7,525,336	5,676,195	14,947,870	11,594,794
Costs and expenses:				
Cost of ancillary products and assembled components	499,590	50,439	851,600	103,029
Selling, general and administrative	3,634,178	3,483,918	7,418,835	6,527,277
Research and development	199,665	152,022	406,425	351,092
Depreciation and amortization	495,134	725,258	1,071,476	1,449,720
Share-based compensation	245,136	315,408	490,059	625,410
Total costs and expenses	5,073,703	4,727,045	10,238,395	9,056,528
Income from operations	2,451,633	949,150	4,709,475	2,538,266
Other income (expense):				
Interest income	139,007	2,259	223,757	4,492
Interest expense	(2,242,042)	(1,697,435)	(4,445,677)	(3,384,457)
Foreign currency exchange gain (loss)	24,848	(174,638)	2,160	(234,901)
Total other expense, net	(2,078,187)	(1,869,814)	(4,219,760)	(3,614,866)
Income (loss) before provision for income taxes	373,446	(920,664)	489,715	(1,076,600)
Provision for income taxes	(16,677)	(194,977)	(22,252)	(53,003)
Net income (loss)	356,769	(1,115,641)	467,463	(1,129,603)
Foreign currency translation adjustment	(25,280)	(113,585)	(8,643)	(155,534)
Comprehensive income (loss)	\$ 331,489	\$ (1,229,226)	\$ 458,820	\$ (1,285,137)
Net income (loss) per share:				
Basic	\$ 0.01	\$ (0.05)	\$ 0.02	\$ (0.05)
Diluted	\$ 0.01	\$ (0.05)	\$ 0.02	\$ (0.05)
Weighted-average shares outstanding:				
Basic	25,217,122	24,665,496	25,203,498	24,506,442
Diluted	25,483,871	24,665,496	25,491,340	24,506,442

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

GALAXY GAMING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(Unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Beginning balance, December 31, 2022	24,411,098	\$ 24,411	\$ 17,575,396	\$ (35,316,540)	\$ (168,654)	\$ (17,885,387)
Net income	—	—	—	110,694	—	110,694
Foreign currency translation gain	—	—	—	—	16,637	16,637
Share-based compensation	27,392	28	244,895	—	—	244,923
Balance, March 31, 2023	24,438,490	\$ 24,439	\$ 17,820,291	\$ (35,205,846)	\$ (152,017)	\$ (17,513,133)
Net income	—	—	—	356,769	—	356,769
Foreign currency translation loss	—	—	—	—	(25,280)	(25,280)
Share-based compensation	28,391	28	245,107	—	—	245,135
Balance, June 30, 2023	<u>24,466,881</u>	<u>\$ 24,467</u>	<u>\$ 18,065,398</u>	<u>\$ (34,849,077)</u>	<u>\$ (177,297)</u>	<u>\$ (16,936,509)</u>

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
	Shares	Amount				
Beginning balance, December 31, 2021	23,523,969	\$ 23,524	\$ 16,380,597	\$ (33,543,351)	\$ (147,193)	\$ (17,286,423)
Net loss	—	—	—	(13,962)	—	(13,962)
Foreign currency translation loss	—	—	—	—	(41,949)	(41,949)
Stock options exercised	219,999	220	195,236	—	—	195,456
Share-based compensation	18,965	19	309,983	—	—	310,002
Balance, March 31, 2022	23,762,933	\$ 23,763	\$ 16,885,816	\$ (33,557,313)	\$ (189,142)	\$ (16,836,876)
Net loss	—	—	—	(1,115,641)	—	(1,115,641)
Foreign currency translation loss	—	—	—	—	(113,585)	(113,585)
Surrender of options	(365,751)	(366)	(1,279,767)	—	—	(1,280,133)
Stock options exercised	671,665	672	733,641	—	—	734,313
Share-based compensation	47,236	47	315,361	—	—	315,408
Balance, June 30, 2022	<u>24,116,083</u>	<u>\$ 24,116</u>	<u>\$ 16,655,051</u>	<u>\$ (34,672,954)</u>	<u>\$ (302,727)</u>	<u>\$ (18,296,514)</u>

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

GALAXY GAMING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended	
	June 30, 2023	June 30, 2022
Cash flows from operating activities:		
Net income (loss)	\$ 467,463	\$ (1,129,603)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,071,476	1,449,720
Amortization of right-of-use assets	118,791	116,051
Amortization of debt issuance costs and debt discount	755,228	741,981
Bad debt recovery	(43,114)	(14,717)
Deferred income tax	(17,523)	26,726
Share-based compensation	490,059	625,410
Changes in operating assets and liabilities:		
Accounts receivable	(408,967)	(385,529)
Income tax receivable	(3,561)	752,315
Prepaid expenses and other current assets	988,462	164,307
Other assets	(10,326)	(91,792)
Accounts payable	(499,154)	153,067
Accrued expenses	(402,391)	(289,371)
Revenue contract liability	109,468	37,500
Operating lease liabilities	(121,511)	(113,861)
Net cash provided by operating activities	2,494,400	2,042,204
Cash flows from investing activities:		
Investment in internally developed software	(463,954)	(174,926)
Acquisition of property and equipment	(15,494)	(18,433)
Acquisition of assets deployed at client locations	(294,111)	(294,193)
Net cash used in investing activities	(773,559)	(487,552)
Cash flows from financing activities:		
Payments of debt issuance costs	(22,127)	—
Proceeds from stock option exercises	—	304,517
Principal payments on long-term debt	(1,182,457)	(632,724)
Net cash used in financing activities	(1,204,584)	(328,207)
Effect of exchange rate changes on cash	(26,048)	(35,528)
Net increase in cash and cash equivalents	490,209	1,190,917
Cash and cash equivalents – beginning of period	18,237,513	16,058,714
Cash and cash equivalents – end of period	\$ 18,727,722	\$ 17,249,631
Supplemental cash flow information:		
Cash paid for interest	\$ 3,790,847	\$ 2,742,388
Cash paid for income taxes	\$ 38,350	\$ —
Supplemental schedule of non-cash activities:		
Net option settlement and tax withholding through additional paid-in capital	\$ —	\$ 1,280,133
Right-of-use assets obtained in exchange for lease liabilities	\$ —	\$ 71,901

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

GALAXY GAMING, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. NATURE OF OPERATIONS

Unless the context indicates otherwise, references to “Galaxy Gaming, Inc.,” “we,” “us,” “our,” or the “Company,” refer to Galaxy Gaming, Inc., a Nevada corporation (“Galaxy Gaming”).

We are an established global gaming company specializing in the design, development, acquisition, assembly, marketing and licensing of proprietary casino table games and associated technology, platforms and systems for the casino and iGaming industries. Casinos use our proprietary products and services to enhance their gaming operations and improve their profitability, productivity and security, as well as to offer popular cutting-edge gaming entertainment content and technology to their players. We market our products and services to online casinos worldwide, to land-based casino gaming companies in North America, the Caribbean, Central America, the United Kingdom, Europe and Africa, and to cruise ship companies. We license our products and services for use solely in regulated land-based gaming markets. We also license our content and distribute content from other companies to iGaming operators in legalized gaming markets throughout the world.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and the rules of the U.S. Securities and Exchange Commission “SEC”. In the opinion of management, the accompanying unaudited interim condensed financial statements contain all necessary adjustments (including all those of a recurring nature and those necessary in order for the financial statements to be not misleading) and all disclosures to present fairly our financial position and the results of our operations and cash flows for the periods presented.

These unaudited interim condensed financial statements should be read in conjunction with the financial statements and the related notes as of and for the year ended December 31, 2022 included in our 2022 Form 10-K (“2022 10-K”).

The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year.

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.

Consolidation. The financial statements are presented on a consolidated basis and include the results of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.

Reclassifications. Certain accounts and financial statement captions in the prior period have been reclassified to conform to the current period financial statement presentations and had no effect on net income (loss).

Cash and cash equivalents. Our cash and cash equivalents consist of bank deposits. With the exception of funds held outside the U.S., these deposits are in insured banking institutions, which are insured up to \$250,000 per account. To date, we have not experienced uninsured losses. In general, we invest amounts in excess of the insurance maximums in a money market fund that invests solely in US government and agency securities.

Accounts receivable and allowance for doubtful accounts. Accounts receivable are stated at face value less an allowance for doubtful accounts. Accounts receivable are non-interest bearing. The Company reviews the accounts receivable on a quarterly basis to determine if any receivables will potentially be uncollectible. The allowance for doubtful accounts is estimated based on specific customer reviews, historical collection trends and current economic and business conditions.

Goodwill. Goodwill (Note 4) is assessed for impairment at least annually or at other times during the year if events or circumstances indicate that it is more-likely-than-not that the fair value of a reporting asset is below the carrying amount. If found to be impaired, the carrying amount will be reduced, and an impairment loss will be recognized.

Other intangible assets, net. The following intangible assets have finite lives and are being amortized using the straight-line method over their estimated economic lives as follows:

Patents	4 - 20 years
Customer relationships	9 - 22 years
Trademarks	20 - 30 years
Intellectual property	12 years
Non-compete agreements	9 years
Software	3 years

Other intangible assets (Note 4) are analyzed for potential impairment at least annually or whenever events or changes in circumstances indicate the carrying value may not be recoverable and exceeds the fair value, which is the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the intangible assets. No impairment was recorded for the three and six months ended June 30, 2023.

Software relates primarily to assets where costs are capitalizable during the application development phase. External labor-related costs associated with product development are included in software.

Fair value of financial instruments. We estimate fair value for financial assets and liabilities in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurement* ("ASC 820"). ASC 820 defines fair value, provides guidance for measuring fair value, requires certain disclosures and discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). ASC 820 utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity's own assumptions.

The estimated fair values of cash equivalents, accounts receivable and accounts payable approximate their carrying amounts due to their short-term nature. The estimated fair value of our long-term debt approximates its carrying value based upon our expected borrowing rate for debt with similar remaining maturities and comparable risk. The Company currently has no financial instruments measured at estimated fair value on a recurring basis based on valuation reports provided by counterparties.

Leases. We account for lease components (such as rent payments) separately from non-lease components (such as common-area maintenance costs, real estate and sales taxes and insurance costs). Operating and finance leases with terms greater than 12 months are recorded on the condensed consolidated balance sheets as right-of-use assets with corresponding lease liabilities. Lease expense is recognized on a straight-line basis using the discount rate implicit in each lease or our incremental borrowing rate at lease commencement date (Note 5).

Revenue recognition. We account for our revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*. (Note 3).

Foreign currency translation. The functional currency for our subsidiary Progressive Games Partners ("PGP") is the Euro. Gains and losses from settlement of transactions involving foreign currency amounts are included in other income or expense in the consolidated statements of operations. Gains and losses resulting from translating assets and liabilities from the functional currency to U.S. dollars are included in accumulated other comprehensive income or (loss) in the consolidated statements of changes in stockholders' deficit.

Segment information. We define operating segments as components of our enterprise for which separate financial information is reviewed regularly by the chief operating decision-makers to evaluate performance and to make operating decisions. We currently have two operating segments (land-based gaming ("GG Core") and online gaming ("GG Digital")) which are aggregated into one reporting segment.

Employment agreement amendment. On June 15, 2022, the Company entered into amendment number 3 (the "Amendment") to the employment agreement, dated July 27, 2017 (and previously amended by amendments number 1 and number 2), between the Company and Todd P. Cravens, the Company's President and Chief Executive Officer. The Amendment (i) extends the term of the agreement from July 27, 2022, to July 26, 2024; (ii) provides for a potential equity incentive grant of stock for calendar year 2022 and calendar year 2023, with (x) a grant of 20,000 shares if the Company achieves 80% of its EBITDA Budget target (as defined by management and as adopted by the Board for the calendar year) for calendar year 2022, (y) a grant of 20,000 shares if the Company achieves 80% of its

EBITDA Budget target (as adopted by the Board for the calendar year) for calendar year 2023, and (z) an additional grant under the following performance goals for each of calendar year 2022 and 2023: a) 100% of EBITDA Target – 20,000 shares, b) 110% of EBITDA Target – 30,000 shares, and c) 115% of EBITDA Target – 40,000 shares; and (iii) increases Mr. Cravens' annual compensation to \$300,000 effective as of August 1, 2022.

