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, 2020

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
DISTINCTIVELY DIFFERENT

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.)**

6767 Spencer Street, Las Vegas, NV 89119
(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: 21,582,638 common shares as of November 12, 2020.

GALAXY GAMING, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2020
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PART I

ITEM 1. FINANCIAL STATEMENTS

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

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

ASSETS	September 30, 2020	December 31, 2019
Current assets:	(Unaudited)	
Cash and cash equivalents	$ 2,668,906	$ 9,686,698
Accounts receivable, net of allowance of $129,587 and $77,433, respectively	2,183,744	3,099,586
Inventory, net	761,345	665,654
Income tax receivable	350,244	260,347
Prepaid expense and other current assets	704,557	761,650
Total current assets	6,668,796	14,473,935
Property and equipment, net	116,152	144,909
Operating lease right-of-use assets	1,482,534	306,859
Assets deployed at client locations, net	258,856	405,522
Goodwill	1,091,000	1,091,000
Other intangible assets, net	16,610,045	7,430,643
Deferred tax assets, net	892,090	399,283
Other assets, net	27,305	—
Total assets	$ 27,146,778	$ 24,252,151
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,099,180	$ 766,305
Accrued expenses	844,146	1,450,879
Revenue contract liability	587,094	1,294,265
Current portion of long-term debt	2,530,149	1,634,527
Current portion of operating lease liabilities	197,067	276,963
Total current liabilities	6,257,636	5,422,939
Long-term operating lease liabilities	1,266,215	30,325
Long-term liabilities, net	45,991,154	46,291,014
Interest rate swap liability	118,846	140,495
Total liabilities	53,633,851	51,884,773
Commitments and Contingencies (See Note 11)		
Stockholders' equity (deficit)		
Preferred stock, 10,000,000 shares authorized, $0.001 par value; 0 shares issued and outstanding, respectively	—	—
Common stock, 65,000,000 shares authorized; $0.001 par value; 21,582,638 and 18,017,944 shares issued and outstanding, respectively	21,582	18,018
Additional paid-in capital	10,344,181	5,795,636
Accumulated deficit	(36,833,752)	(33,446,276)
Accumulated other comprehensive loss	(19,084)	—
Total stockholders' deficit	(26,487,073)	(27,632,622)
Total liabilities and stockholders' deficit	$ 27,146,778	$ 24,252,151

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

GALAXY GAMING, INC.
CONDENSED CONSOLIDATED STATEM ENTS OF OPERATIONS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2020	September 30, 2019	September 30, 2020	September 30, 2019
Revenue:				
Product leases, royalties and other	$ 1,797,833	$ 5,371,646	$ 6,956,122	$ 16,117,583
Total revenue	$ 1,797,833	$ 5,371,646	6,956,122	$ 16,117,583
Costs and expenses:				
Cost of ancillary products and assembled components	11,142	37,674	40,855	167,009
Selling, general and administrative	1,833,723	3,645,319	7,264,410	10,126,029
Research and development	97,081	208,253	391,333	685,693
Depreciation and amortization	575,637	476,112	1,499,927	1,439,220
Share-based compensation	178,553	242,016	512,818	678,199
Total costs and expenses	2,696,136	4,609,374	9,709,343	13,096,150
(Loss) income from operations	(898,303)	762,272	(2,753,221)	3,021,433
Other income (expense):				
Interest income	1,412	25,326	25,313	45,891
Interest expense	(162,082)	(165,706)	(506,922)	(503,262)
Share redemption consideration	(195,482)	(195,482)	(586,446)	(315,293)
Foreign currency exchange gain (loss)	20,014	(69,470)	(95,976)	(57,299)
Change in estimated fair value of interest rate swap liability	55,330	13,162	21,650	(78,440)
Other non-recurring income	15,320	—	15,320	—
Total other expense	(265,488)	(392,170)	(1,127,061)	(908,403)
(Loss) income before benefit (provision) for income taxes	(1,163,791)	370,102	(3,880,282)	2,113,030
Benefit (provision) for income taxes	(133,708)	210,132	492,807	(17,189)
Net (loss) income	$ (1,297,499)	$ 580,234	$ (3,387,475)	$ 2,095,841
Net (loss) income per share:				
Basic	$ (0.07)	$ 0.03	$ (0.18)	$ 0.07
Diluted	$ (0.06)	$ 0.03	$ (0.17)	$ 0.07
Weighted-average shares outstanding:				
Basic	19,745,525	17,774,022	18,675,769	28,083,665
Diluted	20,475,085	19,102,709	19,483,464	29,672,645

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

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

	Common Stock		Additional Paid in	Accumulated Earnings	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Capital	(Deficit)	Income	Deficit
Beginning balance, December 31, 2019	18,017,944	$ 18,018	$ 5,795,636	$ (33,446,276)	$ —	$ (27,632,622)
Net income	—	—	—	116,605	—	116,605
Stock options exercised	25,000	25	7,475	—	—	7,500
Share-based compensation	63,333	63	157,533	—	—	157,596
Balance, March 31, 2020	18,106,277	$ 18,106	$ 5,960,644	$ (33,329,671)	$ —	$ (27,350,921)
Net loss	—	—	—	(2,206,582)	—	(2,206,582)
Stock options exercised	150,000	150	30,113	—	—	30,263
Share-based compensation	80,000	80	176,589	—	—	176,669
Balance, June 30, 2020	18,336,277	$ 18,336	$ 6,167,346	$ (35,536,253)	$ —	$ (29,350,571)
Shares issued in connection with PGP asset acquisition	3,141,361	3,141	$ 3,986,387	—	—	3,989,528
Net loss	—	—	—	(1,297,499)	—	(1,297,499)
Foreign currency translation adjustment	—	—	—	—	(19,084)	(19,084)
Stock options exercised	50,000	50	11,950	—	—	12,000
Share-based compensation	55,000	55	178,498	—	—	178,553
Balance, September 30, 2020	21,582,638	$ 21,582	$ 10,344,181	$ (36,833,752)	$ (19,084)	$ (26,487,073)

	Common Stock		Additional Paid in	Accumulated Earnings	Accumulated Other Comprehensive	Total Shareholders'
	Shares	Amount	Capital	(Deficit)	Income	Equity (Deficit)
Beginning balance, December 31, 2018	39,921,591	$ 39,922	$ 4,733,701	$ 2,683,478	$ —	$ 7,457,101
Net income	—	—	—	460,664	—	460,664
Stock options exercised	98,332	98	36,134	—	—	36,232
Share-based compensation	470,200	470	223,134	—	—	223,604
Balance, March 31, 2019	40,490,123	$ 40,490	$ 4,992,969	$ 3,144,142	$ —	$ 8,177,601
Common stock redemption	(23,271,667)	(23,271)	—	(39,073,130)	—	(39,096,401)
Net income	—	—	—	1,054,943	—	1,054,943
Stock options exercised	457,888	458	59,917	—	—	60,375
Share-based compensation	76,400	76	212,502	—	—	212,578
Balance, June 30, 2019	17,752,744	$ 17,753	$ 5,265,388	$ (34,874,045)	$ —	$ (29,590,904)
Net income	—	—	—	580,234	—	580,234
Stock options exercised	75,000	75	29,175	—	—	29,250
Share-based compensation	82,600	82	241,934	—	—	242,016
Balance, September 30, 2019	17,910,344	$ 17,910	$ 5,536,497	$ (34,293,811)	$ —	$ (28,739,404)

