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 September 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	**20-8143439**
(State or other jurisdiction of incorporation or organization)	**(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	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

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: 24,781,697 common shares as of October 31, 2023.

GALAXY GAMING, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED SEPTEMBER 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	September 30, 2023	December 31, 2022
Current assets:		
Cash and cash equivalents	$ 15,938,072	$ 18,237,513
Accounts receivable, net of allowance of $262,961 and $183,242, respectively	3,667,887	3,449,753
Income tax receivable	84,810	515,259
Prepaid expenses	2,357,596	1,402,824
Other current assets	—	588,838
Total current assets	22,048,365	24,194,187
Property and equipment, net	112,699	143,438
Operating lease right-of-use assets	823,542	1,002,749
Assets deployed at client locations, net	1,882,896	1,399,708
Goodwill	1,091,000	1,091,000
Other intangible assets, net	13,104,821	13,906,111
Other assets	275,836	273,323
Total assets	$ 39,339,159	$ 42,010,516
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 632,995	$ 1,129,869
Accrued expenses	1,681,985	3,697,504
Revenue contract liability	194,308	16,667
Current portion of operating lease liabilities	255,146	248,317
Current portion of long-term debt	946,513	940,084
Total current liabilities	3,710,947	6,032,441
Long-term operating lease liabilities	640,173	830,289
Long-term debt and liabilities, net	52,989,282	52,960,772
Deferred tax liabilities, net	75,460	72,401
Total liabilities	57,415,862	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; 24,522,197 and 24,411,098 shares issued and outstanding, respectively	24,522	24,411
Additional paid-in capital	18,358,814	17,575,396
Accumulated deficit	(36,304,235)	(35,316,540)
Accumulated other comprehensive loss	(155,804)	(168,654)
Total stockholders' deficit	(18,076,703)	(17,885,387)
Total liabilities and stockholders' deficit	$ 39,339,159	$ 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		Nine Months Ended	
	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
Revenue:				
Licensing fees	$ 6,103,861	$ 5,906,989	$ 21,051,731	$ 17,501,783
Total revenue	6,103,861	5,906,989	21,051,731	17,501,783
Costs and expenses:				
Cost of ancillary products and assembled components	187,841	71,363	1,039,441	174,392
Selling, general and administrative	4,185,893	3,340,691	11,604,729	9,867,968
Research and development	226,405	127,774	632,830	478,866
Depreciation and amortization	567,628	740,069	1,639,104	2,189,789
Share-based compensation	225,971	329,140	716,029	954,550
Total costs and expenses	5,393,738	4,609,037	15,632,133	13,665,565
Income from operations	710,123	1,297,952	5,419,598	3,836,218
Other income (expense):				
Interest income	202,477	18,674	426,234	23,166
Interest expense	(2,301,878)	(1,896,865)	(6,747,555)	(5,281,322)
Foreign currency exchange gain (loss)	(24,238)	(255,140)	(22,078)	(490,041)
Other non-recurring (loss) income	—	(18,255)	—	(18,255)
Total other expense, net	(2,123,639)	(2,151,586)	(6,343,399)	(5,766,452)
Income (loss) before provision for income taxes	(1,413,516)	(853,634)	(923,801)	(1,930,234)
(Provision) benefit for income taxes	(41,642)	154,944	(63,894)	101,941
Net income (loss)	(1,455,158)	(698,690)	(987,695)	(1,828,293)
Foreign currency translation adjustment	21,493	(77,871)	12,850	(233,405)
Comprehensive income (loss)	$ (1,433,665)	$ (776,561)	$ (974,845)	$ (2,061,698)
Net income (loss) per share:				
Basic	$ (0.06)	$ (0.03)	$ (0.04)	$ (0.07)
Diluted	$ (0.06)	$ (0.03)	$ (0.04)	$ (0.07)
Weighted-average shares outstanding:				
Basic	24,479,301	24,945,839	25,229,971	24,654,517
Diluted	24,479,301	24,945,839	25,229,971	24,654,517