The shares granted in connection with the employment agreement vest one year from the date of grant. Should Mr. Cravens leave the Company or be terminated with good cause prior the vesting date he will forfeit any and all rights to the shares. Pursuant to the Amendment, the Board maintains reasonable, good faith discretion to make adjustments to the Company's EBITDA performance relating to the Company's management incentive program, where appropriate in each year, to account for factors contributing positively and negatively to the Company's actual recorded EBITDA performance that could be considered (by the Board) unrelated to or not driven by the Company's performance.

In addition, should there be a circumstance that may trigger a change of control, as defined in the Company's 2014 Equity Incentive Plan (as amended, the "2014 Equity Plan"), in either the 2022 or 2023 calendar years, if not already granted, the 20,000 shares from each of the 2022 and 2023 CEO executive Incentive from the 80% EBITDA target, will be granted immediately. The Board retains discretion to be exercised reasonably and in good faith to accelerate the grant of remaining shares under the 2022 and 2023 equity incentives set forth in the Amendment.

The balance of the employment agreement, as previously amended, remains in full force and effect.

Option surrender. The Company's 2014 Equity Plan allows option holders to satisfy the exercise price of stock options, and the related tax withholding resulting from such exercise, by cash and by other means of "cashless" exercise, including: (a) by tendering, either actually or by attestation, shares of stock; (b) by irrevocably authorizing a third party to sell shares of stock (or a sufficient portion of the shares) acquired upon exercise of the option and to remit to the Company a sufficient portion of the sale proceeds to pay the exercise price and any tax withholding resulting from such exercise; (c) with respect to options, payment through a net exercise such that, without the payment of any funds, the option holder may exercise the option and receive the net number of shares of stock equal in value to (i) the number of shares of stock as to which the option is being exercised, multiplied by (ii) a fraction, the numerator of which is the fair market value less the exercise price, and the denominator of which is such fair market value (the number of net shares of stock to be received shall be rounded down to the nearest whole number of shares of stock); (d) by personal, certified or cashiers' check; (e) by other property deemed acceptable by the committee administering the 2014 Equity Plan; or (f) by any combination thereof.

On June 23, 2022, pursuant to the 2014 Equity Plan and a Stock Option Grant Notice and Stock Option Agreement dated July 27, 2017, Mr. Cravens exercised options and satisfied the exercise price and applicable tax withholding through a net settlement by surrendering to the Company options to purchase shares having a fair market value equal to the sum of the exercise price and the taxes. The exercise price and related tax withholding totaled \$1,280,133 and was recorded as a reduction to additional paid-in capital and common stock. Withholding tax relating to the transaction will be settled on August 10, 2023.

Other significant accounting policies. Our significant accounting policies are described in our 2022 10-K. There have been no material changes to those policies.

Financial Instruments – Credit Losses. In February 2020, the FASB issued ASU No. 2020-02, *Financial Instruments – Credit Losses (Topic 326)*. ASU 2020-02 provides updated guidance on how an entity should measure credit losses on financial instruments. We do not believe the adoption of this guidance will have a material impact on our condensed consolidated financial statements or related disclosures.

Reference Rate Reform. In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*. The amendments were effective upon issuance and provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships and other transactions affected by reference rate reform if certain criteria are met. We have completed our evaluation of significant contracts. Contracts reviewed will be modified to apply a new reference rate, primarily the Secured

Overnight Financing Rate ("SOFR") where applicable. As a result, the guidance has not had, and is not expected to have, a material impact on our consolidated financial statements.

NOTE 3. REVENUE RECOGNITION

Revenue recognition. We generate revenue primarily from the licensing of our intellectual property. We recognize revenue under recurring fee license contracts monthly as we satisfy our performance obligation, which consists of granting the customer the right to use our intellectual property. Amounts billed are determined based on flat rates or usage rates stipulated in the customer contract.

We also sell gaming systems with a perpetual right to use our intellectual property. Control transfers and we recognize revenue at a point in time when the gaming system is available for use by a customer, which is no earlier than the shipment of the products to the customer or an intermediary for the customer.

Disaggregation of revenue

The following table disaggregates our revenue by geographic location for the following listed periods. All of the royalty expense that is charged to a contra-revenue in our GG Digital operating segment has been allocated to the Europe, Middle East and Africa region in both periods presented. In prior filings, it was allocated to the Americas.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
The Americas	\$ 4,855,217	\$ 3,080,460	\$ 9,326,849	\$ 6,125,825
Europe, Middle East and Africa	2,670,119	2,595,735	5,621,021	5,468,969
Total revenue	<u>\$ 7,525,336</u>	<u>\$ 5,676,195</u>	<u>\$ 14,947,870</u>	<u>\$ 11,594,794</u>

Contract liabilities. Amounts billed and cash received in advance of performance obligations fulfilled are recorded as contract liabilities and recognized as revenue when performance obligations are fulfilled.

Contract Assets. The Company's contract assets consist solely of unbilled receivables which are recorded when the Company recognizes revenue in advance of billings. Unbilled receivables totaled \$607,041 and \$1,107,544 as of June 30, 2023 and December 31, 2022, respectively, and are included in the accounts receivable balance in the accompanying condensed consolidated balance sheets.

Customer agreements. On May 10, 2023, the Company (as the licensor) and a client (as the licensee) entered into an Amended and Restated Agreement (the "Agreement"). The Agreement amends and restates a previous agreement between the parties, dated June 2, 2015, for the provision of licenses for certain table game content and related intellectual property which the Company, succeeded to as successor in interest by merger with Progressive Games Partners, LLC. The Agreement contains definitions, representations and warranties, and terms that are customary in licensing agreements.

The agreement guarantees a minimum payment from the Licensee of €6 million per each year ended March 31, for years 1 through 4 of the contract. The amount is to be billed and paid in equal monthly installments. The installment is billed and paid independent of usage from the Licensee, which may be higher or lower than the installment amount on a monthly basis. At June 30, 2023, the Company has deferred \$125,472 in revenue, which represents monthly amounts billed in excess of the monthly usage from the Licensee. The deferred revenue will be recognized at the end of the contract year at March 31, 2024, if aggregate performance during the contract year has not equaled or exceeds €6 million.

For years 5 through 10 of the contract, the amount to be billed is based on the actual usage from the Licensee. Invoices will be billed and paid on a monthly basis. Revenue for years 5 through 10 will be recognized when actual usage is incurred.

Intellectual property agreements. From time to time, the Company purchases or licenses intellectual property from third-parties and the Company, in turn, utilizes that intellectual property in certain games sold to clients. In these purchase agreements, the Company may agree to pay the seller of the intellectual property a fee, if and when, the Company receives revenue from games containing the intellectual property.

On June 8, 2023, the Company entered into a license and distribution agreement (the "License Agreement") with a Licensor, pursuant to which the Company licenses and has rights to distribute a game from Licensor. The License Agreement contains definitions, representations and warranties, and terms that are customary in licensing agreements. The License Agreement is for a set term that may be extended on an annual basis at the end of the term. The License Agreement sets forth royalties to be paid to Licensor during the term and includes intellectual property licensing.

NOTE 4. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill. A goodwill balance of \$1,091,000 was created as a result of a transaction completed in October 2011 with Prime Table Games, LLC (“PTG”).

Other intangible assets, net. Other intangible assets, net consisted of the following at:

	June 30, 2023	December 31, 2022
Patents	\$ 13,507,799	\$ 13,507,997
Customer relationships	14,040,856	14,040,856
Trademarks	2,880,967	2,880,967
Intellectual property	2,000,000	2,000,000
Non-compete agreements	660,000	660,000
Software	1,432,318	968,362
Other intangible assets, gross	34,521,940	34,058,182
Less: accumulated amortization	(21,036,956)	(20,152,071)
Other intangible assets, net	<u>\$ 13,484,984</u>	<u>\$ 13,906,111</u>

For the three and six months ended June 30, 2023 and 2022, amortization expense related to other intangible assets was \$406,554 and \$655,008, and \$884,885 and \$1,308,338, respectively.

NOTE 5. LEASES**Lessee**

We have operating leases for our corporate office, two satellite facilities in the state of Washington and for certain equipment. We account for lease components (such as rent payments) separately from the non-lease components (such as common-area maintenance costs, real estate and sales taxes and insurance costs). The discount rate represents the interest rate implicit in each lease or our incremental borrowing rate at lease commencement date.

As of June 30, 2023, no renewal option periods were included in any estimated minimum lease term as the options were not deemed reasonably certain to be exercised. Our leases have remaining lease terms ranging from 6 months to 45 months.

Supplemental balance sheet information related to leases is as follows:

	Amount	As of June 30, 2023 Classification
Operating leases:		
Operating lease right-of-use lease assets	<u>\$ 883,958</u>	
Operating lease current liabilities	\$ 252,845	Current portion of operating lease liabilities
Operating lease long-term liabilities	704,250	Long-term operating lease liabilities
Total operating lease liabilities	<u>\$ 957,095</u>	
Weighted-average remaining lease term:		
Operating leases	3.62	
Weighted-average discount rate:		
Operating leases	4.4 %	

The components of lease expense are as follows:

	Amount	Three Months Ended June 30, 2023 Classification
Operating lease cost	<u>\$ 72,071</u>	Selling, general and administrative expense

	Amount	Six Months Ended June 30, 2023 Classification
Operating lease cost	<u>\$ 144,142</u>	Selling, general and administrative expense

Supplemental cash flow information related to leases is as follows:

	Amount	Six Months Ended June 30, 2023 Classification
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	<u>\$ 144,162</u>	Net income

As of June 30, 2023, future maturities of our operating lease liabilities are as follows:

	Amount
For the remaining six months ending December 31, 2023	\$ 146,715
Years ending December 31,	
2024	\$ 288,892
2025	294,507
2026	302,011
2027	2,985
Total minimum lease payments	1,035,110
Less: imputed interest	(78,015)
Total operating lease liability	957,095
Less: current portion	(252,845)
Long-term portion	<u>\$ 704,250</u>

NOTE 6. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following at:

	June 30, 2023	December 31, 2022
Fortress credit agreement	\$ 58,476,929	\$ 59,400,000
Insurance notes payable	85,978	340,084
Long-term debt and liabilities, gross	58,562,907	59,740,084
Less: Unamortized debt issuance costs	(5,111,406)	(5,839,228)
Long-term debt and liabilities, net of debt issuance costs	53,451,501	53,900,856
Less: Current portion of long-term debt	(685,978)	(940,084)
Long-term debt and liabilities, net	<u>\$ 52,765,523</u>	<u>\$ 52,960,772</u>

Fortress Credit Agreement. On November 15, 2021, the Company entered into a senior secured term loan agreement with Fortress Credit Corp. (“Fortress Credit Agreement”) in the amount of \$60.0 million. The proceeds of the loan were used to (i) pay approximately \$39.5 million to Triangulum as full payment of the settlement amount due under the previously filed settlement agreement between Galaxy Gaming and Triangulum, as set forth above; (ii) repay approximately \$11.1 million due and owing to NSB under the MSPLP and under the Amended and Restated Credit Agreement, dated as of May 13, 2021, made between Galaxy Gaming and Zions Bancorporation, N.A. dba Nevada State Bank, a Nevada state banking corporation, and (iii) approximately \$4.1 million was used to pay fees and expenses. The remaining approximately \$5.3 million was added to the Company’s cash on hand and used for corporate and operating purposes.