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

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

	Nine Months Ended	
	September 30, 2020	September 30, 2019
Cash flows from operating activities:		
Net income (loss)	$ (3,387,475)	$ 2,095,841
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization of intangible assets	1,499,927	1,424,934
Non-cash lease expense	207,378	203,205
Amortization of debt issuance costs and debt discount	26,935	25,584
Bad debt expense	166,002	101,938
Change in estimated fair value of interest rate swap liability	(21,650)	78,440
Deferred income tax benefit	(492,807)	(4,194)
Share-based compensation	512,818	678,199
Unrealized foreign exchange loss	84,757	33,291
Changes in operating assets and liabilities:		
Accounts receivable	1,333,515	(477,319)
Inventory	(123,359)	(315,155)
Income tax receivable/payable	(14,379)	(414,817)
Prepaid expenses and other current assets	54,953	(40,086)
Accounts payable	552,166	332,566
Accrued expenses	(698,380)	(14,826)
Revenue contract liability	(707,171)	(143,812)
Operating lease liabilities	(254,363)	(197,875)
Other current liabilities	—	(71,581)
Net cash (used in) provided by operating activities	(1,261,133)	3,294,333
Cash flows from investing activities:		
Investment in intangible assets	—	(27,400)
Acquisition of PGP assets, net of cash acquired	(6,266,335)	—
Acquisition of property and equipment	(38,712)	(32,495)
Net cash used in investing activities	(6,305,047)	(59,895)
Cash flows from financing activities:		
Proceeds from draw on revolving loan	1,000,000	—
Proceeds from Paycheck Protection Program	835,300	—
Proceeds from stock option exercises	49,750	189,981
Payments of debt issuance costs	—	(5,736)
Principal payments on finance lease obligations	—	(14,198)
Principal payments on long-term debt	(1,264,322)	(1,105,461)
Net cash provided by (used in) financing activities	620,728	(935,414)
Effect of exchange rate changes on cash	(72,340)	(33,291)
Net (decrease) increase in cash and cash equivalents	(7,017,792)	2,265,733
Cash and cash equivalents – beginning of period	9,686,698	6,311,563
Cash and cash equivalents – end of period	$ 2,668,906	$ 8,577,296
Supplemental cash flow information:		
Cash paid for interest	$ 462,959	$ 502,764
Cash paid for income taxes	$ 77,465	$ 436,200
Supplemental schedule of non-cash activities:		
Common stock redemption in exchange for share redemption consideration obligation	$ —	$ 39,096,401
Shares issued in connection with PGP asset acquisition	$ 3,989,528	$ —
Right-of-use assets obtained in exchange for lease liabilities	$ 1,383,052	$ 305,163
Inventory transferred to assets deployed at client locations	$ 27,668	$ 157,202

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

NOTE 1. NATURE OF OPERATIONS AND RECENT DEVELOPMENTS

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, assembly, marketing and acquisition of proprietary casino table games and associated technology, platforms and systems for the casino gaming industry. Casinos use our proprietary products and services to enhance their gaming floor 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 and to land-based casino gaming companies in North America, the Caribbean, Central America, the British Isles, Europe and Africa and to cruise ship companies. We license our products and services for use solely in legalized gaming markets.

Share Redemption. On May 6, 2019, we redeemed all 23,271,667 shares of our common stock held by Triangulum Partners, LLC ("Triangulum"), an entity controlled by Robert B. Saucier, Galaxy Gaming's founder, and, prior to the redemption, the holder of a majority of our outstanding common stock. Our Articles of Incorporation (the "Articles") provide that if certain events occur in relation to a stockholder that is required to undergo a gaming suitability review or similar investigative process, we have the option to purchase all or any part of such stockholder's shares at a price per share that is equal to the average closing share price over the thirty calendar days preceding the purchase. The average closing share price over the thirty calendar days preceding the redemption was $1.68 per share.

The consideration owed to Triangulum for the redemption is $39,096,401 (the "Redemption Consideration"). See Note 10.

There is ongoing litigation between the Company and Triangulum related to the redemption and other matters. See Note 11.

Membership Interest Purchase Agreement. On February 25, 2020, Galaxy Gaming entered into a Membership Interest Purchase Agreement, dated February 25, 2020 (the "Purchase Agreement"), between the Company and the membership interest holders of Progressive Games Partners LLC ("PGP").

On August 21, 2020, the Company entered into a First Amendment to the Purchase Agreement between the Company and the membership interest holders of PGP. The First Amendment, among other things, fixed the cash portion of the purchase price at $6.425 million and established that the stock portion would be satisfied through the issuance of 3,141,361 shares of the Company's common stock with a value of $1.27 per share on the date of the acquisition. The entirety of the purchase price ($10,414,528) has been allocated to customer relationships and is included in Other intangible assets, net, on the Company's balance sheet. See Note 7. The Company also acquired net working capital of $581,885 (including cash of $158,665), all of which is payable to the sellers of PGP.

Management has determined that the PGP transaction does not meet the definition of a business combination and therefore has been accounted for as an asset acquisition.

COVID-19. On March 11, 2020, the World Health Organization declared a pandemic related to the COVID-19 outbreak, which led to a global health emergency. The public-health impact of the outbreak continues to remain largely unknown and still evolving. The related health crisis could continue to adversely affect the global economy, resulting in continued economic downturn that could impact demand for our products.

On March 17, 2020, the Company announced that it suspended billing to customers who had closed their doors due to the COVID-19 outbreak. As a result, we did not earn revenue for the use of our games by our physical casino customers during the time that they were closed. In general, the online gaming customers who license our games through our distributor remained and continue to remain in operation in spite of the COVID-19 crisis. We earned revenue from them during the crisis and expect to continue to do so, but potentially at levels that may be lower than we previously received.

As of the date of this filing, many land-based casinos have begun to re-open with significantly reduced occupancy and other limitations. As they reopen, it will take additional time for their operations to return to pre-crisis levels. Given the uncertainties around casino re-openings, we instituted a phased billing approach for our clients through fiscal year 2020, which will result in us realizing substantially less revenue than we might otherwise expect. In addition, because of COVID-19-related financial pressures on our physical casino customers, there can be no assurance that our accounts receivable we will be paid timely (or at all) for revenues earned prior to the shutdowns. Finally, some of our casino clients have notified vendors (including us) that they will lengthen payment terms for a period of time after reopening as they attempt to preserve their own liquidity.

We also rely on third-party suppliers and manufacturers in China, many of whom were shut down or severely cut back production during the shutdown.Although this has not had a material effect on our supply chain, any future disruption of our suppliers and their contract manufacturers may impact our sales and operating results going forward.

Because of the uncertainties of COVID-19, the Company drew on its Revolving Loan in the amount of $1,000,000 on March 12, 2020. Also, on April 17, 2020, the Company obtained an unsecured loan of $835,300 through Zions Bancorporation, N.A. dba Nevada State Bank under the Paycheck Protection Program (the "PPP Loan") pursuant to the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and the Paycheck Protection Program Flexibility Act (the "Flexibility Act"). Pursuant to the CARES Act, the Federal Reserve created the Main Street Lending Program to provide financing for small and medium-sized businesses. On October 26, 2020, the Company borrowed $4 million from Zions Bancorporation N.A., dba Nevada State Bank under the Main Street Lending Program (the "Main Street Loan"). The Main Street Loan bears interest at a rate of three-month US dollar LIBOR plus 300 basis points (initially 3.215%), and interest payments during the first year are deferred and added to the loan balance. The Main Street Loan may be prepaid at any time and matures on the fifth anniversary of the date it was funded, with 15% of principal amortizing in each of the third and fourth years the loan is outstanding. See Note 10.

As of the date of this filing, the Company believes that it has adequate liquidity to meet its short-term obligations. If the effects of the COVID-19 crisis endure or there is a second period of casino closures (Note 16), we may be required to reassess our obligations, including our ability to pay employee compensation and benefits.

The COVID-19 crisis may change the behavior of gaming patrons.Most of our clients operate places of public accommodation, and their patrons may reduce visitation and play as a precaution. Further, governmental authorities may continue to impose reduced hours of operation or limit the capacity of such places of public accommodation. A long-term reduction in play could have a material adverse impact on our results of operations. Depending on the length and severity of any such adverse impact, we may fail to comply with our obligations, including covenants in our credit agreement, and we may need to reassess the carrying value of our assets.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying condensed financial statements have been prepared in accordance withgenerally accepted accounting principles in the United States of America ("U.S. GAAP") and the rules of the 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. As permitted by the rules and regulations of the SEC, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations.

These unaudited interim condensed financial statements should be read in conjunction with the financial statements and the related notes thereto included in our Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on March 30, 2020 (the "2019 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.