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	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Loss	Deficit
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	24,466,881	$ 24,467	$ 18,065,398	$ (34,849,077)	$ (177,297)	$ (16,936,509)
Net loss	—	—	—	(1,455,158)	—	(1,455,158)
Foreign currency translation gain	—	—	—	—	21,493	21,493
Stock options exercised	30,000	30	67,470	—	—	67,500
Share-based compensation	25,316	25	225,946	—	—	225,971
Balance, September 30, 2023	24,522,197	$ 24,522	$ 18,358,814	$ (36,304,235)	$ (155,804)	$ (18,076,703)

	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Capital	Deficit	Loss	Deficit
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	24,116,083	$ 24,116	$ 16,655,051	$ (34,672,954)	$ (302,727)	$ (18,296,514)
Net income	—	—	—	(698,690)	—	(698,690)
Foreign currency translation loss	—	—	—	—	(77,871)	(77,871)
Stock options exercised	182,168	182	237,801	—	—	237,983
Share-based compensation	29,175	29	329,111	—	—	329,140
Balance, September 30, 2022	24,327,426	$ 24,327	$ 17,221,963	$ (35,371,644)	$ (380,598)	$ (18,505,952)

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

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

	Nine Months Ended	
	September 30, 2023	**September 30, 2022**
Cash flows from operating activities:		
Net loss	$ (987,695)	$ (1,828,293)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	1,639,104	2,189,789
Amortization of right-of-use assets	179,207	173,799
Amortization of debt issuance costs and debt discount	1,134,240	1,114,488
Bad debt expense (recovery)	109,533	(40,231)
Loss on write-down of assets deployed at client locations	-	95,307
Loss on sale of property & equipment	-	18,255
Deferred income tax	3,059	(146,218)
Share-based compensation	716,029	954,550
Changes in operating assets and liabilities:		
Accounts receivable	(327,667)	1,020,719
Income tax receivable	1,104,190	766,599
Prepaid expenses and other current assets	12,066	245,649
Other assets	(2,513)	(78,130)
Accounts payable	(496,874)	1,025,766
Accrued expenses	(2,677,583)	(333,469)
Revenue contract liability	177,641	6,595
Operating lease liabilities	(183,287)	(170,515)
Net cash provided by operating activities	399,450	5,014,660
Cash flows from investing activities:		
Investment in internally developed software	(556,040)	(409,626)
Acquisition of property and equipment	(15,494)	(24,950)
Acquisition of assets deployed at client locations	(718,806)	(545,358)
Net cash used in investing activities	(1,290,340)	(979,934)
Cash flows from financing activities:		
Payments of debt issuance costs	(26,897)	(13,438)
Proceeds from stock option exercises	67,500	542,500
Principal payments on long-term debt	(1,450,406)	(950,369)
Net cash used in financing activities	(1,409,803)	(421,307)
Effect of exchange rate changes on cash	1,252	(396,953)
Net (decrease) increase in cash and cash equivalents	(2,299,441)	3,216,466
Cash and cash equivalents – beginning of period	18,237,513	16,058,714
Cash and cash equivalents – end of period	$ 15,938,072	$ 19,275,180
Supplemental cash flow information:		
Cash paid for interest	$ 5,734,663	$ 4,254,362
Cash paid for income taxes	$ 161,124	$ —
Supplemental schedule of non-cash activities:		
Acquisition of intellectual property	$ —	$ 2,000,000
Insurance acquired under note payable	$ 378,000	$ —
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.

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 nine months ended September 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.

Refer to Note 9 for updated information on the employment agreement with Mr. Cravens.