The Fortress Credit Agreement bears interest at a rate equal to, at the Company's option, either (a) LIBOR (or a successor rate, determined in accordance with the Fortress Credit Agreement) plus 7.75%, subject to a reduction to 7.50% upon the achievement of a net leverage target or (b) a base rate determined by reference to the greatest of (i) the federal funds rate plus 0.50%, (ii) the prime rate as determined by reference to The Wall Street Journal's "Prime Rate" and (iii) the one-month adjusted LIBOR rate plus 1.00%, plus 6.75%, subject to a reduction to 6.50% upon the achievement of a net leverage target. The Fortress Credit Agreement has a final maturity of November 13, 2026. The obligations under the Fortress Credit Agreement are guaranteed by the Company's subsidiaries and are secured by substantially all of the assets of the Company and its subsidiaries. The Fortress Credit agreement requires, among other things, principal payments of \$150,000 per quarter and includes an annual sweep of 50% of excess cash flow commencing in 2023 based on results for the prior fiscal year. The Fortress Credit Agreement contains affirmative and negative financial covenants (as defined in the Fortress Credit Agreement) and other restrictions customary for borrowings of this nature. The Company was required to maintain a Total Net Leverage Ratio of no more than 6.00x for the quarter ended June 30, 2023. As of June 30, 2023, the Company was in compliance with the covenants in the Fortress Credit Agreement. The Fortress Credit Agreement has no prepayment penalty after November 15, 2023.

In connection with entering into the Fortress Credit Agreement, the Company also issued warrants to purchase a total of up to 778,320 shares of the Company's common stock to certain affiliates of Fortress at a price per share of \$0.01 (the "Warrants"). The Warrants are exercisable at any time, subject to certain restrictions.

In response to ASU No. 2020-04, *Reference Rate Reform (Topic 848)*, on the earlier of (i) the date that all Available Tenors of the LIBOR rate have either permanently or indefinitely ceased to be provided by the LIBOR Rate's administrator ("IBA") and (ii) the Early Option Effective Date, if the then-current Benchmark is the LIBOR Rate, the Benchmark Replacement will replace LIBOR under the Fortress Credit Agreement. The Benchmark Replacement is (a) the sum of: (i) Term SOFR and (ii) 0.11448% for an Available Tenor of one-month's duration, 0.26161% for an Available Tenor of three-months duration, and 0.42826% for an Available Tenor of six months duration, or (b) the sum of: (i) Daily Simple SOFR and (ii) the spread adjustment selected or recommended by the Relevant Governmental Body for the replacement of the tenor of USD LIBOR with a SOFR-based rate having approximately the same length as the interest payment period.

As of June 30, 2023, future maturities of our long-term liabilities are as follows:

	Total
Years ended December 31,	
2023	\$ 385,978
2024	600,000
2025	600,000
2026	56,976,929
Long-term liabilities, gross	<u>\$ 58,562,907</u>

NOTE 7. COMMITMENTS AND CONTINGENCIES

Concentration of risk. We are exposed to risks associated with clients who represent a significant portion of total revenues. For the six months ended June 30, 2023 and 2022, respectively, we had the following client concentrations:

		Six Months Ended June 30, 2023 Revenue	Six Months Ended June 30, 2022 Revenue	Accounts Receivable June 30, 2023	Accounts Receivable December 31, 2022
Client A	Europe	21.0 %	27.8 %	\$ 1,062,830	\$ 552,493
Client B	North America	17.8 %	1.6 %	\$ 697,100	\$ 132,500
Client C	North America	6.6 %	8.7 %	\$ 116,381	\$ 414,234

Legal proceedings. In the ordinary course of conducting our business, we are, from time to time, involved in various legal proceedings, administrative proceedings, regulatory government investigations and other matters, including those in which we are a plaintiff or defendant, that are complex in nature and have outcomes that are difficult to predict. There are no current or threatened legal proceedings against the Company.

NOTE 8. INCOME TAXES

Our forecasted annual effective tax rate (“AETR”) at June 30, 2023 was 4.6%, as compared to 8.4% at June 30, 2022. This decrease was primarily the impacts from changes in foreign rate differential, adjustments in foreign derived intangible income and a change in valuation allowance as compared to current-year forecasted ordinary income considered in determining the forecasted AETR.

For the six months ended June 30, 2023 and 2022, our effective tax rate (“ETR”) was 4.6% and (4.9)%, respectively. The increase in the ETR for the six months ended June 30, 2023 is a result of favorable discrete items related to excess tax benefits from stock-based compensation in the prior year quarter that were not present in the current year quarter.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The following is a discussion and analysis of our financial condition, results of operations and liquidity and capital resources as of and for the three and six months ended June 30, 2023 and 2022. This discussion should be read together with our audited consolidated financial statements and related notes included in Item 8 Financial Statements and Supplementary Financial Information included in our 2022 10-K. 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, assemble and market technology and entertainment-based products and services for the gaming industry for placement on casino floors and on legal internet gaming sites. Our products and services primarily relate to licensed casino operators' table games activities and focus on either increasing their profitability and productivity or expanding their gaming entertainment offerings in the form of proprietary table games, electronically enhanced table game platforms, fully-automated electronic tables and other ancillary equipment. In addition, we license intellectual property to legal internet gaming operators. Our products and services are offered in highly regulated markets throughout the world. Our products are assembled at our headquarters in Las Vegas, Nevada, as well as outsourced for certain sub-assemblies in the United States.

Results of operations for the three months ended June 30, 2023 and 2022 For the three months ended June 30, 2023, we generated revenues of \$7,525,336 compared to \$5,676,195 for the comparable prior-year period, representing an increase of \$1,849,141, or 32.6%. Net revenues in our GG Core operating segment increased 43.1% from \$3,733,654 to \$5,341,017. This increase was attributable primarily to shipment of perpetual right to use gaming systems to a single customer. Net revenues in our GG Digital operating segment increased 12.4% from \$1,942,542 to \$2,184,319. Our online gaming revenues increased due to our online customers' growth in their traditional markets and their entry into new markets.

Selling, general and administrative expenses for the three months ended June 30, 2023 were \$3,634,178 compared to \$3,483,918 for the comparable prior-year period, representing an increase of \$150,260, or 4.3%. The increase was due to higher payroll costs due to higher headcount, offset by lower legal costs for the period.

Research and development expenses for the three months ended June 30, 2023 were \$199,665 compared to \$152,022 for the comparable prior-year period, representing an increase of \$47,643, or 31.3%. The increase was due to higher payroll costs from higher headcount and employee bonuses for the period.

Share-based compensation expenses for the three months ended June 30, 2023 were \$245,136, as compared to \$315,408 for the comparable prior-year period, representing an decrease of \$70,272, or 22.3%. The decrease was due primarily to a change in the level and the composition of fees paid to members of our Board of Directors in 2023 and lower share-based compensation for officers and consultants.

As a result of the changes described above, income from operations increased \$1,502,483 to \$2,451,633 for the three months ended June 30, 2023, compared to income from operations of \$949,150 for the comparable prior-year period.

Total interest expense increased \$544,607, or 32.1%, to \$2,242,042 for the three months ended June 30, 2023 compared to \$1,697,435 for the comparable prior-year period. The increase was attributable to higher rates of interest on the current borrowings.

Income tax expense was \$16,677 for the three months ended June 30, 2023, compared to income tax expense of \$194,977 for the comparable prior-year period. The decrease in expense is primarily the result of changes in the deferred tax balances and discrete excess benefits from stock-based compensation in the prior period that did not occur in the current period.

Results of operations for the six months ended June 30, 2023 and 2022. For the six months ended June 30, 2023 we generated revenues of \$14,947,870 compared to \$11,594,794 for the comparable prior-year period, representing an increase of \$3,353,076, or 28.9%. Net revenues in our GG Core operating segment increased 39.1% from \$7,559,642 to \$10,512,897. This increase was attributable primarily to shipment of perpetual right to use gaming systems to a single customer. Net revenues in our GG Digital operating segment increased 9.9% from \$4,035,151 to \$4,434,973. Our online gaming revenues increased due to our online customers' growth in their traditional markets and their entry into new markets.

Selling, general and administrative expenses for the six months ended June 30, 2023 were \$7,418,835 compared to \$6,527,277 for the comparable prior-year period, representing an increase of \$891,558, or 13.7%. This increase was due to higher maintenance cost on assets deployed at client locations, internal labor and related expenses (base salary, commissions, payroll-related taxes, bonus accrual and travel), increased information technology expenses, and increased trade show expenses.

Research and development expenses for the six months ended June 30, 2023 were \$406,425, compared to \$351,092 for the comparable prior-year period, representing an increase of \$55,333, or 15.8%. The increase was due to higher payroll costs from higher headcount and employee bonuses for the period.

Share-based compensation expenses for the six months ended June 30, 2023 were \$490,059, as compared to \$625,410 for the comparable prior-year period, representing a decrease of \$135,351, or 21.6%. The decrease was due primarily to a change in the level and the composition of fees paid to members of our Board of Directors in 2023 and lower share-based compensation for officers and consultants.

As a result of the changes described above, income from operations increased \$2,171,209 to \$4,709,475 for the six months ended June 30, 2023, compared to income from operations of \$2,538,266 for the comparable prior-year period.

Total interest expense increased \$1,061,220, or 31.4%, to \$4,445,677 for the six months ended June 30, 2023, compared to \$3,384,457 for the comparable prior-year period. The increase was attributable to higher rates of interest on the current borrowings.

Income tax expense was \$22,252 for the six months ended June 30, 2023, compared to income tax benefit of \$53,003 for the comparable prior-year period. The decrease in expense is primarily the result of changes in the deferred tax balances and discrete excess benefits from stock-based compensation in the prior year period that did not occur in the current year period.

Adjusted EBITDA. Adjusted EBITDA includes adjustments to net income to exclude interest, income taxes, depreciation, amortization, share-based compensation, foreign currency exchange loss (gain) and severance and other expenses related to litigation. Adjusted EBITDA is not a measure of performance defined in accordance with U.S. GAAP. However, Adjusted EBITDA is used by management to evaluate our operating performance. Management believes that disclosure of the Adjusted EBITDA metric offers investors, regulators and other stakeholders a view of our operations in the same manner management evaluates our performance. When combined with U.S. GAAP results, management believes Adjusted EBITDA provides a comprehensive understanding of our financial results. Adjusted EBITDA should not be considered as an alternative to net income or to net cash provided by 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 to Adjusted EBITDA is as follows:

Adjusted EBITDA Reconciliation:	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net income (loss)	\$ 356,769	\$ (1,115,641)	\$ 467,463	\$ (1,129,603)
Interest expense	2,242,042	1,697,435	4,445,677	3,384,457
Interest income	(139,007)	(2,259)	(223,757)	(4,492)
Depreciation and amortization	495,134	725,258	1,071,476	1,449,720
Share-based compensation	245,136	315,408	490,059	625,410
Foreign currency exchange (gain) loss	(24,848)	174,638	(2,160)	234,901
Provision for income taxes	16,677	194,977	22,252	53,003
Severance expense	26,209	6,750	26,209	28,477
Special project expense (benefit) - Triangulum	—	—	—	(86,959)
Special project expense - Other	—	361,821	5,321	476,904
Adjusted EBITDA	<u>\$ 3,218,112</u>	<u>\$ 2,358,387</u>	<u>\$ 6,302,540</u>	<u>\$ 5,031,818</u>

Liquidity and capital resources. We have generally been able to fund our continuing operations, our investments, and the interest expense and principal amortization under our existing borrowings through cash flow from operations. We may require additional capital to undertake acquisitions or to repay in full our indebtedness. Our ability to access capital for these activities will depend on conditions in the capital markets and investors' perceptions of our business prospects and such conditions and perceptions may not always favor us.

As of June 30, 2023, we had total current assets of \$24,150,151 and total assets of \$41,560,022. This compares to \$24,194,187 and \$42,010,516, respectively, as of December 31, 2022. The decrease in total assets at June 30, 2023 was primarily due to the amortization of leases and intangibles in the 2023 period.

Our total current liabilities as of June 30, 2023 decreased to \$4,971,880 from \$6,032,441 as of December 31, 2022, primarily due to the payment of accrued royalties, accrued bonuses, and payments against D&O insurance liabilities.

Based on our current forecast of operations, we believe we will have sufficient liquidity to fund our operations for at least the next 12 months and to meet the obligations under our financing arrangements as they come due.