Basis of accounting. The financial statements have been prepared on the accrual basis of accounting in conformity with U.S. GAAP. Revenues are recognized as income when earned and expenses are recognized when they are incurred. We do not have significant categories of cost of revenues. Expenses such as wages, consulting expenses, legal, regulatory and professional fees and rent are recorded when the expense is incurred.

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, including the results of the Company and its wholly owned subsidiary, PGP. All intercompany transactions and balances have been eliminated in consolidation.

Impairment considerations. We considered whether the impact of the current COVID-19 pandemic on operations and financial results is an indicator that impairment may exist related to the Company's inventory (Note 4), property and equipment (Note 5), assets deployed at client locations (Note 6) and intangible assets (Note 7). As a result of its impairment assessments, management has determined that its assets are not currently impaired. We considered the following:

Inventory. We considered whether additional write-offs or reserves were necessary to our inventory balance as a result of the impact of COVID-19. The vast majority of our Inventory is not sold to customers but, rather, is used to support new installations and repairs of our electronic table game systems which we account for as Assets Deployed at Client Locations. Based on our assessment, we determined additional write-offs and reserves were not required. We are in the process of developing a new generation of electronic table game systems and, once that new generation of system is available for customer installation, we will review inventory to determine how much of existing Inventory can be used in the next generation of systems. To the extent that there is Inventory that 1) cannot be used in the new generation of systems and 2) is in excess of what we might expect to need for repair of older generation systems that we expect to remain in the field, we may incur an impairment charge with respect to Inventory that is obsolete.

Long-lived assets. Our long-lived assets include property and equipment, assets deployed at client locations, and intangible assets. We assessed whether there was an indication of impairment of each asset group due to COVID-19 noting that based on the current contracts, including the lengthened payment terms noted above, the carrying value of our long-lived asset groups were recoverable.

Goodwill. We performed a qualitative assessment and determined that it was not more likely than not that the carrying value of the reporting unit was impaired. As part of our qualitative assessment, we considered our previous forecasts and assumptions based on our current projections, which are subject to various risks and uncertainties, including projected revenue, projected operating income, terminal growth rates, and the cost of capital.

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

Other significant accounting policies. See Note 2 in Item 8. "Financial Statements and Supplementary Financial Information" included in our 2019 10-K.

Recently adopted accounting standards

Fair Value Measurement. In August 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. ASU 2018-13 addresses the required disclosures around fair value measurement, removes certain disclosure requirements related to the fair value hierarchy, modifies existing disclosure requirements related to measurement uncertainty and adds new disclosure requirements. The new disclosure requirements include disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. We have adopted the new standard effective January 1, 2020, which did not have a material effect on our financial statements or related disclosures.

New accounting standards not yet adopted

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 and delayed the effective date of Topic 326 for certain smaller reporting companies until fiscal years beginning after December 15, 2022. Early adoption is permitted. We do not believe the adoption of this guidance will have a material impact on our financial statements or related disclosures.

NOTE 3. REVENUE RECOGNITION

Revenue recognition. We generate revenue primarily from the licensing of our intellectual property. We also, occasionally, receive a one-time sale of certain products and/or reimbursement of our equipment.

License fees. We derive product lease and royalty revenue from negotiated recurring fee license agreements and the performance of our products. We account for these agreements as month-to-month contracts and recognize revenue each month as we satisfy our performance obligations. In addition, revenue associated with performance-based agreements is recognized during the month that the usage of the product or intellectual property occurs.

Product sales. Occasionally, we sell certain incidental products or receive reimbursement of our equipment after the commencement of the new license agreement. Revenue from such sales is recognized as a separate performance obligation when we ship the items.

Disaggregation of revenue

The following table disaggregates our revenue by geographic location for the following periods:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
North America and Caribbean	$ 971,147	$ 3,891,875	$ 4,262,408	$ 11,644,353
Europe, Middle East and Africa	826,686	1,479,771	2,693,714	4,473,230
Total revenue	$ 1,797,833	$ 5,371,646	$ 6,956,122	$ 16,117,583

Revenue contract liability

For a portion of our business, we invoice our clients monthly in advance for unlimited use of our intellectual property licenses and recognize a revenue contract liability that represents such advanced billing to our clients for unsatisfied performance. We reduce the revenue contract liability and recognize revenue when we transfer those goods or services and, therefore, satisfy our performance obligation.

The table below summarizes changes in the revenue contract liability during the nine months ended September 30, 2020:

Beginning balance – January 1, 2020	$ 1,294,265
Increase (advanced billings)	7,199,100
Decrease (revenue recognition)	(7,906,271)
Ending balance – September 30, 2020	$ 587,094

Revenue recognized during the three and nine months ended September 30, 2020 that was included in the beginning balance of revenue contract liability was $6,250 and $1,292,182, respectively.

NOTE 4. INVENTORY

Inventory, net consisted of the following at:

	September 30, 2020	December 31, 2019
Raw materials and component parts	$ 379,711	$ 359,349
Finished goods	428,103	343,305
Inventory, gross	807,814	702,654
Less: inventory reserve	(46,469)	(37,000)
Inventory, net	$ 761,345	$ 665,654

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following at:

	September 30, 2020	December 31, 2019
Furniture and fixtures	$ 312,640	$ 312,639
Automotive vehicles	215,127	215,127
Office and computer equipment	329,296	302,296
Leasehold improvements	18,554	6,843
Property and equipment, gross	875,617	836,905
Less: accumulated depreciation	(759,465)	(691,996)
Property and equipment, net	$ 116,152	$ 144,909

For the three months ended September 30, 2020 and 2019, depreciation expense related to property and equipment was $22,153 and $26,467, respectively. For the nine months ended September 30, 2020 and 2019, depreciation expense related to property and equipment was $67,469 and $80,445, respectively.

NOTE 6. ASSETS DEPLOYED AT CLIENT LOCATIONS

Assets deployed at client locations, net consisted of the following at:

	September 30, 2020	December 31, 2019
Enhanced table systems	$ 908,295	$ 993,127
Less: accumulated depreciation	(649,439)	(587,605)
Assets deployed at client locations, net	$ 258,856	$ 405,522

For the three months ended September 30, 2020 and 2019, depreciation expense related to assets deployed at client locations was $51,778 and $70,145, respectively. For the nine months ended September 30, 2020 and 2019, depreciation expense related to assets deployed at client locations was $174,334 and $209,729, respectively.

NOTE 7. 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, 2020	December 31, 2019
Patents	$ 13,507,997	$ 13,485,000
Customer relationships	13,814,528	3,400,000
Trademarks	2,880,967	2,880,967
Non-compete agreements	660,000	660,000
Internally-developed software	183,416	183,415
Other intangible assets, gross	31,046,908	20,609,382
Less: accumulated amortization	(14,436,863)	(13,178,739)
Other intangible assets, net	$ 16,610,045	$ 7,430,643

For the three months ended September 30, 2020 and 2019, amortization expense related to other intangibles was $501,706 and $379,499, respectively For the nine months ended September 30, 2020 and 2019, amortization expense related to the other intangible assets was $1,258,124 and $1,134,760, respectively.

The increase in customer relationships was result of acquiring customer contracts/agreements valued at $10.4 million in connection with the closing on the Purchase Agreement in August 2020.

Estimated future amortization expense is as follows:

Twelve Months Ending September 30,	Total
2021	$ 2,582,511
2022	2,570,659
2023	1,417,510
2024	1,414,600
2025	1,410,100
Thereafter	7,214,665
Total amortization	$ 16,610,045

NOTE 8. ACCRUED EXPENSES

Accrued expenses consisted of the following at:

	September 30, 2020	December 31, 2019
Payroll and related	$ 249,902	$ 747,458
Interest	26,924	9,895
Share redemption consideration	315,293	510,776
Commissions and royalties	148,098	78,528
Income tax payable	—	64,832
Other	103,929	39,390
Total accrued expenses	$ 844,146	$ 1,450,879

NOTE 9. 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, 2020, our leases have remaining lease terms ranging from three months to 75 months.