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 was 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 have been modified to apply a new reference rate, primarily the Secured

Overnight Financing Rate ("SOFR"), where applicable. Adoption of the new reference rate was effective May 30, 2023. The guidance has not had 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 September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
The Americas	$ 3,892,829	$ 3,123,290	$ 13,219,678	$ 9,249,115
Europe, Middle East and Africa	2,211,032	2,783,700	7,832,053	8,252,669
Total revenue	$ 6,103,861	$ 5,906,989	$ 21,051,731	$ 17,501,783

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 $1,210,567 and $1,107,544 as of September 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 September 30, 2023, the Company has deferred $194,207 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 exceeded €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 with a licensor, pursuant to which the Company licenses and has rights to distribute a game. The agreement contains definitions, representations and warranties, and terms that are customary in licensing agreements. The agreement is for a set term that may be extended on an annual basis at the end of the term. The agreement sets forth royalties to be paid during the term and includes intellectual property licensing. The licensor has discretion in establishing the price for certain game content to be re-licensed by the Company. The royalties due for this portion of the game content will be netted against revenue in our Consolidated Statement of Operations.

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:

	September 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	1,524,401	968,362
Other intangible assets, gross	34,614,023	34,058,182
Less: accumulated amortization	(21,509,203)	(20,152,071)
Other intangible assets, net	$ 13,104,821	$ 13,906,111

For the three and nine months ended September 30, 2023 and 2022, amortization expense related to other intangible assets was $472,247 and $667,913, and $1,357,132 and $1,976,301, 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 September 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 3 months to 42 months.

Supplemental balance sheet information related to leases is as follows:

	As of September 30, 2023	
	Amount	**Classification**
Operating leases:		
Operating lease right-of-use lease assets	$ 823,542	
Operating lease current liabilities	$ 255,146	Current portion of operating lease liabilities
Operating lease long-term liabilities	640,173	Long-term operating lease liabilities
Total operating lease liabilities	$ 895,319	
Weighted-average remaining lease term:		
Operating leases	3.38	
Weighted-average discount rate:		
Operating leases	4.4 %	

The components of lease expense are as follows:

	Three Months Ended September 30, 2023	
	Amount	Classification
Operating lease cost	$ 72,071	Selling, general and administrative expense

	Nine Months Ended September 30, 2023	
	Amount	Classification
Operating lease cost	$ 216,213	Selling, general and administrative expense

Supplemental cash flow information related to leases is as follows:

	Nine Months Ended September 30, 2023	
	Amount	Classification
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 216,243	Net income

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

	Amount
For the remaining three months ending December 31, 2023	$ 74,634
Years ending December 31,	
2024	$ 288,892
2025	294,507
2026	302,011
2027	2,985
Total minimum lease payments	963,029
Less: imputed interest	(67,711)
Total operating lease liability	895,319
Less: current portion	(255,146)
Long-term portion	$ 640,173

NOTE 6. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following at:

	September 30, 2023	December 31, 2022
Fortress credit agreement	$ 58,326,929	$ 59,400,000
Insurance notes payable	346,513	340,084
Long-term debt and liabilities, gross	58,673,442	59,740,084
Less: Unamortized debt issuance costs	(4,737,647)	(5,839,228)
Long-term debt and liabilities, net of debt issuance costs	53,935,795	53,900,856
Less: Current portion of long-term debt	(946,513)	(940,084)
Long-term debt and liabilities, net	$ 52,989,282	$ 52,960,772

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 September 30, 2023. As of September 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)* and effective May 30, 2023, the Benchmark Replacement replaced 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 September 30, 2023, future maturities of our long-term liabilities are as follows:

	Total
Years ended December 31,	
2023	$ 242,393
2024	854,120
2025	600,000
2026	56,976,929
Long-term liabilities, gross	$ 58,673,442

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 nine months ended September 30, 2023 and 2022, respectively, we had the following client concentrations:

	Location	Nine Months Ended September 30, 2023 Revenue	Nine Months Ended September 30, 2022 Revenue	Accounts Receivable September 30, 2023	Accounts Receivable December 31, 2022
Client A	Europe	21.3 %	27.5 %	$ 531,415	$ 552,493
Client B	North America	14.7 %	1.3 %	$ 493,100	$ 132,500
Client C	North America	7.1 %	8.5 %	$ 144,080	$ 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 September 30, 2023 was (6.5)%, as compared to 4.3% at September 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 nine months ended September 30, 2023 and 2022, our effective tax rate (“ETR”) was (6.9)% and 5.2%, respectively. The increase in the ETR for the nine months ended September 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.