We continue to file applications for new or enhanced licenses in several jurisdictions, which may result in significant future legal and regulatory expenses. A significant increase in such expenses may require us to postpone growth initiatives or investments in personnel, inventory and research and development of our products. It is our intention to continue such initiatives and investments. However, to the extent we are not able to achieve our growth objectives or raise additional capital, we will need to evaluate the reduction of operating expenses.

Our operating activities provided cash of \$2,494,400 for the six months ended June 30, 2023, compared to \$2,042,204 provided for the comparable prior period. The positive operating cash flow was primarily due to collection of tax credits and lower prepaid expenses.

Investing activities used cash of \$773,559 for the six months ended June 30, 2023, compared to cash used of \$487,552 for the comparable prior period. This increase in cash used was primarily due to the investment in internally developed software in the 2023 period.

Cash used in financing activities during the six months ended June 30, 2023 was \$1,204,584. This compares to \$328,207 cash used by financing activities for the comparable prior period. The increase in cash used was due to higher principal payments on our borrowings in the 2023 period.

Critical accounting policies. Our significant accounting policies are described in our 2022 10-K. There have been no material changes to those policies.

Off-balance sheet arrangements. As of June 30, 2023, there were no off-balance sheet arrangements.

Recently issued accounting pronouncements. We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are 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 our reports filed submitted under the Exchange Act is accumulated and communicated to management including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of June 30, 2023, our disclosure controls and procedures were effective.

No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the effectiveness of internal controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives, and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We have been named in and have brought lawsuits in the normal course of business. See Note 7 above and Note 10 to our audited financial statements included in Item 8 “Financial Statements and Supplementary Financial Information” in our 2022 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On June 30, 2023, 28,391 restricted shares of our common stock valued at \$70,126 were issued to members of our Board of Directors in partial consideration for their service in Q2 2023. These shares were fully vested upon issuance. These securities were issued pursuant to the Securities Act and rules and regulations promulgated thereunder.

Our reliance upon Section 4(a)(2) of the Securities Act in granting the aforementioned options to purchase shares of our common stock was based in part upon the following factors: (a) each of the issuances of the securities was in connection with an isolated private transaction which did not involve any public offering; (b) there were a limited number of offerees; (c) there were no subsequent or contemporaneous public offerings of the securities by us; and (d) the negotiations for the issuance of the securities took place directly between the offeree and us.

ITEM 6. EXHIBITS

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
10.1	Forbearance to Amended and Restated Credit Agreement dated March 29, 2021 with Zions Bancorporation, N.A. dba Nevada State Bank	8-K	000-30653	10.1	May 17, 2021	
10.2	Settlement Agreement with former Chairman and Chief Executive Officer, Robert Saucier and Triangulum Partners LLC dated October 7, 2021	8-K	000-30653	10.1	October 8, 2021	
10.3	Credit Agreement dated November 15, 2021, with Fortress Credit Corp.	8-K	000-30653	10.1	November 17, 2021	
10.4	Consent and Waiver to Term Loan Credit Agreement, dated November 15, 2021, by among Galaxy Gaming, Inc., a Nevada corporation, the lenders from time to time party and Fortress Credit Corp., as administrative agent and Collateral agent	8-K	000-30653	10.1	March 22, 2022	
10.5	Cooperation Agreement, dated April 20, 2022, by and between the Company and Tice Brown	8-K	000-30653	10.1	April 25, 2022	
10.6	Amendment #3 to the Employment Agreement between the Company and Todd Cravens	8-K	000-30653	10.1	June 21, 2022	
10.7	Board of Directors Service Agreement with Meredith Brill, Director	8-K	000-30653	10.1	July 15, 2022	
10.8	First Amendment to Board of Directors Service Agreement with Meredith Brill, Director	8-K	000-30653	10.1	July 26, 2022	
10.9	Changes to Board Compensation	8-K	000-30653	10.1	January 27, 2023	
10.10	Press Release Announcing the Date of Virtual Annual Meeting of Stockholders to be Held on June 14, 2023	8-K	000-30653	99.1	March 20, 2023	
10.11	Press Release Announcing the Date of Virtual Annual Meeting of Stockholders to be Held on June 14, 2023	8-K/A	000-30653	99.1	March 22, 2023	
10.12	Amended and Restated Online Game License Agreement with Evolution Malta Limited	8-K	000-30653	10.1	May 15, 2023	
10.13	Redacted License Agreement with the Talisman Group LLC	8-K	000-30653	10.1	June 16, 2023	X
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					X
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					X
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					X

101.INS Inline XBRL Instance Document – the instance does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document

101.SCH Inline XBRL Taxonomy Extension Schema Document

101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document

101.LAB Inline XBRL Taxonomy Extension Label Linkbase Document

101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document

104 Cover Page Interactive Data File (embedded within the Inline XBRL document)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Galaxy Gaming, Inc.

Date: August 11, 2023

By: /s/ TODD P. CRAVENS
Todd P. Cravens
President and Chief Executive Officer
(Principal Executive Officer)

Galaxy Gaming, Inc.

Date: August 11, 2023

By: /s/ HARRY C. HAGERTY
Harry C. Hagerty
Chief Financial Officer
(Principal Accounting Officer)

REDACTED LICENSE AGREEMENT WITH THE TALISMAN GROUP LLC

Certain identified information has been excluded from the exhibit because it is both (i) not material, and (ii) would be competitively harmful if it was publicly disclosed.

This License Agreement (the “Agreement”), dated as of the 8th day of June, 2023 (“Effective Date”), is by and between The Talisman Group, LLC, a Nevada limited liability company with its principal place of business at (redacted) (“Licensor”), and Galaxy Gaming, Inc., a Nevada corporation, with its principal place of business at 6480 Cameron Street, Suite 305, Las Vegas, Nevada 89118 (“Licensee”).

WHEREAS, Licensor is or will be the sole and exclusive owner of the Licensed Assets as of (redacted); and

WHEREAS, Licensee wishes to use the Licensed Assets in connection with sublicensing and distribution and other commercialization of the Licensed Products in the Territory and through the Channels, and Licensor is willing to grant to Licensee an exclusive license to make, use, sell, offer to sell, import, reproduce, adapt, publish, perform, and display the Licensed Assets in the Territory and worldwide for Channels related to Online Offerings on the terms and conditions set out in this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants, terms, and conditions set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. For purposes of this Agreement, the following terms shall have the following meanings:

“Adjusted Gross Revenue” or “AGR” means (redacted) received by Licensee relating to the (redacted) or the commercial exploitation of the (redacted) (such as for example, lease, sublicense or sale) or (redacted) (including, but not limited to, physical versions, versions played on felt and through all other Channels except for Online Offerings) other (redacted) and excluding (i) (redacted)

“AGR Online Offerings” means (redacted) received by Licensee relating to (redacted) and the commercial exploitation (such as for example, lease, license or sale) of (redacted) excluding (i) (redacted); and (ii) any (redacted)

“Affiliate” of a Person means any other Person that, at any time during the Term, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition only, the term “control” means the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise/direct or indirect ownership of more than fifty percent (50%) of the voting securities or membership interests of a Person, and “controlled by” and “under common control with” have correlative meanings.

“Brand Standards” mean the requirements applicable to the use of the Licensed Assets and attached hereto as Schedule 4, which Licensor may modify and supplement from time to time (including to specifically address use for Online Offerings and ETGs), which modifications and supplements are subject to Licensee’s approval, which shall not be unreasonably withheld.

“Channels” means the gaming platforms on or through which the Game can be played and is offered, including, without limitation, Felt Games (including Progressive Games), Display additions, Electronic Games, Online Offerings, or any variation of the foregoing.

“Collateral” means all artwork, labeling, copy, text, and all other written, printed, graphic, electronic, audio, or video advertising and promotional materials used or created for use in connection with any advertising and promotion of the Licensed Products hereunder, in the Territory.

“Commencement Date” means (redacted)

“Commission” means the fee extracted from each bank winning hand by the Operator.

“Confidential Information” has the meaning set forth in Section 6.
“Disclosing Party” has the meaning set forth in Section 6.

“Displays” means electronic displays gaming platform which presents certain Game information and results to players and casino staff.

“Electronic Games” means the offering of the Game through media and electronic platforms, including, but not limited to electronic table games (ETGs), online real-money gaming, online social gaming, online lotteries, lotteries, and in-casino mobile wagering.

“Enforcing Party” has the meaning set forth in Section 4.2(c).

“Excluded Jurisdiction(s)” means any jurisdiction in the Territory (redacted)

“Felt Games” means the offering of the Game through the traditional brick-and-mortar casino platform, where the Game is expressed on felt on a traditional gaming table.

“Game” or “Games” means EZ Baccarat, as commonly understood in the gaming industry and more fully described and set forth on Schedule 3(A).

“Game Assets” means all of the Intellectual Property related to the Game, including, but not limited to, that which is listed on Schedule 3(B) and Schedule 3(C), along with all versions and updates of the Game and any related bets or side bets.

“Grandfathered Casinos” means:

- (i) casinos that (redacted)
- (ii) have (redacted) and (redacted)

“Indemnified Claim” has the meaning set forth in Section 8.3.

“Indemnified Party” means any Licensor Indemnified Party or Licensee Indemnified Party.

“Indemnifying Party” has the meaning set forth in Section 8.3. “Infringement” has the meaning set forth in Section 4.2(a).

“Intellectual Property” means any and all now known or hereafter existing in the world (a) rights associated with works of authorship throughout the world, including without limitation exclusive exploitation rights, copyrights, derivative works, compilations, moral rights, artist’s rights and mask works; (b) trademark, trade dress, service mark and trade name rights and similar rights and associated goodwill; (c) software, propriety data, strategic plans and trade secret rights; (d) patents, patent applications, continuations, continuations-in-part, divisionals, reissues, re-exams and all related counterparts along with any designs, algorithms and other intellectual and industrial property and proprietary rights of every kind and nature throughout the world, whether arising by operation of law, contract, license or otherwise; (e) inventions (whether patentable or not) and whether or not reduced to practice and all improvements thereto; (f) know-how or show-how; and (g) all registrations, applications, renewals, extensions and combinations of the foregoing, regardless of whether any of such rights arise under the Laws of the United States or any other state, country or jurisdiction.

“Law” means any statute, law, ordinance, regulation, rule, code, order, constitution, treaty, common law, judgment, award, decree, other requirement, or rule of law of any federal, state, local, or foreign government or political subdivision thereof, or any arbitrator, court, or tribunal of competent jurisdiction.

“Licensed Assets” means the Licensed Patents, Licensed Marks, the Game, Game Assets, related domain names, and any and all Intellectual Property owned and/or to be owned by Licensor as of the

Commencement Date related to or derived from any of the foregoing.

“Licensed Marks” means all marks owned or to be owned by the Licensor as of the Commencement Date that consist of or include “EZ Baccarat,” “Panda 8,” and/or “Dragon 7,” and have, prior to the date hereof, been used in connection with the Game by Licensor or with Licensor’s permission, including, without limitation, those marks set forth on Schedule 3(B), whether registered or unregistered, including the listed registrations and applications and any registrations which may be granted pursuant to such applications.

“Licensed Patents” the patents and patent applications listed in Schedule 3(C), all patents issuing from the patent applications listed in Schedule 3(C), and all continuations, continuations-in-part, divisions, extensions, substitutions, reissues, re-examinations, and renewals of any of the foregoing.

“Licensed Products” means any and all products, goods, and/or services incorporating any of the Licensed Assets, including without limitation, gaming systems, software, progressive systems and technology, table game placements, table games, Displays, products branded with the Licensed Marks or Game Assets in any Channel, and any other products or services that may be so marked, or may otherwise incorporate, be embedded with, utilize, and/or include the Licensed Assets, and/or that are distributed by Licensee under this Agreement.

“Licensee” has the meaning set forth in the preamble.

“Licensee Indemnified Party” has the meaning set forth in Section 8.1. “Licensor” has the meaning set forth in the preamble.

“Licensor Indemnified Party” has the meaning set forth in Section 8.2.

