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

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**FORM 10-Q**

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

For the quarterly period ended March 31, 2016

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

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**Galaxy Gaming, Inc.**

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

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Nevada  
(State or other jurisdiction of  
incorporation or organization)

20-8143439  
(IRS Employer  
Identification No.)

6767 Spencer Street, Las Vegas, NV 89119  
(Address of principal executive offices)

(702) 939-3254  
(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller Reporting Company

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

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 39,315,591 common shares as of May 16, 2016.

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**GALAXY GAMING, INC.**  
**QUARTERLY REPORT ON FORM 10-Q FOR THE QUARTER ENDED MARCH 31, 2016**  
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## PART I - FINANCIAL INFORMATION

### ITEM 1. FINANCIAL STATEMENTS

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

- 1 [Condensed Balance Sheets as of March 31, 2016 and December 31, 2015 \(unaudited\)](#)
  - 2 [Condensed Statements of Operations for the three months ended March 31, 2016 and 2015 \(unaudited\)](#)
  - 3 [Condensed Statements of Comprehensive Income for the three months ended March 31, 2016 and 2015 \(unaudited\)](#)
  - 4 [Condensed Statements of Cash Flows for the three months ended March 31, 2016 and 2015 \(unaudited\)](#)
  - 5-16 [Notes to Financial Statements \(unaudited\)](#)
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**GALAXY GAMING, INC.**  
**CONDENSED BALANCE SHEETS**  
(Unaudited)

ASSETS	March 31, 2016	December 31, 2015
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,077,985	\$ 570,623
Restricted cash	46,815	97,859
Accounts receivables, net allowance for bad debts of \$31,000 and \$30,944	1,750,430	1,828,669
Prepaid expenses	56,177	106,338
Inventories, net	456,385	411,700
Deferred tax asset	10,477	43,017
Other current assets	—	2,489
<b>Total current assets</b>	<b>3,398,269</b>	<b>3,060,695</b>
<b>Property and equipment, net</b>	<b>278,012</b>	<b>298,877</b>
<b>Products leased and held for lease, net</b>	<b>133,275</b>	<b>134,485</b>
<b>Intangible assets, net</b>	<b>12,889,324</b>	<b>13,261,636</b>
<b>Goodwill</b>	<b>1,091,000</b>	<b>1,091,000</b>
<b>Deferred tax assets, net of current portion</b>	<b>—</b>	<b>82,562</b>
<b>Other assets, net</b>	<b>41,793</b>	<b>41,793</b>
<b>Total assets</b>	<b>\$ 17,831,673</b>	<b>\$ 17,971,048</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,310,608	\$ 1,421,848
Accrued expenses	880,018	823,964
Income taxes payable	305,123	170,331
Deferred revenue	813,983	717,690
Jackpot liabilities	84,201	106,671
Capital lease obligations, current portion	49,366	59,196
Long-term debt, current portion	4,565,293	4,648,120
Deferred rent, current portion	8,382	6,197
<b>Total current liabilities</b>	<b>8,016,974</b>	<b>7,954,017</b>
<b>Deferred rent, net of current portion</b>	<b>50,001</b>	<b>52,643</b>
<b>Capital lease obligations, net of current portion</b>	<b>70,397</b>	<b>78,008</b>
<b>Long-term debt, net of debt discount, net of current portion</b>	<b>6,824,638</b>	<b>7,436,171</b>
<b>Total liabilities</b>	<b>14,962,010</b>	<b>15,520,839</b>
<b>Commitments and Contingencies (See Note 11)</b>		
<b>Stockholders' equity</b>		
Preferred stock, 10,000,000 shares, \$.001 par value preferred stock authorized; 0 shares issued and outstanding	—	—
Common stock, 65,000,000 shares authorized; \$.001 par value 39,315,591 and 39,215,591 shares issued and outstanding	39,316	39,216
Additional paid-in capital	2,984,312	2,963,841
Accumulated deficit	(413,079)	(792,446)
Accumulated other comprehensive income	259,114	239,598
<b>Total stockholders' equity</b>	<b>2,869,663</b>	<b>2,450,209</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 17,831,673</b>	<b>\$ 17,971,048</b>