Supplemental balance sheet information related to leases is as follows:

	As of September 30, 2020	
	Amount	**Classification**
Operating leases:		
Operating lease right-of-use lease assets	$ 1,482,534	
Operating lease current liabilities	$ 197,067	Current portion of operating lease liabilities
Operating lease long-term liabilities	1,266,215	Long-term operating lease liabilities
Total operating lease liabilities	$ 1,463,282	
Weighted-average remaining lease term:		
Operating leases	5.9 years	
Weighted-average discount rate:		
Operating leases	4.3%	

The components of lease expense are as follows:

	Three Months Ended September 30, 2020	
	Amount	**Classification**
Operating lease cost	$ 71,716	Selling, general and administrative expense

	Nine Months Ended September 30, 2020	
	Amount	**Classification**
Operating lease cost	$ 215,142	Selling, general and administrative expense

Supplemental cash flow information related to leases is as follows:

	Nine Months Ended September 30, 2020	
	Amount	Classification
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 215,142	Net income
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	$ 1,383,052	Supplemental cash flow information

As of September 30, 2020, future maturities of our operating lease liabilities are as follows:

Twelve Months Ending September 30,	Amount
2021	$ 197,067
2022	208,249
2023	215,373
2024	234,917
2025	255,707
Thereafter	351,969
Total lease liabilities	$ 1,463,282

On July 3, 2020 we entered into a new 75-month lease for our corporate headquarters in Las Vegas. Pursuant to the new lease, we now occupy approximately 14,000 square feet of office and warehouse space. The lease commenced on October 1, 2020, with rent abated through the remainder of 2020. Early occupancy was granted on September 15, 2020. Therefore, the right-of-use asset and corresponding liability were recorded on this date. Beginning in January 2021, we will commence paying rent and common area charges in an amount that is approximately equal to what we are paying pursuant to our current lease.

NOTE 10. LONG-TERM LIABILITIES

Long-term liabilities consisted of the following at:

	September 30, 2020	December 31, 2019
Nevada State Bank credit agreement	$ 8,629,800	$ 8,699,900
Paycheck Protection Program borrowing	835,300	—
Share redemption consideration obligation	39,096,401	39,096,401
Vehicle notes payable	28,162	44,490
Insurance notes payable	—	177,894
Long-term liabilities, gross	48,589,663	48,018,685
Less: Unamortized debt issuance costs	(68,360)	(93,144)
Long-term liabilities, net of debt issuance costs	48,521,303	47,925,541
Less: Current portion	(2,530,149)	(1,634,527)
Long-term liabilities, net	$ 45,991,154	$ 46,291,014

***Nevada State Bank ("NSB") Credit Agreement*.** The Company is party to a Credit Agreement with Zions Bancorporation, N.A. dba Nevada State Bank (as amended, the "Credit Agreement"), which was last amended on October 26, 2020. The Credit Agreement provided for a Term Loan in the initial amount of $11,000,000 and a Revolving Loan in the amount of $1,000,000. On March 12, 2020, the Company drew down $1,000,000 on the Revolving Loan component of the Credit Agreement. At September 30, 2020, the principal amount outstanding under the Term Loan component of the Credit Agreement was $7,629,800, bringing the total amount outstanding under the Credit Agreement at September 30, 2020, to $8,629,800.

Under the Credit Agreement, outstanding balances accrue interest based on one-month US dollar London interbank offered rate ("LIBOR") plus an Applicable Margin of 3.50% or 4.00%, depending on our Total Leverage Ratio (as defined in the amended Credit

Agreement). Effective December 31, 2021, LIBOR will no longer serve as a reference rate for bank loans, among other investment classes. The Fourth Amendment to the Credit Agreement stipulates that an alternative reference rate will be selected and used in lieu of LIBOR.

The Credit Agreement, as amended, contains affirmative and negative financial covenants and other restrictions customary for borrowings of this nature. In particular, we are required to maintain (i) a minimum trailing-four-quarters Fixed Charge Coverage Ratio (as defined in the Credit Agreement) of 1.25x; (ii) a maximum Total Leverage Ratio (as defined in the Credit Agreement) of 7.25x (with semi-annual step-downs of 0.25x every six months, commencing June 30, 2020 through December 31, 2022 (the current required Total Leverage Ratio is 7.00x) and (iii) a maximum Senior Leverage Ratio (as defined in the Credit Agreement) of 2.00x. We were not in compliance with the Fixed Charge Coverage Ratio, Total Leverage Ratio and Senior Leverage Ratio as of September 30, 2020. Furthermore, because the impact of the COVID-19 crisis on our trailing-four-quarters Adjusted EBITDA into 2021, we think it is likely that we will not be in compliance with one or more of the Fixed Charge Coverage Ratio, Total Leverage Ratio and Senior Leverage Ratio through the first quarter of 2021. In view of that, the Company and NSB entered into a Forbearance and Fifth Amendment to Credit Agreement dated August 14, 2020 (the "Fifth Amendment"). In the Fifth Amendment, NSB agreed to forbear from exercising any of its rights or remedies that result from the aforementioned covenant breaches during the aforementioned period. The Fifth Amendment also imposes a new Minimum EBITDA covenant pursuant to which the Company must demonstrate trailing-four-quarter EBITDA of $2.4 million for the each of the quarters ended September 30, 2020, December 31, 2020 and March 31, 2021 and $3.0 million thereafter. The Company was in compliance with the Minimum EBITDA covenant as of September 30, 2020. On October 26, 2020, the Company and NSB entered into the Sixth Amendment to Credit Agreement dated August 14, 2018 (the "Sixth Amendment") in connection with the Company's borrowing under the Main Street Loan Program (see Note 16 Subsequent Events). The Sixth Amendment added a Minimum Liquidity covenant requiring that the Company have cash and cash equivalents of no less than $1.5 million at quarter ends through and including June 30, 2021, and $2.5 million thereafter. The Company was in compliance with the Minimum Liquidity covenant as of September 30, 2020. On November 16, 2020, the Company entered into a Seventh Amendment to the Credit Agreement with Zions Bancorporation N.A., dba Nevada State Bank. The Seventh Amendment changed the trailing-four-quarter Minimum EBITDA covenant from $3.0 million to $2.4 million for each fiscal quarter ending September 30, 2020 and thereafter.

***Paycheck Protection Program Borrowings*.** On April 17, 2020, the Company obtained an unsecured loan of $835,300 through Zions Bancorporation, N.A. dba Nevada State Bank under the Paycheck Protection Program pursuant to the CARES Act and the Flexibility Act. The Paycheck Protection Program is administered by the United States Small Business Administration. In accordance with the requirements of the CARES Act, the Company used proceeds from the PPP Loan primarily for payroll costs. Under the terms of the CARES and Flexibility Acts, PPP Loan recipients can apply for and be granted forgiveness for all or a portion of loans granted under the Paycheck Protection Program. Such forgiveness will be determined, subject to limitations, based on the use of loan proceeds for payroll costs and mortgage interest, rent and utility costs.

On July 16, 2020, the Company filed an application and supporting documentation for forgiveness in full of the PPP Loan. The review of the Company's forgiveness application could take as long as five months, and there is no assurance that the PPP Loan will be forgiven in full or in any amount. The application for these funds required the Company to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Company. This certification further requires the Company to take into account our current business activity and our ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to the business. The receipt of these funds, and the pending application for forgiveness of the loan attendant to these funds, is dependent on the Company having initially qualified for the loan and qualifying for the forgiveness of such loan based on our adherence to the forgiveness criteria.

Share Redemption Consideration Obligation. On May 6, 2019, we issued a promissory note in the face amount of $39,096,401 to Triangulum in connection with the share redemption disclosed in Note 1. In the litigation that followed the share redemption (Note 11), Triangulum is disputing, among other things, the validity of the note and has not accepted its terms. Since no agreement on terms exists between the Company and Triangulum, the promissory note has not been given accounting effect in the Company's financial statements. The Company has instead recorded a long-term obligation payable to Triangulum, based on the redemption value specified in our Articles of Incorporation. The obligation is classified as long-term because we do not expect that a final agreement with respect to the litigation will be reached between the parties in the next twelve months. We may repay the Redemption Consideration Obligation at any time but no later than May 6, 2029; however, there can be no assurance that Triangulum will accept such payments. Additional share redemption consideration is being accrued at 2% on the redemption obligation, and we paid the first annual payment on May 5, 2020 in the amount of $781,928, which was accepted by Triangulum. The share redemption consideration obligation is unsecured and is subordinated to our existing and future indebtedness.