“(redacted)”.

“Limited Distribution Agreement” means a contract in which the Licensee grants a distributor the right to distribute the Licensed Assets to customers in a distinct market within the Territory. (redacted)

“Losses” means losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or expenses of whatever kind, including reasonable attorneys’ fees and the cost of enforcing any right to indemnification hereunder and the cost of pursuing any insurance providers.

“Mortgage” means any mortgage, deed of trust, assignment, security agreement, or hypothecation of the Licensed Assets.

“No-Commission Baccarat” means baccarat games in which no commission is extracted by the Operator on each bank winning hand.

“Online Offerings” means any placement, in any Territory worldwide where such activity is not illegal, of the Game by way of online and/or internet or web-based casino or other entity or method, that enables customers to play the Game, including, but not limited to, online real-money gaming and online social gaming, through the internet, including, without limitation, web based casinos, random number generators (RNG), iLottery methods, and live dealer based platforms and offerings. For the avoidance of doubt, the term Online Offerings may include Electronic Games that are conducted online.

“Operator” means: (i) a casino operator which provides land based or online gaming, or (ii) a provider of Electronic Games.

“Person” means an individual, corporation, partnership, joint venture, limited liability company, governmental authority, unincorporated organization, trust, association, or other entity.

“Progressive Games” means an addition to the Game that takes a certain portion of every wager and applies it to a separate jackpot fund that pays out based on certain game outcomes, the values of which are presented alongside other information on any type of display.

“Quarterly Period” means each three-month period commencing on the 1st of January, 1st of April, 1st of July, and 1st of October.

“Receiving Party” has the meaning set forth in Section 6.

“Regulatory Approval” means the applicable approvals, licenses, registrations, or authorizations of or from the applicable Regulatory Authorities.

“Regulatory Authority” means any court, tribunal, agency, legislative body, board, commission, official or other regulatory authority in a jurisdiction in the Territory that licenses, approved, regulates, or otherwise controls the conduct of gaming and gaming related businesses.

“Renewal Term” has the meaning set forth in Section 10.2.

“Strategic Alliance Agreement” means that certain Strategic Alliance Agreement (as amended) between The Talisman Group, LLC, DEQ Inc., and Light & Wonder, Inc. as successor in interest to DEQ Inc.

“Term” has the meaning set forth in Section 10.1. “Term Year has the meaning set forth in Section 10.1.

“Territory” means, (a) for Online Offerings, throughout the world, where such use is not illegal, and (b) for all Channels other than Online Offerings, the following territories: the United States of America (and its territories, excluding the Mariana Islands in the Pacific), all islands in the Caribbean Sea, Bermuda, Bahamas, Turks & Caicos, Canada, and the United Kingdom.

2. License Grant; Right of First Refusal.

2.1 Grant. Subject to the terms and conditions of this Agreement, Licensor hereby grants to Licensee, and to all Affiliates of Licensee, during the Term, an exclusive, transferable (in accordance with Section 11.1) license, including the right to sublicense (in accordance with Section 2.2) to make, use, license, offer to license, import, export, reproduce, adapt, publish, perform, and display the Licensed Assets for the manufacture, promotion, advertising, distribution, and sublicensing of Licensed Products through any of the Channels in the Territory beginning on the Commencement Date. Licensee may exercise any or all of its rights under this Agreement through one or more of its Affiliates; provided that Licensee shall be responsible and liable for the acts or omissions of its Affiliates that constitute a breach of any of the terms and conditions of this Agreement as if such acts or omissions were the acts or omissions of Licensee.

2.2 Sublicensing. Licensee shall have the right to grant sublicenses under the license rights granted under Section 2.1 to: (redacted). The selection and granting of sublicenses will be in Licensee’s sole and exclusive discretion; provided, however, that:

- (a) all sublicenses shall be subject to the terms and conditions of this Agreement, including without limitation, the Brand Standards (redacted);
- (b) no sublicense may exceed the scope of rights granted to Licensee under this Agreement; and
- (c) Licensee is solely responsible for (redacted) Licensee may execute a Limited Distribution Agreement with distributors in selected markets within the Territory (redacted). Excluding sublicenses to Operators under Section 2.2(i) above, (redacted) Excluding sublicenses to Operators under Section 2.2 (i) above, (redacted). No sublicensing shall be deemed a waiver of or a release of Licensee from the performance by Licensee of any covenants on the part of Licensee herein contained. As between Licensor and Licensee, any sublicense (redacted).

2.3 Right of First Refusal. (redacted) (“ROFR Period”), Licensor shall not, directly, or indirectly (whether through an Affiliate or otherwise), enter into any agreement or consummate any sale transaction relating (redacted)

- (a) If, at any time during the (redacted)
 - (b) (redacted) At any time (redacted) Licensee (redacted) Licensor of: (i) a (redacted)
 - (c) If Licensee (redacted) then (i) (redacted) and (ii) such (redacted)
-

(d) In the event that (redacted) prior to the (redacted) Licensee in the same manner as set forth above.

(e) For the avoidance of doubt, the terms and conditions of this Section 2.3 apply to each (redacted) received by Licensor (redacted).

2.4 Subcontracting. Licensee may, in its sole discretion, use contractors for sales agents and for the production of Licensed Products and Collateral, provided that they comply with the Brand Standards and the other terms and conditions of this Agreement. Licensee shall enforce the Brand Standards or other terms and conditions of this Agreement by its contractors, distributors and Operators.

3. Use of the Licensed Assets.

3.1 Use of License Assets and Licensed Products by Licensee; Exclusivity; Non- Competition. Licensee shall always be entitled to use the Licensed Assets and Licensed Products in connection and/or embedded with its electronic progressive table game systems as well as in any other manner of commercialization it wishes through the Channels in the Territory in accordance with this Agreement. Licensor and its Affiliates understand and acknowledge that the license and rights granted to Licensee pursuant to this Agreement are exclusive to Licensee in the Territory. (redacted) In addition, during the Term, (redacted)

3.2 Licensee's Other Products. Notwithstanding any other provision herein, this Agreement shall in no way limit or restrict Licensee from commercializing its other products in any manner that it wishes, whether or not such products are competitive with the Licensed Assets and/or Licensed Products. For avoidance of doubt, this includes without limitation, any baccarat game operated with dice, baccarat side bets, and displays placed on any product other than the Game provided, however, that Licensee may not offer or license No-Commission Baccarat games other than "Rising Phoenix" and "Eternal Baccarat" (and related side bets and progressives, if any) anywhere (redacted).

3.3 Marketing and Cooperation.

(a) Licensee will use reasonable commercial efforts to promote the Game and/or Licensed Products, which, in Licensee's sole discretion, may include showing the Licensed Products at trade shows that it attends. Licensor acknowledges and agrees that in certain circumstances, the Game and/or Licensed Products may be offered to casino customers for (redacted); provided, however, such offerings must be commercially reasonable and consistent with (redacted). Licensor agrees to provide reasonable marketing and communication support to Licensee to market Licensed Products and the Game. Licensee shall notify existing casinos that offer the Game of the fact that Licensee will be the exclusive provider of the Game as of the Commencement Date, after (redacted), Licensee and Licensor will develop a plan to notify existing casinos that offer the Game of the fact that Licensee will be the exclusive provider of the Game as of the Commencement Date, after (redacted). Notwithstanding the foregoing, (redacted). For avoidance of doubt, these pre-Commencement Date communications shall not be deemed or interpreted to be marketing or commercializing the Game for the purposes of this Agreement. As of the Commencement Date, Licensee will display the Game title on its website with the same prominence it provides to other premium games. Licensor and Licensee will make a good faith effort to send representatives to meet every six (6) months to review placement activity and customer receptivity to the fees in the mutual interest of both parties. (redacted) to assist with (redacted). Licensee agrees to use a single uniform "Galaxy Gaming" logo with the square EZ Baccarat logo (and appropriate Licensed Marks information displayed in the standard gaming industry manner) on all Felt Game layouts in all Channels; provided, however, that this requirement is subject to (redacted). Licensee shall comply with the Brand Standards when displaying the Licensed Assets. Licensee will comply with updates or revisions to the Brand Standards subject to its reasonable approval as provided in the definition of Brand Standards.

(b) After the Commencement Date there will be a (redacted) (unless otherwise agreed in writing by the parties) (the "Transition Period") (redacted)

(c) (redacted)

4. Ownership and Protection of the Mark.

4.1 Maintenance of Licensed Assets.

(a)Licensor covenants and agrees to (redacted)

(b)Licensor shall, at its sole expense, diligently maintain all registrations, filings, and any and all other protections of the Licensed Assets, including, but not limited to, all domain name registrations, in full force and effect and prosecute all pending applications for any of the Licensed Assets. Licensor shall (i) keep Licensee informed of all significant developments in connection with the prosecution and maintenance of any registration or application for registration of any of the Licensed Assets, including any opposition or other challenge by any other Person to the ownership or validity of any of the Licensed Assets or any registration or application for registration thereof; (ii) promptly provide to Licensee a copy of any significant correspondence or submission with or by the United States Patent and Trademark Office or any registry or any other Person relating to any of the Licensed Assets; and (iii) consult with Licensee and consider Licensee's comments in good faith in connection with preparing any filing or response thereto.

(c)Each party is prohibited from (redacted)

(d)Licensee agrees that it (redacted)

4.2Enforcement.

(a)Each party shall promptly notify the other party of any actual or potential infringement, counterfeiting, or other unauthorized use of the Licensed Assets by any other Person (an "Infringement") of which it becomes aware.

(b)Licensor shall have the first right, in its discretion, to enforce its rights in any of the Licensed Assets, including to bring action with respect to any Infringement. Notwithstanding the foregoing, if within 15 days following either party's receipt of a notice provided under Section 4.2(a), Licensor does not initiate legal action with respect to any Infringement, or if Licensor subsequently decides not to proceed with any such action, and if Licensee has a good faith belief that such Infringement has impaired or will impair the value of the Licensed Assets or otherwise adversely affect its rights under this Agreement, then Licensee shall have the right, but not the obligation, to bring or take any such action as it determines is necessary in its reasonable discretion to halt any such Infringement and to control the conduct of such enforcement action, including settlement.

(c)The party taking action against any alleged Infringement in accordance with this Section 4.2 (the "Enforcing Party") shall be responsible for the expenses of such enforcement action, including attorneys' fees, and the other party shall provide such assistance as may be reasonably requested by the Enforcing Party, at the Enforcing Party's expense, in connection with any such enforcement action (including being joined as a party to such action as necessary to establish standing). Any monetary recovery resulting from such enforcement action shall first be used to pay the legal expenses of the Enforcing Party and then to reimburse any legal expenses incurred by the other party in cooperating in such action as requested by the Enforcing Party, and any remaining amounts shall belong solely to the Enforcing Party.

(d)The foregoing provisions of this Section 4.2 (redacted) any claims or damages relating to or arising out (redacted), and (redacted) of their respective officers, directors, employees, agents, attorneys and shareholders, (redacted)

5. Payments.

5.1Royalty. As consideration for the rights granted to Licensee herein, Licensee shall pay to Licensor royalty fees based on percentages (set forth on Schedule 1, and the specific terms therein) of Adjusted Gross Revenues earned by Licensee from each Channel except for Online Offerings. The royalty fees shall be estimated and paid by Licensee to Licensor (redacted), and the (redacted). For (redacted), as consideration for the rights granted to Licensee herein, Licensee shall pay to Licensor royalty fees based on percentages (redacted) and the specific terms therein) of AGR (redacted).

5.2Taxes. If, and only if, Licensee is required by applicable Law to withhold taxes in connection with any sums payable to Licensor under this Agreement, Licensee may deduct the amount of the withholding from the payment it otherwise would have made to Licensor under this Agreement and shall include in the royalty statement submitted pursuant to Section 5.4 the

gross amount due, the amount of the sum deducted under this Section 5.2, and the actual amount paid. In all other cases, Licensor is responsible to pay its own taxes and fees where applicable.

5.3 Manner of Payment. Royalty fees payable under this Section 5 shall be paid in US dollars by electronic transfer to a bank account to be designated in writing by Licensor.