NOTE 9. SUBSEQUENT EVENTS

On November 7, 2023, the Company announced the hiring of Matt Reback to become the President and CEO effective November 13, 2023. Mr. Reback replaces Todd Cravens, whose last day of employment was November 10, 2023. Mr. Reback's Employment Agreement, which contains his compensation and other terms of his employment, was filed as an exhibit to Form 8-K on November 6, 2023.

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 nine months ended September 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 September 30, 2023 and 2022 For the three months ended September 30, 2023, we generated revenues of $6,103,861 compared to $5,906,989 for the comparable prior-year period, representing an increase of $196,872, or 3.3%. Net revenues in our GG Core operating segment increased 10.2% from $3,894,701 to $4,292,970. 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 decreased 10.0% from $2,012,288 to $1,810,891. Our online gaming revenues decreased due to renegotiation of a contract with one customer. The decrease is expected to be temporary, as the renegotiation is expected to generate higher usage from the customer over the long-term.

Selling, general and administrative expenses for the three months ended September 30, 2023 were $4,185,893 compared to $3,340,691 for the comparable prior-year period, representing an increase of $845,202, or 25.3%. The increase was due to higher internal labor and related expenses (base salary, commissions, payroll-related taxes, bonus accrual and travel), and increased information technology costs, trade show costs, legal fees, and royalties.

Research and development expenses for the three months ended September 30, 2023 were $226,405 compared to $127,774 for the comparable prior-year period, representing an increase of $98,631, or 77.2%. The increase was due to higher payroll costs from higher headcount, employee bonuses, option exercises in the period, and higher consulting fees.

Share-based compensation expenses for the three months ended September 30, 2023 were $225,971, as compared to $329,140 for the comparable prior-year period, representing an decrease of $103,169, or 31.3%. 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 decreased $587,829 to $710,123 for the three months ended September 30, 2023, compared to income from operations of $1,297,952 for the comparable prior-year period.

Total interest expense increased $405,013, or 21.4%, to $2,301,878 for the three months ended September 30, 2023 compared to $1,896,865 for the comparable prior-year period. The increase was attributable to higher rates of interest on the current borrowings.

Income tax expense was $41,642 for the three months ended September 30, 2023, compared to income tax provision of $154,944 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 nine months ended September 30, 2023 and 2022. For the nine months ended September 30, 2023 we generated revenues of $21,051,731 compared to $17,501,783 for the comparable prior-year period, representing an increase of $3,549,948, or 20.3%. Net revenues in our GG Core operating segment increased 29.3% from $11,454,344 to $14,805,867. 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 3.3% from $6,047,439 to $6,245,864. 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 nine months ended September 30, 2023 were $11,604,729 compared to $9,867,968 for the comparable prior-year period, representing an increase of $1,736,761, or 17.6%. This increase was due to higher internal labor and related expenses (base salary, commissions, payroll-related taxes, bonus accrual and travel), increased information technology costs, trade show costs and legal fees.

Research and development expenses for the nine months ended September 30, 2023 were $632,830, compared to $478,866 for the comparable prior-year period, representing an increase of $153,964, or 32.2%. The increase was due to higher payroll costs from higher headcount, employee bonuses, and option exercises in the period.