As of September 30, 2020, future maturities of our long-term liabilities are as follows:

Twelve Months Ending September 30,	Total
2021	$ 2,530,307
2022	1,616,655
2023	4,511,000
2024	—
2025	835,300
Thereafter	39,096,401
Long-term liabilities, gross	$ 48,589,663

NOTE 11. 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, 2020 and 2019, respectively, we had the following client revenue concentration:

	Location	2020 Revenue	2019 Revenue	Accounts Receivable September 30, 2020	Accounts Receivable December 31, 2019
Client A	Europe	17.0 %	6.2 %	$ 308,794	$ 101,402

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.

As discussed in Note 1, we redeemed the shares of our common stock held by Triangulum, an entity controlled by Robert B. Saucier, Galaxy Gaming's founder, and, prior to the redemption, the holder of a majority of our outstanding common stock. On May 6, 2019, we filed a lawsuit seeking (i) a declaratory judgment that we acted lawfully and in full compliance with the Articles when we redeemed the Triangulum shares and (ii) certain remedies for breach of fiduciary duty and breach of contract by Triangulum and its Managing Member, Mr. Saucier (the “Triangulum Lawsuit”). The suit alleges that the redemption and the other relief sought by us are appropriate and in accordance with the Articles.

The defendants to that lawsuit responded to the complaint, and Triangulum filed counterclaims. Triangulum also filed a Motion seeking the redeemed shares be held in a constructive trust. On July 11, 2019, the Court denied Triangulum’s Motion. On September 6, 2019, Triangulum appealed the denial of the Motion to the Nevada Supreme Court. We submitted our brief in opposition, and Triangulum filed its reply brief on June 17, 2020. Separately, Triangulum filed amended counterclaims, which we moved to dismiss on a number of legal grounds. The Court denied the motion. The Company filed a writ petition challenging the ruling, which the Supreme Court denied on January 23, 2020.

On October 18, 2019, Saucier also filed counterclaims, including a claim of breach of contract alleging Galaxy Gaming was obligated to pay Saucier his year-end bonuses, despite his resignation. We filed an answer disputing these claims.

As a result of the effects of Coronavirus, the Court issued a revised Scheduling Order extending time frames for discovery and setting a new trial date in April of 2021.

On May 6, 2020, Saucier made a demand of the Company under our Bylaws and an Indemnity Agreement between Saucier and the Company, for indemnity and advancement of funds seeking repayment of his lawyer’s fees and expenses he allegedly incurred in connection with the Company’s claims against him in the Triangulum Lawsuit. An independent counsel, selected per the terms of the Indemnification Agreement, concluded that Saucier was entitled to a small amount of indemnity funds related to the time he was employed by the Company, but denied an entitlement to indemnification thereafter.

On May 19, 2020, Saucier commenced a separate action in Nevada district court, by filing a complaint he verified as true, seeking advancement of indemnification fees to which he claims an entitlement under the Bylaws and an Indemnification Agreement. The Company filed its opposition on June 4, 2020. Saucier’s Motion was denied in a hearing that occurred on June 24, 2020. Saucier filed a notice of his appeal of the decision to the Nevada Supreme Court on August 10, 2020.

On July 22, 2020 Galaxy and its Directors, filed an Anti-SLAPP motion seeking to dismiss certain claims made against Galaxy and its Directors. The Anti-SLAPP motion was denied by the court. Galaxy has appealed the denial of that motion to the Nevada Supreme Court. The appeal will stay most aspects of the litigation, pending outcome of the appeal.

The appeals to the Nevada Supreme Court by Saucier and by Galaxy, have also been referred to the Supreme Court's Settlement Program where they are pending. A mandatory settlement conference is scheduled for November 16, 2020.

We remain in the discovery phase of the Triangulum Lawsuit, with discovery set to close on December 31, 2020.

In September 2018, we were served with a complaint by TableMax Corporation ("TMAX") regarding the TMAX Agreement. We filed an answer denying the allegations and filed a partial motion for summary judgment seeking dismissal of the plaintiff's claims. The suit was dismissed, subject to the right of the plaintiff to file an amended complaint on or before March 20, 2019. The plaintiff did not file an amended complaint within the time period set by the Judge. After that time, the Company considered the matter closed. TMAX filed a Motion for Leave to Amend their Complaint, which was granted by the Judge on May 11, 2020. On May 26, 2020 TMAX filed an Amended Complaint against the Company and other Co-Defendants. The Company will respond to the Amended Complaint denying the allegations.

An unexpected adverse judgment in any pending litigation could cause a material impact on our business operations, intellectual property, results of operations or financial position. Unless otherwise expressly stated, we believe costs associated with litigation will not have a material impact on our financial position or liquidity but may be material to the results of operations in any given period and accordingly, no provision for loss has been reflected in the accompanying financial statements related to these matters.

NOTE 12. STOCKHOLDERS' EQUITY (DEFICIT)

During the nine months ended September 30, 2020, we issued an aggregate of 173,333 restricted shares of our common stock valued at $187,186, to our board members in consideration of their service on the Board. These shares vested immediately on the grant date.

NOTE 13. INCOME TAXES

Our forecasted annual effective tax rate ("AETR") at September 30, 2020 was 12.0%, as compared to 16.5% at September 30, 2019. This decrease was primarily due to the global intangible low-taxed income ("GILTI") inclusion related to the PGP acquisition and other changes in permanent book-to-tax differences for the nine months ended September 30, 2020.

For the nine months ended September 30, 2020 and 2019, our effective tax rate ("ETR") was 12.7% and 0.8%, respectively. The increase in the ETR for the nine months ended September 30, 2020 is a result of favorable discrete items from the comparable prior-year period that are not recurring in the current period.

NOTE 14. STOCK OPTIONS

On May 10, 2018, the Board ratified and confirmed the 2014 Equity Incentive Plan (the "2014 Plan"). The 2014 Plan is a broad-based plan under which shares of our common stock are authorized for issuance for awards, including stock options, stock appreciation rights, restricted stock, and cash incentive awards to members of our Board, executive officers, employees and independent contractors. As of September 30, 2020, a total of 6,550,750 shares of our common stock were authorized for issuance. As of September 30, 2020, 381,701 shares remained available for issuance as new awards under the 2014 Plan.

Stock options. During the nine months ended September 30, 2020 and 2019, we issued 465,000 and 320,000 options to purchase our common stock, respectively, to members of our Board, executive officers, employees and independent contractors. The fair value of all stock options granted for the nine months ended September 30, 2020 and 2019 was determined to be $435,639 and $564,450, respectively, using the Black-Scholes option pricing model with the following assumptions:

	Options Issued 2020	Options Issued 2019
Dividend yield	0 %	0 %
Expected volatility	70.98% - 76.97%	71.61% - 72.11%
Risk free interest rate	0.27% - 1.39%	1.37% - 2.51%
Expected life (years)	5.00	5.00

On February 21, 2019, we amended the employment agreement between the Company and Todd Cravens, our President and Chief Executive Officer ("Mr. Cravens"). Among other things, this amendment grants Mr. Cravens an option to purchase 150,000 shares of our common stock at an exercise price of $1.90 per share, which vested on August 1, 2020.

On February 17, 2020, we entered into Amendment No. #2 to the employment agreement with Mr. Cravens. Among other things, Amendment No. #2 provides that Mr. Cravens receive a grant of 225,000 options at a strike price of $1.93 and vest as follows: 88,000 shares on July 26, 2021, 87,000 shares on July 26, 2022 and 50,000 shares on July 26, 2023.