5.4 Royalty Statements for Games. At the same time as payments are made under Section 5.1, Licensee shall submit a (redacted) statement showing the (redacted) and its Affiliates in the (redacted) and the relevant calculation of royalty fees for such month. Every month, accompanying the foregoing monthly statement, Licensee shall provide to Licensor:

- (a) (redacted)
- (b) (redacted)

5.5 Royalty Statements for Online Offerings. At the end of each relevant (redacted) statement showing the (redacted) its Affiliates in the quarter for each (redacted) and the relevant calculation of royalty fees for such quarter.

5.6 Records and Audit. All books, receipts, and records supporting the royalty statements shall be kept by Licensee for a period of (redacted) principal place of business during regular business hours upon reasonable advance notice to (redacted). (redacted) submitted by (redacted) pursuant to Sections 5.4 and 5.5, (redacted), at its own expense, shall have the right to have an independent certified public accountant reasonably acceptable (redacted).

The (redacted) made available to or otherwise obtained or prepared (redacted) shall treat all such information in accordance with the confidentiality provisions of Section 6 of this Agreement.

If any such audit shows that any payment made by Licensee is deficient, then Licensee shall pay Licensor the deficient amount within thirty (30) days after Licensee's receipt of the audit report. If any such audit shows that payments made by Licensee are more than the required payment, Licensor shall pay Licensee the excess amount at the time it provides a copy of the audit report to Licensee.

5.7 Payment Disputes. In the event of (redacted) or royalties, Licensee shall not have the right to setoff, withhold or otherwise refuse to pay the Royalties to Licensor. If any dispute arises between Licensee and Licensor relating to the Adjusted Gross Revenue or royalties payable to Licensor, any non-disputed royalties shall be paid to Licensor as provided in this Agreement and Licensee may withhold from payments made under this Section 5 any and all disputed amounts, pending resolution of the dispute. If a dispute over Adjusted Gross Revenues or royalties owed exceeds One Hundred Thousand dollars U.S. (\$100,000.00), Licensee shall deposit any disputed royalties in an escrow account in the State of Nevada pending resolution of the dispute. Any fees associated with the escrow account shall be shared equally by the parties.

6. Confidentiality. Each party (the "Receiving Party") acknowledges that in connection with this Agreement it will gain access to information that is treated as confidential by the other party (the "Disclosing Party"), including information about its business operations and strategies, goods and services, customers, pricing, marketing, and other sensitive and proprietary information (collectively, the "Confidential Information"). Confidential Information shall not include information that, at the time of disclosure as reasonably established by documentary evidence: (a) is or becomes generally available to and known by the public other than as a result of, directly or indirectly, any breach of this Section 6 by the Receiving Party; (b) is or becomes available to the Receiving Party on a non-confidential basis from another Person provided that such Person is not and was not prohibited from disclosing such Confidential Information; (c) was known by or in the possession of the Receiving Party prior to being disclosed by or on behalf of the Disclosing Party; or (d) is required to be disclosed by Law, including pursuant to the terms of a court order; provided that if allowed, the Receiving Party has given the Disclosing Party prior written notice of such disclosure and an opportunity to contest such disclosure and to seek a protective order or other remedy. The Receiving Party shall: (x) protect and safeguard the confidentiality of the Disclosing Party's Confidential Information with at least the same degree of care as the Receiving Party would protect its own Confidential Information, but in no event with less than a commercially reasonable degree of care; (y) not use the Disclosing Party's Confidential Information, or permit it to be accessed or used, for any purpose other than to exercise its rights or perform its obligations under this Agreement; and (z) not disclose any such Confidential Information to any Person, except to the Receiving Party's officers, employees, consultants, accountants, and legal advisors who are bound by written confidentiality obligations and have a need to know the Confidential Information to assist the Receiving Party, or act on its behalf, to exercise its rights or perform its obligations under this Agreement.

7. Representations and Warranties.

7.1 Mutual Representations and Warranties. Each party represents and warrants to the other party that:

- (a) it is duly organized, validly existing, and in good standing as a corporation or other entity as represented herein under the Laws of its jurisdiction of incorporation or organization;
- (b) it has the full right, power, and authority to enter into this Agreement and to perform its obligations hereunder;
- (c) the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorized by all necessary action of the party; and
- (d) when executed and delivered by such party, this Agreement shall constitute the legal, valid, and binding obligation of such party, enforceable against such party in accordance with its terms.

7.2 Licensor's Representations, Warranties, and Covenants. Licensor represents, warrants, and covenants that:

- (a) As of the Commencement Date, it will be the sole and exclusive legal and beneficial owner of the entire right, title, and interest in and to the Licensed Assets in the Territory (except that the Licensed Patent is jointly owned with Light & Wonder) subject only to the filing of assignments of the Licensed Marks as provided in Section 4.1 above and, if there are no third parties with any ownership or security interest in or liens on the Licensed Assets;
- (b) As of the Commencement Date and at all times during the Term of the Agreement, Licensee shall not have an obligation to account for profits in connection with the Licensed Patent to Light and Wonder;
- (c) As of the Commencement Date it will be the record owner of the registrations and applications set forth on Schedule 3(B) and Schedule 3(C), and all such issued registrations are valid, subsisting, and in full force and effect, and there are no administrative actions or proceedings affecting any of the registrations and applications;
- (d) Except for the right of first refusal granted to Licensee under Section 2.3, it has not granted and during the Term will not grant any licenses, liens, security interests, or other encumbrances in, to, or under the Licensed Assets;
- (e) (redacted)
- (f) The exercise by Licensee of the rights and license granted under this Agreement will not infringe or otherwise conflict with the rights of any other Person;
- (g) other than the (redacted), there is no settled, pending, or threatened litigation, opposition, or other claim or proceeding challenging the validity, enforceability, ownership, registration, or use of any Licensed Assets in the Territory; and
- (h) other than the (redacted), it has not brought or threatened any claim against any third-party alleging infringement of any Licensed Assets, nor is any third-party infringing or threatening to infringe any Licensed Asset.

7.3 Licensee's Representations, Warranties, and Covenants. Licensee represents, warrants, and covenants that:

- (a) Licensee shall make commercially reasonable efforts to obtain, by the Commencement Date, or within a reasonable time thereafter, the necessary Regulatory Approvals to distribute the Felt Game in all jurisdictions within the Territory where the Felt Game was distributed by (redacted), or use a distributor pursuant to a Limited Distribution Agreement;
 - (b) Licensee shall comply with applicable Law, including obtaining and maintaining, as required, all Regulatory Approvals, when performing its obligations (including the manufacture, promotion, advertising, and distribution of the Licensed Products in the Territory) under this Agreement;
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(c)Licensee shall use commercially reasonable efforts to market, promote and distribute the Licensed Products in the Territory;

(d)Licensee may not offer side bets on the Game (other than Panda 8 and Dragon 7) without the approval of Licensor.

8. Indemnification.

8.1 By Licensor. Licensor shall indemnify, defend, and hold harmless Licensee and its Affiliates, officers, directors, employees, agents, sublicensees, successors, and assigns (each, a "Licensee Indemnified Party") from and against all Losses incurred by a Licensee Indemnified Party arising out of or in connection with (a) any third-party claim, dispute, suit, action, or proceeding by (redacted) or its Affiliates against a Licensee Indemnified Party, including, without limitation, an Indemnified Claim under the Strategic Alliance Agreement, or an Indemnified Claim arising from (redacted) or concerning the Licensed Assets; (b) the material breach of, or misstatement of any material fact contained in, any other representation, warranty, or agreement of Licensor within this Agreement; (c) infringement, dilution, or other violation of any Intellectual Property resulting from the use of the Licensed Assets by Licensee or any of its Affiliates or sublicensees in accordance with this Agreement or otherwise; and (d) any antitrust or anticompetitive claim arising out of or related to Section 3.3(c) of this Agreement.

8.2 By Licensee. Licensee shall indemnify, defend, and hold harmless Licensor and its Affiliates, officers, directors, employees, agents, successors, and assigns (each, a "Licensor Indemnified Party") from and against all Losses incurred by Licensor arising out of or in connection with: (a) the material breach of, or misstatement of any material fact contained in, any representation, warranty, or agreement of Licensor contained in this Agreement, (b) defect in any product produced or provided by Licensee after the Commencement Date, including any product liability claim; or (c) resulting from the distribution of Licensed Assets; in each case except to the extent such claim relates to the use of the Licensed Assets in accordance with this Agreement or otherwise is covered by Licensor's indemnity obligations in Section 8.1.

8.3 Indemnification Procedure. An Indemnified Party shall promptly notify the party from whom it is seeking indemnification ("Indemnifying Party") upon becoming aware of a claim with respect to which the Indemnifying Party is obligated to provide indemnification under this Section 8 ("Indemnified Claim"). The Indemnifying Party shall promptly assume control of the defense and investigation of the Indemnified Claim, with counsel of its own choosing reasonably acceptable to the Indemnified Party, and the Indemnified Party shall reasonably cooperate with the Indemnifying Party in connection therewith, in each case at the Indemnifying Party's sole cost and expense. The Indemnified Party may participate in the defense of such Indemnified Claim, with counsel of its own choosing and at its own cost and expense. The Indemnifying Party shall not settle any Indemnified Claim on any terms or in any manner that adversely affects the rights of any Indemnified Party without the Indemnified Party's prior written consent (which consent shall not be unreasonably withheld, conditioned, or delayed). If the Indemnifying Party fails or refuses to assume control of the defense of such Indemnified Claim, the Indemnified Party shall have the right, but no obligation, to defend against such Indemnified Claim, including settling such Indemnified Claim after giving notice the Indemnified Party, in each case in such manner and on such terms as the Indemnifying Party may deem appropriate; provided, however, Licensor shall not agree to any term in settlement of any Indemnified Claim, including without limitation, those arising under the Light & Wonder Disputes, that may materially impair Licensee's rights or increase its obligations under this Agreement without Licensee's consent, which shall not be unreasonably withheld, conditioned, or delayed. Neither the Indemnified Party's failure to perform any obligation under this Section 8.3 nor any act or omission of the Indemnified Party in the defense or settlement of any Indemnified Claim shall relieve the Indemnifying Party of its obligations under this Section 8, including with respect to any Losses.

9. Limitation of Liability. TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY FOR ANY CONSEQUENTIAL, INCIDENTAL, INDIRECT, EXEMPLARY, SPECIAL, PUNITIVE, OR ENHANCED DAMAGES, OR FOR ANY LOSS OF ACTUAL OR ANTICIPATED PROFITS (REGARDLESS OF HOW THESE ARE CLASSIFIED AS DAMAGES), WHETHER ARISING OUT OF BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE (INCLUDING THE ENTRY INTO, PERFORMANCE, OR BREACH OF THIS AGREEMENT), REGARDLESS OF WHETHER SUCH DAMAGE WAS FORESEEABLE AND WHETHER EITHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE FOREGOING LIMITATIONS SHALL NOT APPLY TO: (A) A PARTY'S INDEMNIFICATION OBLIGATIONS UNDER Section 8; OR (B) LOSSES ARISING OUT OF OR RELATING TO A PARTY'S FAILURE TO COMPLY WITH ITS CONFIDENTIALITY OBLIGATIONS UNDER Section 6.

10. Term and Termination.

10.1 Term. The term (the "Term") of this Agreement shall commence on the Commencement Date and continue for a period of (redacted) years (each successive twelve (12) month period of the Term beginning on the Commencement Date being a "Term Year"), unless terminated earlier in accordance with Section 10.3.

10.2 Renewal. After the Term, this Agreement may be renewed by the written agreement of the parties (each, a "Renewal Term").