Share-based compensation expenses for the nine months ended September 30, 2023 were $716,029, as compared to $954,550 for the comparable prior-year period, representing a decrease of $238,521, or 25.0%. 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 $1,583,380 to $5,419,598 for the nine months ended September 30, 2023, compared to income from operations of $3,836,218 for the comparable prior-year period.

Total interest expense increased $1,466,233, or 27.8%, to $6,747,555 for the nine months ended September 30, 2023, compared to $5,281,322 for the comparable prior-year period. The increase was attributable to higher rates of interest on the current borrowings.

Income tax expense was $63,894 for the nine months ended September 30, 2023, compared to income tax benefit of $(101,941) 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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Adjusted EBITDA Reconciliation:	**2023**	**2022**	**2023**	**2022**
Net income (loss)	$ (1,455,158)	$ (698,690)	$ (987,695)	$ (1,828,293)
Interest expense	2,301,878	1,896,865	6,747,555	5,281,322
Interest income	(202,477)	(18,674)	(426,234)	(23,166)
Depreciation and amortization	567,628	740,069	1,639,104	2,189,789
Share-based compensation	225,971	329,140	716,029	954,550
Foreign currency exchange (gain) loss	24,238	255,140	22,078	490,041
Provision for income taxes	41,642	(154,944)	63,894	(101,941)
Other non-recurring income	—	18,255	—	18,255
Severance expense	—	—	26,209	28,477
Special project expense (benefit) - Triangulum	—	—	—	(86,959)
Special project expense - Other	5,969	(17,000)	5,969	459,904
Adjusted EBITDA	$ 1,509,691	$ 2,350,161	$ 7,806,909	$ 7,381,979

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 September 30, 2023, we had total current assets of $22,048,365 and total assets of $39,339,159. This compares to $24,194,187 and $42,010,516, respectively, as of December 31, 2022. The decrease in current assets at September 30, 2023 was primarily due to receivables from sales to a perpetual right to use single customer, and assets deployed at client locations ramp up to fulfill customer orders. The decrease in total assets at September 30, 2023 was primarily due to the changes in receivables and assets deployed at client locations, and amortization of leases and intangibles in the 2023 period.

Our total current liabilities as of September 30, 2023 decreased to $3,710,947 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, assemblies in process 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 $399,450 for the nine months ended September 30, 2023, compared to $5,014,660 provided for the comparable prior period. The positive operating cash flow was primarily due to collection of tax credits, net of royalties and prepaid expenditures for future table assemblies.

Investing activities used cash of $1,290,340 for the nine months ended September 30, 2023, compared to cash used of $979,934 for the comparable prior period. This increase in cash used was primarily due to the investment in internally developed software, and acquisition of assets deployed at client locations in the 2023 period.

Cash used in financing activities during the nine months ended September 30, 2023 was $1,409,803. This compares to $421,307 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 September 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 September 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 September 29, 2023, 25,316 restricted shares of our common stock valued at $70,125 were issued to members of our Board of Directors in partial consideration for their service in Q3 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	
10.14	Employment Agreement between the Company and Matt Reback effective November 13, 2023	8-K	000-30653	10.1	November 7, 2023	
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: November 10, 2023

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

Galaxy Gaming, Inc.

Date: November 10, 2023

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

Exhibit 31.1

CERTIFICATIONS

I, Todd P. Cravens, certify that;

1.I have reviewed this quarterly report on Form 10-Q for the quarter ended September 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: November 10, 2023

/s/ TODD P. CRAVENS
By: Todd P. Cravens
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Harry C. Hagerty, certify that;

1.I have reviewed this quarterly report on Form 10-Q for the quarter ended September 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: November 10, 2023

/s/ HARRY C. HAGERTY
By: Harry C. Hagerty
Title: Chief Financial Officer

Exhibit 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

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:	November 10, 2023

By:	/s/ HARRY C. HAGERTY
Name:	Harry C. Hagerty
Title:	Principal Financial Officer and Director
Date:	November 10, 2023

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