A summary of stock option activity is as follows:

	Common Stock Options		Weighted-Average Exercise Price		Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Outstanding – December 31, 2019	3,175,000	$	0.92	$	2,692,025	2.79
Issued	465,000		1.57		—	—
Exercised	(225,000)		0.22		—	—
Forfeited	(100,000)		1.57		—	—
Outstanding – September 30, 2020	3,315,000	$	1.04	$	144,450	2.49
Exercisable – September 30, 2020	2,245,000	$	0.81	$	614,750	1.81

A summary of unvested stock option activity is as follows:

	Common Stock Options		Weighted-Average Exercise Price		Aggregate Intrinsic Value	Weighted-Average Remaining Contractual Term (Years)
Unvested – December 31, 2019	1,053,333	$	1.43	$	357,734	3.92
Granted	465,000		1.57		—	—
Vested	(348,333)		1.29		—	—
Forfeited	(100,000)		1.57		—	—
Unvested – September 30, 2020	1,070,000	$	1.52	$	(470,300)	3.92

As of September 30, 2020, our unrecognized share-based compensation expense associated with the stock options issued was $708,698, which will be amortized over a weighted-average of 2.24 years.

NOTE 15. FAIR VALUE OF FINANCIAL INSTRUMENTS

We estimate fair value for financial assets and liabilities in accordance with 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 value of cash equivalents, accounts receivable and accounts payable approximates their carrying amount due to their short-term nature. The estimated fair value of our long-term debt and lease obligations approximates their carrying value based upon our expected borrowing rate for debt with similar remaining maturities and comparable risk. As of September 30, 2020, the interest rate swap agreement was the only financial instrument measured at estimated fair value on a recurring basis based on valuation reports provided by counterparties, which are classified as level 2 inputs.

NOTE 16. SUBSEQUENT EVENTS

We evaluate subsequent events through the date of issuance of the financial statements. There have been no subsequent events that occurred during such period that would require adjustment to or disclosure in the financial statements as of and for the quarter ended September 30, 2020 except as disclosed in Note 1 and as follows:

As discussed in Note 1, on October 26, 2020, the Company entered into a business loan agreement with Zions Bancorporation N.A., dba Nevada State Bank for a secured loan in the amount of $4 million under Main Street Priority Loan Facility as established by the Board of Governors of the Federal Reserve System Section 13(3) of the Federal Reserve Act. Among other things, the Main Street Loan has a five-year maturity, bears interest at a rate of three-month US dollar LIBOR plus 300 basis points and has deferred interest payments during the first year which will be added to the loan balance.

Also, on October 26, 2020, the Company entered into a Sixth Amendment to the Credit Agreement between Zions Bancorporation N.A., dba Nevada State Bank. The Sixth Amendment permits the Company to accept the Main Street Loan, establishes a minimum liquidity covenant through the term of the Credit Agreement and permits the security interest under the Main Street Loan to be pari passu with the Lender's security interest under the Credit Agreement.

On November 16, 2020, the Company entered into a Seventh Amendment to the Credit Agreement with Zions Bancorporation N.A., dba Nevada State Bank. The Seventh Amendment changed the trailing-four-quarter Minimum EBITDA covenant from $3.0 million to $2.4 million for each fiscal quarter ending September 30, 2020 and thereafter.

Cases of COVID-19 infection have been rising in many of the markets we serve. As a result, there have been restrictions put in place on the opening hours of casinos in those markets. In the United Kingdom in particular, casinos have been forced to close for a period of at least one month beginning on November 5, 2020. Other jurisdictions in which we operate may also decide to order closures of casinos in an effort to reduce transmission of the virus.

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, 2020 and 2019. This discussion should be read together with our audited consolidated financial statements and related notes included in Item 8. Financial Statements and Supplementary Data. Some of the information contained in this discussion includes forward-looking statements that involve risks and uncertainties; therefore our "Special Note Regarding Forward-Looking Statements" should be reviewed for a discussion of important factors that could cause actual results to differ materially from the results described in, or implied by, such forward-looking statements.

OVERVIEW

We develop, acquire, assemble and market technology and entertainment-based products and services for the gaming industry for table games activities and focus on either increasing their profitability, productivity and security or expanding their gaming entertainment offerings in the form of proprietary table games, electronically enhanced table game platforms, fully automated electronic tables and other ancillary equipment. In addition, we license intellectual property to legal internet gaming sites. 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, 2020 and 2019. For the three months ended September 30, 2020, we generated total revenues of $1,797,833 compared to $5,371,646 for the comparable prior-year period, representing a decrease of $3,573,813, or 66.5%. This decrease was attributable to the COVID-19 crisis, as some of our land-based casino customers remained closed in the third quarter, and those that were open had reduced capacity or realized reduced visitation which, in turn, resulted in us realizing no revenue from those that were closed and reduced revenue from those that were open. We continued to realize revenue from licensing our game content to the online gaming market in the third quarter of 2020 and, with the acquisition of PGP in the third quarter, began to recognize revenue from licensing the newly-acquired game content to the online gaming market.

Selling, general and administrative expenses for the three months ended September 30, 2020 were $1,833,723 compared to $3,645,319 for the comparable prior-year period, representing a decrease of $1,811,596, or 49.7%. This decrease was primarily due to a decrease in compensation-related expenses directly related to the COVID-19 crisis (reduction in workforce, removal of bonuses and lower commissions and distributor fees). Lower legal fees contributed to the decrease as well. Prior year legal expenses included expenses associated with our strategic review, the Triangulum Lawsuit and the related contested proxy campaign. Also, travel and entertainment-related expenses and professional and compliance-related expenses (consulting and regulatory) decreased due to the COVID-19 crisis.

Research and development expenses for the three months ended September 30, 2020 were $97,081, compared to $208,253 for the comparable prior-year period, representing a decrease of $111,172, or 53.4%. This decrease was primarily due to a reduction in consulting expenses related to a third-party research and development firm no longer used by the Company and a decrease in compensation-related expenses.

Share-based compensation expenses for the three months ended September 30, 2020 were $178,553, as compared to $242,016 for the comparable prior-year period, representing a decrease of $63,463, or 26.2%. This decrease was mainly due to fewer restricted shares issued and at a lower stock price than the comparable prior-year period.

As a result of the changes described above, income from operations decreased $1,660,575 or 217.8% to a loss of $898,303 for the three months ended September 30, 2020, compared to income of $762,272 for the comparable prior-year period.

Total interest expense decreased $3,624, or 2.2%, to $162,082 for the three months ended September 30, 2020, compared to $165,706 for the comparable prior-year period. The decrease is attributable to lower balances outstanding under our Term Loan, partially offset by the amount drawn on our Revolving Loan.

Income tax provision was $133,708 for the three months ended September 30, 2020, compared to income tax benefit of $210,132 for the comparable prior-year period. The increase in income tax expense was primarily attributable to favorable discrete items incurred in the prior-year period not recurring in the current-year period.

Adjusted EBITDA (as defined below) was $35,703 for the three months ended September 30, 2020, compared to $2,217,299 for the comparable prior-year period, representing a decrease of $2,181,596, or 98.4%. This decrease was primarily attributable the significant decrease in revenue in the quarter not being fully offset by the decreased amount of expenses.

Results of operations for the nine months ended September 30, 2020 and 2019. For the nine months ended September 30, 2020, we generated total revenues of $6,956,122 compared to $16,117,583 for the comparable prior-year period, representing a decrease of $9,161,461, or 56.8%. This decrease was attributable to the COVID-19 crisis, as some of our land-based casino customers remained closed in the third quarter, and those that were open had reduced capacity or realized reduced visitation which, in turn, resulted in us realizing no revenue from those that were closed and reduced revenue from those that were open. We continued to realize revenue from licensing our game content to the online gaming market in the third quarter of 2020 and, with the acquisition of PGP in the third quarter, began to recognize revenue from licensing the newly-acquired game content to the online gaming market.

Selling, general and administrative expenses for the nine months ended September 30, 2020 were $7,264,410 compared to $10,126,029 for the comparable prior-year period, representing a decrease of $2,861,619, or 28.3%. This decrease was primarily due to a decrease in compensation-related expenses directly related to the COVID-19 crisis (reduction in workforce, removal of bonuses and lower commissions and distributor fees). Lower legal fees contributed to the decrease as well. Prior year legal expenses included expenses associated with our strategic review, the Triangulum Lawsuit and the related contested proxy campaign. Also, travel and entertainment-related expenses and consulting expenses decreased due to the COVID-19 crisis.