10.3 Termination.

(a) Licensee's Termination (redacted) terminate pursuant to this Section 10.3(a), (redacted)

(b) Termination Upon Sale of Licensed Assets. This Agreement shall automatically terminate, if, on or before (redacted) under this Agreement, including, without limitation, (redacted) In the event of termination under this Section 10.3(b), on or before (redacted) Licensor shall pay Licensee on demand (redacted). In the event of termination under this Section 10.3(b), on or after (redacted). The parties intend that the liquidated damages set forth in Section 10.3(b), constitute compensation, and not a penalty. The parties acknowledge and agree that Licensor's harm caused by Licensor's actions termination pursuant to Section 10.3(b) would be impossible or very difficult to accurately estimate as of the date hereof, and that the liquidated damages provided for therein are a reasonable estimate of the anticipated or actual harm that might arise from a such breach.

(c) Licensee's Right to Terminate After the Commencement Date. After the (redacted), Licensee may terminate this Agreement at any time without cause, and without incurring any additional obligation, liability, or penalty, by providing Licensor at least (redacted) advance written notice of Licensee's intent to terminate.

(d) Licensor's Right to Terminate After the Commencement Date. Licensor shall have the right to terminate this Agreement if Licensee materially fails to satisfy the (redacted)

(e) (redacted)

(f) Termination Under Section 12.18. Either party may terminate this Agreement in accordance with Section 12.18 below.

(g) Termination for Material Breach. Without limiting the foregoing termination rights, either party may terminate this Agreement on written notice to the other party if the other party materially breaches this Agreement and fails to cure such breach within thirty (30) days after receiving written notice thereof.

10.4 Effect of Termination. Upon the expiration or termination of this Agreement:

(a) Licensee shall cease all use of the Licensed Assets except as expressly permitted pursuant to Section 10.5 below;

(b) If the termination results: (i) from an exercise of rights by Licensor under Section 10.3 (d), (e), (g) above for an assignment or sublicense without Licensor's consent, or (ii) by Licensee under Section 10.3(a), then there shall be up to a (redacted) transition period, provided that the parties may agree to shorten the (redacted) period; and

(c) The Receiving Party shall promptly return to the Disclosing Party, or at the Receiving Party's option, destroy, all records and copies of any Confidential Information of the Disclosing Party; provided, however, that Licensee may continue to use any Confidential Information of Licensor to the extent necessary to allow to meet its obligation under any Continuing Sublicenses.

(d) Except for payment of the (redacted) provided in Section 10.3, and a material breach under Section 10.3(g) that is not timely cured, neither party shall be liable to the other party for other damages of any kind solely as a result of terminating this Agreement in accordance with Section 10.3.

10.5 Continuing Sublicenses. Upon termination or expiry of this Agreement for any reason (without prejudice to the rights or

remedies of either party which may have accrued up to the date of such expiry or termination):

(a) the license granted to Licensee pursuant to this Agreement shall, notwithstanding the termination or expiry of this Agreement:

- (i) continue in full force and effect that Licensee has granted prior to the date of termination or expiration, (each such Licensor approved sublicense being a "Continuing Sublicense"); and
- (ii) the license in respect of each such Continuing Sublicense shall continue as long as each such Continuing Sublicense is in force and until each such Continuing Sublicense terminates or expires in accordance with its terms;

(b) Licensee shall:

- (i) not grant any new sublicenses;
- (ii) immediately cease to market or advertise;
- (iii) not use, exploit, or make available to any new customer the Licensed Products other than pursuant to a Continuing Sublicense;
- (iv) the provisions of this Section 10.5 shall apply following termination or expiry of this Agreement, mutatis mutandis to any net revenues received by Licensee in respect of the Continuing Sublicenses; and
- (v) On termination or expiry of each Continuing Sublicense for any reason, the Sublicense in respect of that sublicensee shall terminate in its entirety.

(c) On termination or expiry of the last Continuing Sublicense for any reason:

- (i) the license granted to Licensee pursuant to this Agreement shall terminate in its entirety;
- (ii) Licensee shall immediately cease to use all Licensed Assets, and to use any representations suggesting that it is an authorized Licensee or sublicensee of the Licensed Products; and
- (iii) Licensee shall immediately remove all Licensed Marks.

10.6 Survival. The rights and obligations of the parties set forth in Section 6 (Confidentiality), Section 7 (Representations and Warranties), and Section 8 (Indemnification), and the provisions of Section 1 (Definitions) and Section 12 (Miscellaneous) (excluding Section 12.1), and any right, obligation, or required performance of the parties in this Agreement which, by its express terms or nature and context is intended to survive termination or expiration of this Agreement, will survive any such termination or expiration.

11. Assignment.

11.1 By Licensee. Subject to the other provisions of this Section 11.1 below, without (redacted). Notwithstanding the foregoing, Licensee shall have the right to assign or otherwise transfer this Agreement, or any right or obligation hereunder, upon thirty (30) days' prior written notice to Licensor to (a) an Affiliate; (b) a successor by consolidation or merger (whether or not Licensee is the surviving entity) or operation of Law; (c) a purchaser of all or substantially all of Licensee's assets or the assets or business of Licensee to which this Agreement relates; if and only if Licensee requires the assignee or transferee, as applicable, to acknowledge and agree in writing to assume and be bound by all of the applicable terms and conditions of this Agreement. Except as expressly provided above, any assignment, delegation, transfer, or Mortgage without Licensor's prior written consent shall be invalid and shall give Licensor a right to terminate this Agreement as provided in Section 10.3(g) above. Any assignment, delegation, or transfer of this Agreement in violation of this Section 11.1 shall be void and of no force and effect.

11.2 By Licensor. Subject to (redacted) prior to Licensor's sale, assignment, or other transfer (including any exclusive license) of any of the Licensed Assets to any Person during the Term, Licensor shall (a) require the purchaser, assignee, or transferee, as applicable, to acknowledge and agree in writing (i) to assume and be bound by all of the applicable terms and conditions of this Agreement, including all of Licensor's obligations and undertakings under this Agreement with respect to the

Licensed Assets, (ii) to require and obligate any subsequent purchaser, assignee, or transferee, as applicable, to do the same in connection with any such subsequent sale,

assignment, or other transfer of such Licensed Assets, and (iii) that Licensee is a third-party beneficiary of such agreement; (b) provide Licensee with an executed copy of such agreement; and (c) meet the requirements of Section 12.18.

12. Miscellaneous.

12.1 Bankruptcy. Each party hereto acknowledges and agrees that, if such party or its estate shall become subject to any bankruptcy or similar proceeding, all rights and licenses granted to the other party hereunder will continue subject to the terms and conditions of this Agreement, and will not be affected, including by rejection of this Agreement. Without limiting the foregoing, to protect the other party from and against all damages of any kind or nature resulting from rejection of this Agreement in the event of a bankruptcy, each party hereby grants to the other party a continuing security interest in and first priority lien upon the Licensed Assets. Each party shall execute any documents and perform all further acts, including with all applicable government offices, as reasonably necessary to evidence and perfect the security interest granted hereunder. If a party files for bankruptcy, the other party may enforce all rights and remedies of a secured creditor under applicable Law.

12.2 Further Assurances. Each party shall, upon the reasonable request of the other party, and, except as otherwise expressly set forth herein, at such other party's sole expense, promptly execute such documents and perform such acts as may be necessary to give full effect to the terms of this Agreement.

12.3 Independent Contractors. The relationship between the parties is that of independent contractors. Nothing contained in this Agreement is intended to or will be construed to create any agency, partnership, joint venture, or other form of joint enterprise, employment, or fiduciary relationship between the parties, and neither party will have authority to contract for or bind the other party in any manner whatsoever.

12.4 No Public Announcements. Subject to Section 3.3 (a), neither party may issue or release any announcement, statement or press release relating to this Agreement without the prior written consent of the other party, which shall not be unreasonably withheld, conditioned, or delayed. Nothing herein shall be construed to limit Licensee's rights to market and commercialize the Game as of the Commencement Date.

12.5 Notices. All notices, requests, consents, claims, demands, waivers, and other communications hereunder (other than routine communications having no legal effect) must be in writing and will be deemed to have been given (a) when delivered by hand (with written confirmation of receipt); (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by facsimile or email (in each case, with confirmation of transmission or receipt) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the third day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the addresses indicated below (or at such other address for a party as will be specified in a notice given in accordance with this Section 12.5).

If to Licensor:
(redacted)

If to Licensee:
Galaxy Gaming, Inc.
(redacted)

12.6 Interpretation. For purposes of this Agreement, (a) the words "include," "includes," and "including" will be deemed to be followed by the words "without limitation"; (b) the word "or" is not exclusive; and (c) the words "herein," "hereof," "hereby," "hereto," and "hereunder" refer to this Agreement as a whole. Unless the context otherwise requires, references herein: (x) to Sections and Schedules refer to the Sections of, and Schedules and attached to, this Agreement; (y) to an agreement, instrument, or other document means such agreement, instrument, or other document as amended, supplemented, and modified from time to time to the extent permitted by the provisions thereof; and (z) to a statute means such statute as amended from time to time and includes any successor legislation thereto and any regulations promulgated thereunder. This Agreement will be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted. Any Schedules referred to herein will be construed with, and as an integral part of, this Agreement to the same extent as if they were set forth verbatim herein.

12.7Headings. The headings in this Agreement are for reference only and will not affect the interpretation of this Agreement.

12.8Entire Agreement. This Agreement, together with all Schedules hereto and any other documents incorporated herein by reference, constitutes the sole and entire agreement of the parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings and agreements, both written and oral, with respect to such subject matter.

12.9 No Third-Party Beneficiaries. Except as expressly set forth herein with respect to Licensee's Affiliates and in Section 8 with respect to Indemnified Parties, this Agreement is for the sole benefit of the parties hereto and their respective successors and permitted assigns, and nothing herein, express or implied, is intended to or will confer upon any other Person any legal or equitable right, benefit, or remedy of any nature whatsoever, under or by reason of this Agreement.

12.10Binding Agreement. This Agreement is binding upon and inures to the benefit of the parties hereto and their respective permitted successors and assigns. Amendment and Modification; Waiver. This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each party hereto. No waiver by either party of any of the provisions hereof will be effective unless explicitly set forth in writing and signed by the waiving party. Except as otherwise set forth in this Agreement, no failure to exercise, or delay in exercising, any rights, remedy, power, or privilege arising from this Agreement will operate or be construed as a waiver thereof; nor will any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

12.11Severability. If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability will not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction. Upon a determination that any term or other provision is invalid, illegal, or unenforceable, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent permitted under applicable Law.

12.12Governing Law; Choice of Forum and Submission to Jurisdiction. This Agreement will be governed by and construed in accordance with the internal Laws of the State of Nevada without giving effect to any choice or conflict of Law provision or rule (whether of the State of Nevada or any other jurisdiction) that would cause the application of Laws of any other jurisdiction. Each party irrevocably and unconditionally agrees that any action, litigation, or proceeding arising out of or relating to this Agreement may not be commenced in any forum other than (a) the United States District Court for the Federal District of the state of Nevada or, the courts of the State of Nevada, sitting in Clark County, and each party irrevocably submits to the exclusive jurisdiction of such courts in any such action, litigation, or proceeding. Service of process, summons, notice, or other document by mail to such party's address set forth herein will be effective service of process for any suit, action, or other proceeding brought in any such court.

12.13Waiver of Jury Trial. Each party irrevocably and unconditionally waives any right it may have to a trial by jury in respect of any claim, suit, action, or proceeding arising out of or relating to this Agreement or the transactions contemplated hereby.

12.14Equitable Relief. Each party acknowledges that a breach by the other party of Section 6 or any breach by Licensor of this Agreement may cause the non-breaching party irreparable harm, for which an award of damages would not be adequate compensation and agrees that, in the event of such a breach or threatened breach, the non-breaching party will be entitled to seek equitable relief, including in the form of a restraining order, orders for preliminary or permanent injunction, specific performance, and any other relief that may be available from any court, and the parties hereby waive any requirement for the securing or posting of any bond or the showing of actual monetary damages in connection with such relief. These remedies will not be deemed to be exclusive but are in addition to all other remedies available under this Agreement at Law or in equity, subject to any express exclusions or limitations in this Agreement to the contrary.

12.15Attorneys' Fees. In the event that any claim, suit, action, or proceeding is instituted or commenced by either party hereto against the other party arising out of or related to this Agreement, the prevailing party will be entitled to recover its reasonable attorneys' fees and court costs from the non-prevailing party.

12.16Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will be deemed to be the same agreement. A signed copy of this Agreement delivered by facsimile, email, or other means of electronic transmission (to which a signed PDF copy is attached) will be deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

12.17 Privileged License/Compliance Committee Requirements.

(a) The parties and their respective affiliates are engaged in businesses that are subject to and exist because of privileged licenses or other permits issued by governmental authorities or other sovereigns. Each party agrees to promptly comply with any commercially reasonable request, direction, inquiry or policy of the other party of a regulatory, compliance or due diligence nature. Each party, and their affiliates, do not, and will not, engage in unsuitable conduct under the standards applicable to the gaming industry. Either party may terminate the Agreement if it: (i) receives a formal notification from a Regulatory Authority that continuation of this Agreement would jeopardize its Regulatory Approvals, or ability to obtain Regulatory Approvals; or (ii) determines, in its reasonable judgement, that that the non-terminating party or its affiliates might be or is about to be engaged in or involved in any activity or relationship that could jeopardize the terminating party's Regulatory Approvals or ability to obtain Regulatory Approvals (including, without limitation, any denial, suspension or revocation (or threat thereof)). If a party elects to terminate this Agreement pursuant to this Section 12.18, then if permitted by Regulatory Authorities, the Licensee shall be liable to pay Licensor all accrued and unpaid royalties incurred through the date of such termination including any escrowed amounts (subject to Section 12.18(c)); following such payment, this Agreement shall be deemed terminated (subject to Section 10.5 above), and neither party shall have any further liability or obligation to the other of any nature whatsoever.

(b) Notwithstanding anything to the contrary in this Agreement, each of the provisions of the Agreement are subject to, and shall be enforced in compliance with, all applicable regulatory laws and any requirements imposed by any applicable Regulatory Authorities in connection therewith. To the extent any provision of the Agreement contradicts one or more applicable regulatory laws (a "Conflict"), then the parties shall cooperate in good faith to renegotiate such terms and conditions, but solely to the extent necessary to cure such regulatory violation, provided that each party shall be responsible for and bear all costs associated with their respective gaming licensing obligations.

(c) Licensee shall not directly request, suggest, or recommend to Regulatory Authorities that Licensor should be licensed by any Regulatory Authority as a condition of receiving Royalties or otherwise.

12.18 Force Majeure. If Licensee is unable either wholly or partially, as a result of a force majeure event, to carry out its obligations under this Agreement, and Licensee: (i) notifies the

Licensor within a reasonable time of the force majeure event, providing details regarding the force majeure event, and the extent to which it is unable to perform its obligations; and (ii) makes reasonable attempts to remove the force majeure event as quickly as possible, if the force majeure event is such that Licensee has the ability to do so; then Licensee's obligations will be suspended for the period of time it is affected by the force majeure event. In this Section 12.19, "force majeure" means an act of God, terrorism, pandemic, strike, industrial dispute, declaration of war, blockade, disturbance, lightning, fire, earthquake, storm, flood, explosion, governmental or semi-governmental restraint, expropriation, prohibition, intervention, direction, embargo, unavailability or delay in the supply of parts, and /or any other cause which is not reasonably within Licensees control. Absent bank closures, the Licensee shall be required to pay any amounts accrued and due under this Agreement at the time of the force majeure event. The Licensee shall identify in a written notice to Licensor the approximate length of time that it believes in good faith such force majeure event shall continue.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first set forth above by their respective officers thereunto duly authorized.

The Talisman Group, LLC.
By_ Name:
Title:

Galaxy Gaming, Inc.
By_ Name:
Title:



- SCHEDULE 1 - (ROYALTIES)

Channel	Royalty	Specific Terms
(redacted)	(redacted)	(redacted)
	(redacted)	(redacted)
	(redacted)	(redacted)
(redacted)	(redacted)	(redacted)
(redacted)	(redacted)	(redacted)
(redacted)	(redacted)	(redacted)
(redacted)	(redacted)	(redacted)

(redacted)

(redacted)

(redacted)

- SCHEDULE 3(A) -

SUMMARY OF GAME:

The object of the game is to assemble two hands of two (2) or three (3) cards with a point value as close to nine (9) as possible.

EZ Baccarat™ plays the same way as regular baccarat except that it eliminates the odds differential between Player Line and Dealer Line wagers and replaces it by “barring” one specific winning Bank hand (the winning Bank hand consisting of three cards and totaling seven points). The appearance of this hand is the “Dragon 7”™. Customers can make a proposition bet at any time – the Dragon 7 bet, which pays 40 to 1 when the three-card winning Bank hand totaling 7 points occurs.

There is also an additional bet, the “Panda 8”™ that can be made at any time, which pays 25 to 1 when the Player side wins with three cards totaling 8 points occur.

To begin the game, players make a wager(s) on Player, or Dealer, or Tie (“Base Game Wager”) or a combination of the above. Players may also place a “Dragon 7” bet (three card winning Bank hand totaling 7 points) and/or a “Panda 8” wager. All wagers must be between the minimum and maximum limit for that table.

WAGERS ARE RESOLVED AS FOLLOWS:

In the case of a Bank win, Bank wagers are paid 1 to 1. Player, Tie, Dragon 7 and Panda 8 wagers lose.

In the case of a Player win, Player wagers are paid 1 to 1. Bank, Tie, Dragon 7 and Panda 8 wagers lose.

In the case of a Tie, Tie wagers are paid 8 to 1. Bank and Player wagers push and Dragon 7 and Panda 8 wagers lose.

In the case of a Dragon 7, Dragon 7 wagers are paid 40 to 1. Bank wagers push, Player and Tie wagers lose.

In the case of a Panda 8, Panda 8 wagers are paid 25 to 1. Bank wagers lose, Tie wagers lose and Player wagers win.

EXAMPLE LAYOUT OF EZ BACCARAT:

(redacted)

TYPE OF CARD DECK:

A standard 52 deck of cards is utilized in a multiple deck shoe. Eight (8) decks shall be used during the play of the game. There are no Jokers. All cards 2 through 9 hold their face value. 10, J, Q & K have a value of zero (0). The Ace has a value of one (1). A hand with cards whose sum is in double figures is ranked with the tens (10s) digit ignored. For example, a hand totaling eighteen (18) would count as eight (8).

BETTING SCHEME:

1. All wagers in EZ Baccarat shall be made by placing gaming chips on the appropriate betting areas of the table layout keeping in mind the table minimum and maximum wagering limits.
 2. All wagers shall be placed prior to any cards being dealt. No bets shall be made, increased, or withdrawn after the dealer has begun dealing.
-

3. At the beginning of each round of play, players have the following options when placing their wager(s):

1. Player line which pays 1 to 1
2. Dealer line which pays 1 to 1
3. Dragon 7 area which pays 40 to 1
4. Panda 8 area which pays 25 to 1
5. Tie area which pays 8 to 1

TIE WAGER:

The Tie bet pays 8 to 1 if the player/dealer and Player hands tie. The tie wager may be less than, equal to, or greater than the base game wager. However, the tie bet wager cannot exceed the table limit. A Natural 8 or 9 is accomplished when the first two cards of the player or dealer's hand has a value of eight (8) or nine (9). When this occurs, the other hand will not be allowed to draw an additional card.

HOW WINNERS ARE DETERMINED AND PAID:

After the cards are dealt, the closest to 9 will be declared the winner and all winners will be paid and all losers will have their wagers awarded to the player/dealer.

GAME RULES:

After the dealer delivers the first two cards to both the Player Line and Dealer Line, the following Baccarat rules are followed.

- The player hand must stand when their hand is valued at 6 through 9 and must hit when the hand is valued at 5 or less.
- If the player stands, then the dealer hand hits on a total of 5 or less.
- If the player does hit for a complete hand, then the dealer hand hits using the following rules:
 - If the dealer's hand total is 3, then the dealer hand is dealt a third card unless the player's third card was an 8.
 - If the dealer's hand total is 4, then the dealer hand is dealt a third card unless the player's third card was a 0, 1, 8, or 9.
 - If the dealer's hand total is 5, then the dealer hand is dealt a third card if the player's third card was 4, 5, 6, or 7.
 - If the dealer's hand total is 6, then the dealer hand is dealt a third card if the player's third card was a 6 or 7.

The following chart, where "S" = Dealer Line "stands" and "H" = Dealer's Line "hits" demonstrates how each hand combination is resolved:

(redacted)

Once all cards have been dealt, the hand with the highest total point count is declared the winner. In the case where both hands have an equal point count, the hand is a Tie. Wagers will then be settled in one of the following two ways:

ROUND OF PLAY:

- The Player/Dealer makes their wager.
 - All players place their wagers on the player or dealer line.
 - The dealer takes all casino collections and drops it in the affixed drop box.
 - The dealer deals the cards and then determines the winner (Player or Dealer) or whether the hand is a tie.
 - All ties between the player line and the dealer line on zero through nine (0-9) are considered a “push,” and the original wagers are called off.
 - All wagers are settled.
 - The dealer (if applicable) records whether the preceding hand was won by the player, dealer or was a Tie on the affixed electronic reader board.
-

**- SCHEDULE 3(B) -
(TRADEMARKS)**

(redacted)

MARK	JURISDICTION	STATUS	REG/APP NO.
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 COLOR DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
GAMING TABLE ORANGE FELT DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
GAMING TABLE ORANGE FELT DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8	(redacted)	(redacted)	(redacted)
PANDA 8 COLOR DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7 COLOR DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8	(redacted)	(redacted)	(redacted)

MARK	JURISDICTION	STATUS	REG/APP NO.
PANDA 8 COLOR DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 COLOR DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
PANDA 8 COLOR DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8	(redacted)	(redacted)	(redacted)
DRAGON 7 COLOR DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS COLOR DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8	(redacted)	(redacted)	(redacted)
PANDA 8 COLOR DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS COLOR DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8	(redacted)	(redacted)	(redacted)
PANDA 8 COLOR DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT	(redacted)	(redacted)	(redacted)
EZ BACCARAT	(redacted)	(redacted)	(redacted)
EZ BACCARAT	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)

MARK	JURISDICTION	STATUS	REG/APP NO.
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS COLOR DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 COLOR DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7 COLOR DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT	(redacted)	(redacted)	(redacted)

MARK	JURISDICTION	STATUS	REG/APP NO.
EZ BACCARAT AND CHINESE CHARACTERS COLOR DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
DRAGON 7 COLOR DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
EZ BACCARAT	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
GAMING TABLE ORANGE FELT DESIGN	(redacted)	(redacted)	(redacted)
GAMING TABLE ORANGE FELT DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7	(redacted)	(redacted)	(redacted)
EZ BACCARAT AND CHINESE CHARACTERS DESIGN	(redacted)	(redacted)	(redacted)
PANDA 8 DESIGN	(redacted)	(redacted)	(redacted)
DRAGON 7 DESIGN	(redacted)	(redacted)	(redacted)

- SCHEDULE 3(C) - (PATENT)

U.S. PATENT (redacted)

**-SCHEDULE 4-
(BRAND STANDARDS)**

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CERTIFICATIONS

I, Todd P. Cravens, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2023, 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: August 11, 2023

/s/ TODD P. CRAVENS

By: Todd P. Cravens

Title: Chief Executive Officer

CERTIFICATIONS

I, Harry C. Hagerty, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2023, 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: August 11, 2023

/s/ HARRY C. HAGERTY

By: Harry C. Hagerty

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 quarterly Report of Galaxy Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended June 30, 2023 filed with the Securities and Exchange Commission (the "Report"), I, Todd P. Cravens, Chief Executive Officer of the Company, and I, Harry C. Hagerty, 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/ TODD P. CRAVENS
Name: Todd P. Cravens
Title: Principal Executive Officer and Director
Date: August 11, 2023

By: /s/ HARRY C. HAGERTY
Name: Harry C. Hagerty
Title: Principal Financial Officer and Director
Date: August 11, 2023

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