Research and development expenses for the nine months ended September 30, 2020 were $391,333, compared to $685,693 for the comparable prior-year period, representing a decrease of $294,360, or 42.9%. This decrease was primarily due to a reduction in consulting expenses related to a third-party research and development firm no longer used by the Company and a decrease in compensation-related expenses.

Share-based compensation expenses for the nine months ended September 30, 2020 were $512,818, as compared to $678,199 for the comparable prior-year period, representing a decrease of $165,381, or 24.4%. This decrease was mainly due to fewer restricted shares issued and at a lower stock price than the comparable prior-year period.

As a result of the changes described above, income from operations decreased $5,774,654 or 191.1% to a loss of $2,753,221 for the three months ended September 30, 2020, compared to income of $3,021,433 for the comparable prior-year period.

Total interest expense increased $3,660, or 0.7%, to $506,922 for the nine months ended September 30, 2020, compared to $503,262 for the comparable prior-year period. Interest on lower balances of our Term Loan were offset by interest expense on our Revolving Loan (which was undrawn in 2019).

Share redemption consideration increased $271,153, or 86.0%, to $586,446 for the nine months ended September 30, 2020, compared to $315,293 for the comparable prior-year period. The increase was attributable to the Triangulum share redemption consid eration obligation, which was outstanding for only a portion of the prior-year period.

Income tax benefit was $492,807 for the nine months ended September 30, 2020, compared to income tax provision of $17,189 for the comparable prior-year period. The decrease in income tax expense was primarily attributable to the reduced operations related to the COVID-19 pandemic in the nine-month period resulting in a pre-tax book loss, offset by the GILTI inclusion related to the PGP acquisition, which reduced the taxable loss in the nine-month period.

Adjusted EBITDA (as defined below) was $115,997 for the nine months ended September 30, 2020, compared to $6,654,222 for the comparable prior-year period, representing a decrease of $6,538,225, or 98.3%. This decrease was primarily attributable to the net loss for the period as a result of the COVID-19 crisis. This decrease was primarily attributable the significant decrease in revenue in the period not being fully offset by the decreased amount of expenses.

Adjusted EBITDA. Adjusted EBITDA includes adjustments to net income to exclude interest, taxes, depreciation, amortization, share based compensation, loss on extinguishment of debt, foreign currency exchange gains, changes in the estimated fair value of interest rate swap liability, and other non-recurring losses and non-cash charges. 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 from operations to Adjusted EBITDA is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Adjusted EBITDA Reconciliation:	**2020**	**2019**	**2020**	**2019**
Net (loss) income	$ (1,297,499)	$ 580,234	$ (3,387,475)	$ 2,095,841
Interest expense	162,082	165,706	506,922	438,101
Share redemption consideration	195,482	195,482	586,446	380,454
Interest income	(1,412)	(25,326)	(25,313)	(45,891)
Depreciation and amortization	575,637	476,112	1,499,927	1,439,220
Share-based compensation	178,553	242,016	512,818	678,199
Foreign currency exchange (gain) loss	(20,014)	69,470	95,976	57,299
Change in estimated fair value of interest rate swap liability	(55,330)	(13,162)	(21,650)	78,440
(Benefit) provision for income taxes	133,708	(210,132)	(492,807)	17,189
Rebranding expense	—	82,650	—	95,150
Other non-recurring income	(15,320)	—	(15,320)	—
Severance expense	(3,243)	185,000	20,058	185,000
Special project expense(1)	183,059	469,249	836,415	1,235,220
Adjusted EBITDA	$ 35,703	$ 2,217,299	$ 115,997	$ 6,654,222

(1) 2020 includes expenses associated with the Triangulum Lawsuit. 2019 includes expenses associated with our strategic review, the Triangulum Lawsuit and the related contested proxy campaign.

Liquidity and capital resources. We have generally been able to fund our continuing operations, our investments, and the obligations under our existing borrowings through cash flow from operations. However, the COVID-19 crisis resulted in negative cash provided by operations during the nine months ended September 30, 2020, and we expect modestly negative cash flow from operations in Q4 of 2020. However, based on our forecast of a gradual recovery in the casino gaming industry from the lows of Q2, combined with the $3.92 million in cash we received from the Main Street Loan Facility, we believe we have adequate liquidity to meet our short-term obligations. However, if COVID-19 continues to force casino closures or if the recovery from the closures is slower than we anticipate, the issuance of debt or equity financing arrangements may be required to fund future expenditures or other cash requirements. There can be no assurance that we will be successful in raising additional funding, if necessary, and even if we are successful, it may not be on advantageous terms to us. If we are not able to secure additional funding, the implementation of our business plan could be negatively affected. In addition, we may incur higher capital expenditures in the future to expand our operations. We may from time to time acquire products and businesses complementary to our business. We may also incur significant expenses when applying for new licenses or in complying with current jurisdictional requirements. As a public entity, we may issue shares of our common stock and preferred stock in private or public offerings to obtain financing, capital or to acquire other businesses that can improve our performance and growth. To the extent that we seek to acquire other businesses in exchange for our common stock, fluctuations in our stock price could have a material adverse effect on our ability to complete acquisitions.

As of September 30, 2020, we had total current assets of $6,668,796 and total assets of $27,146,778. This compares to $14,473,935 and $24,252,151, respectively, as of December 31, 2019. The decrease in current assets as of September 30, 2020 was primarily due to a decrease in our Accounts Receivable balance, resulting from the COVID-19 shutdown in Q1 of this year and temporary shutdowns throughout Q2 and Q3. Also, we closed on the Purchase Agreement in August 2020, resulting in a decrease in our Cash balance. The increase in total assets as of September 30, 2020 was primarily due to an increase in our Intangibles balance of $10.4 million, as a result of acquiring customer agreements in connection with the closing on the Purchase Agreement.

Our total current liabilities as of September 30, 2020 increased to $6,257,636 from $5,422,939 as of December 31, 2019, primarily due an increase in our Accounts Payable balance and the Company drawing down on its $1,000,000 Revolving Loan on March 12, 2020. This increase was offset by decreases in Accrued Expenses and our Revenue Contract Liability.

Despite the COVID-19 crisis, our business was profitable in Q1 2020. However, our business was not profitable in Q2 or Q3 of 2020. We anticipate modestly negative cash from operations in Q4 of 2020. We have sufficient working capital to meet our short-term and long-term obligations as they become due. Further, we do not currently believe that the recent casino closures in the United Kingdom will result in an impairment of our assets or a default under our loan agreements.

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 used $1,261,133 in cash for the nine months ended September 30, 2020, compared to cash provided of $3,294,333 for the comparable prior period. The decrease in operating cash flow was primarily due to the net loss for the period as a result of the COVID-19 crisis. This decrease was partially offset by changes in operating assets and liabilities such as Accounts Receivable, Accounts Payable and Revenue Contract Liability, as a result of the COVID-19 crisis.

Investing activities used cash of $6,305,047 for the nine months ended September 30, 2020, compared to $59,895 for the comparable prior period. This was due to closing of the Purchase Agreement in August 2020.

Cash provided by financing activities during the nine months ended September 30, 2020 was $620,728, which resulted from the $1,000,000 draw on our Revolving Loan on March 12, 2020, and $835,300 from the PPP Loan, offset by principal payments on long-term debt. This compares to $935,414 cash used in financing activities for the comparable prior period.

Critical accounting policies. The discussion of our financial condition and results of operations is based upon our financial statements, which have been prepared in accordance with U.S. GAAP. Critical accounting policies are those policies that, in management's view, are most important in the portrayal of our financial condition and results of operations. See Note 2 in Item 8. “Financial Statements and Supplementary Financial Information” included in our 2019 10-Kfor further detail on these critical accounting policies.

Off-balance sheet arrangements. As of September 30, 2020, 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 SEC'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 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, 2020 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 theinherent 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

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, that are complex in nature and have outcomes that are difficult to predict. In accordance with topic ASC Topic 450, *Contingencies*, we record accruals for such contingencies to the extent that we conclude that it is probable that a liability will be incurred and the amount of the related loss can be reasonably estimated. Our assessment of each matter may change based on future unexpected events. An unexpected adverse judgment in any pending litigation could cause a material impact on our business operations, intellectual property, results of operations or financial position. Unless otherwise expressly stated, we believe costs associated with litigation will not have a material impact on our financial position or liquidity but may be material to the results of operations in any given period. We assume no obligation to update the status of pending litigation, except as may be required by GAAP, applicable law, statute or regulation.

On May 6, 2019, we redeemed all 23,271,667 shares of our common stock held by Triangulum, an entity controlled by Robert B. Saucier, Galaxy Gaming's founder, and, prior to the redemption, the holder of a majority of our outstanding common stock. The redemption of Triangulum's shares was given effect pursuant to the Articles, which expressly provide that if certain events occur in relation to a stockholder that is required to undergo a gaming suitability review or similar investigative process, we have the option to purchase all or any part of such stockholder's shares at a price per share that is equal to the average closing share price over the thirty calendar days preceding the purchase. The average closing share price over the thirty calendar days preceding the redemption was $1.68 per share. As consideration for the redemption, we issued a promissory note payable to Triangulum in the face amount of $39,096,401, which due to the resulting litigation discussed below, has not been given accounting effect in the Company's financial statements. The Company has instead recorded a long-term share redemption consideration obligation payable to Triangulum, based on the redemption value specified in our Articles of Incorporation. See Note 10.

On May 6, 2019 we filed a lawsuit seeking (i) a declaratory judgment that we acted lawfully and in full compliance with the Articles when we redeemed the Triangulum shares and (ii) certain remedies for breach of fiduciary duty and breach of contract by Triangulum and its Managing Member, Mr. Saucier. The Triangulum Lawsuit alleges that the redemption and the other relief sought by us are appropriate and in accordance with the Articles (Galaxy Gaming, Inc. v. Triangulum Partners, LLC, Robert B. Saucier, Clark County, Nevada district court (Case No. A-19-794293-B)). We are in the discovery phase of the Triangulum Lawsuit.

The defendants to that lawsuit responded to the complaint, and Triangulum filed counterclaims based on a theory of wrongful redemption by us. Triangulum also filed a Motion for Preliminary Injunction seeking the redeemed shares be held in a constructive trust. On July 11, 2019, the Court denied Triangulum's Motion for Preliminary Injunction and all related relief. On September 6, 2019, Triangulum appealed the denial of the Motion for Preliminary Injunction to the Nevada Supreme Court. We submitted our brief in opposition, and Triangulum's reply brief is due on June 17, 2020. Separately, Triangulum filed amended counterclaims, which we moved to dismiss on a number of legal grounds. The Court denied the motion, stating that the amended complaint was sufficiently plead. The Company filed a Petition for a Writ of Mandamus challenging the ruling, which the Supreme Court denied on January 23, 2020.

On October 18, 2019, Saucier also filed counterclaims centered similarly on a theory of wrongful redemption, and also claims that for breach of contract and quantum meruit, alleging Galaxy Gaming was obligated to pay Saucier his year-end bonuses, despite his resignation. We filed an answer disputing these claims.

As a result of the effects of Coronavirus on the Nevada District court, the Court issued a revised Scheduling Order extending time frames for discovery and setting a new trial date in February of 2021.

On May 6, 2020, Saucier made a demand of the Company under our Bylaws and an Indemnity Agreement between Saucier and the Company, for indemnity and advancement of funds seeking repayment of his lawyer's fees and expenses he allegedly incurred in connection with the Company's claims against him in the Triangulum Lawsuit. Saucier asserts that he is entitled to indemnity and advancement as a result of his tenure as an officer, director, and fiduciary of the Company, which he claims triggers his rights of indemnity and advancement. The Company rejected his demand. Pursuant to the Indemnity Agreement, an Independent Counsel was agreed to by the parties to hear the dispute. The Independent Counsel generally agreed with the Company but awarded Saucier a small amount of indemnity funds related to the time he was employed by the Company.

Also on May 19, 2020, Saucier commenced a separate action, filed a verified complaint seeking advancement and filed a pleading styled "Motion For Declaratory Judgement On Verified Complaint For Advancement" (Robert B. Saucier v. Galaxy Gaming, Inc. (Clark County, Nevada district court (Case No. A-20-81590-B)) ("the Motion For Declaratory Judgement"). The Company filed its opposition on June 4, 2020. Saucier's Motion For Declaratory Judgement was denied in a hearing that occurred on June 24, 2020. Saucier appealed the denial to the Nevada Supreme Court on August 10, 2020.

On July 22, 2020 Galaxy and its Directors, filed an Anti-SLAPP motion seeking to dismiss certain claims made against Galaxy and its Directors. The Anti-SLAPP motion was denied by the court. Galaxy and its Directors have appealed the denial of that motion to the Nevada Supreme Court. The appeal will stay most aspects of the litigation, pending outcome of the appeal.

The appeals to the Nevada Supreme Court by Saucier and by Galaxy, have also been referred to the Supreme Court's Settlement Program where they are pending. A mandatory settlement conference is scheduled for November 16, 2020.

We remain in the discovery phase of the Triangulum Lawsuit.

As has been previously reported by the Company, in September 2018, we were served with a complaint by TMAX regarding the TMAX Agreement. We filed an answer denying the allegations and counterclaiming for breach of contract, abuse of process and fraud in the inducement, among other counterclaims. We also filed a partial motion for summary judgment seeking dismissal of the plaintiff's claims. Pursuant to a motion to dismiss brought by the co-defendant and former CEO of TMAX, the suit was dismissed, subject to the right of the plaintiff to file an amended complaint on or before March 20, 2019.

The plaintiff did not file an amended complaint within the time period set by the Judge. After that time, the Company considered the matter closed. Despite not filing an Amended complaint within the allotted time, thereafter TMAX filed a Motion for Leave to Amend their Complaint, which was granted by the Judge on May 11, 2020. On May 26, 2020 TMAX filed an Amended Complaint against the Company and other Co-Defendants. In the Amended Complaint, TMAX asserted a claim against the Company for conversion of personal property. The Company will respond to the Amended Complaint denying the allegations.

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

On September 30, 2020, we issued an aggregate of 55,000 restricted shares of our common stock valued at $59,400 to Messrs. Lipparelli, Isaacs, Waters, and Zender in consideration of their service on the Board during the three months ended September 30, 2020. These shares vested immediately on the grant date. In each of the transactions listed above, the securities were issued pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, (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
3.1	Amended and Restated Bylaws	8-K	000-30653	3.2	February 14, 2020	
10.1	Amendment #2 to the Employment Agreement dated July 27, 2017 between the Company and Todd P. Cravens	8-K	000-30653	10.1	February 19, 2020	
10.2	Membership Interest Purchase Agreement dated February 25, 2020, between the Company and the membership interest holders of PGP	8-K	000-30653	10.2	February 26, 2020	
10.3	Paycheck Protection Program Loan Agreement pursuant to the Coronavirus Aid, Relief and Economic Security Act	8-K	000-30653		April 21, 2020	
10.4	Forbearance and Fifth Amendment to the Credit Agreement dated August 16, 2019 with Zions Bancorporation N.A., dba Nevada State Bank	8-K	000-30653	10.1	August 14, 2020	
10.5	First Amendment to the Membership Interest Purchase Agreement dated February 25, 2020 between the Company and the membership interest holders of PGP	8-K	000-30653	10.1	August 24, 2020	
10.6	Sixth Amendment to the Credit Agreement dated August 16, 2019 with Zions Bancorporation N.A., dba Nevada State Bank	8-K	000-30653	10.1	October 26, 2020	
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	Financials in XBRL format					X

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 16, 2020

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

Galaxy Gaming, Inc.

Date: November 16, 2020

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, 2020 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 16, 2020

/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, 2020 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 16, 2020

/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 September 30, 2020 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 16, 2020
By:	/s/ HARRY C. HAGERTY
Name:	Harry C. Hagerty
Title:	Principal Financial Officer and Director
Date:	November 16, 2020

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