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

**GALAXY GAMING, INC.**  
**CONDENSED STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>FOR THE THREE MONTHS ENDED</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Revenue:</b>		
Product leases and royalties	\$ 2,981,820	\$ 2,578,310
Product sales and service	2,279	5,783
<b>Total revenue</b>	<b>2,984,099</b>	<b>2,584,093</b>
<b>Costs and expenses:</b>		
Cost of ancillary products and assembled components	21,640	23,289
Selling, general and administrative	1,652,303	1,579,073
Research and development	79,342	152,987
Depreciation	43,662	41,293
Amortization	372,312	378,073
Share-based compensation	20,471	18,870
<b>Total costs and expenses</b>	<b>2,189,730</b>	<b>2,193,585</b>
<b>Income from operations</b>	<b>794,369</b>	<b>390,508</b>
<b>Other income (expense):</b>		
Interest income	56	5,885
Interest expense	(258,195)	(279,939)
<b>Total other expense</b>	<b>(258,139)</b>	<b>(274,054)</b>
<b>Income before provision for income taxes</b>	<b>536,230</b>	<b>116,454</b>
<b>Provision for income taxes</b>	<b>(156,863)</b>	<b>(53,595)</b>
<b>Net income</b>	<b>\$ 379,367</b>	<b>\$ 62,859</b>
<b>Basic income per share</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>Diluted income per share</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>
<b>Weighted average shares outstanding:</b>		
<b>Basic</b>	<b>39,351,147</b>	<b>38,990,591</b>
<b>Diluted</b>	<b>39,455,591</b>	<b>39,015,591</b>

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

**GALAXY GAMING, INC.**  
**CONDENSED STATEMENTS OF COMPREHENSIVE INCOME**  
**(Unaudited)**

**FOR THE THREE MONTHS ENDED**  
**March 31,**

	<u>2016</u>	<u>2015</u>
Net income	\$ 379,367	\$ 62,859
Other comprehensive income:		
Foreign currency translation adjustments, net of tax	19,516	180,749
Total comprehensive income	<u>\$ 398,883</u>	<u>\$ 243,608</u>

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

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

**FOR THE THREE MONTHS ENDED**  
**March 31,**

	<u>2016</u>	<u>2015</u>
<b>Cash flows from operating activities:</b>		
Net income for the period	\$ 379,367	\$ 62,859
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	43,662	41,293
Amortization expense	372,312	378,073
Amortization of debt discount	52,158	52,158
Deferred income tax provision	156,863	53,595
Share-based compensation	20,471	18,870
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in restricted cash	51,044	(7,839)
Decrease in accounts receivable	76,900	13,125
Decrease (increase) in other current assets	2,489	(6,155)
(Increase) decrease in inventory	(54,958)	3,487
Decrease (increase) in prepaid expenses	50,161	(6,171)
(Decrease) increase in accounts payable	(111,065)	8,491
Increase in income taxes payable	134,792	—
Increase (decrease) in accrued expenses	56,598	(56,799)
Increase in deferred revenue	96,293	3,279
(Decrease) increase in jackpot liabilities	(22,470)	14,988
(Decrease) increase in deferred rent	(457)	1,758
<b>Net cash provided by operating activities</b>	<u>1,304,160</u>	<u>575,012</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(11,314)	(7,895)
<b>Net cash used in investing activities</b>	<u>(11,314)</u>	<u>(7,895)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on capital leases	(17,441)	(16,085)
Principal payments on notes payable	(766,081)	(841,203)
<b>Net cash used in financing activities</b>	<u>(783,522)</u>	<u>(857,288)</u>
<b>Effect of exchange rate changes on cash</b>	<u>(1,962)</u>	<u>(9,380)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	507,362	(299,551)
<b>Cash and cash equivalents – beginning of period</b>	570,623	560,184
<b>Cash and cash equivalents – end of period</b>	<u>\$ 1,077,985</u>	<u>\$ 260,633</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	<u>\$ 185,718</u>	<u>\$ 279,939</u>
Inventory transferred to leased assets	<u>\$ 10,273</u>	<u>\$ —</u>
Cash paid for income taxes	<u>\$ 5,000</u>	<u>\$ —</u>
<b>Supplemental non-cash financing activities information:</b>		
Effect of exchange rate on note payable in foreign currency	<u>\$ 19,663</u>	<u>\$ 288,601</u>

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

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

**NOTE 1. DESCRIPTION OF BUSINESS**

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

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

Casinos use our proprietary products to enhance their gaming floor operations and improve their profitability, productivity and security, as well as offer popular cutting-edge gaming entertainment content and technology to their players. We market our products to land-based, riverboat and cruise ship and internet gaming companies. The game concepts and the intellectual property associated with these games are typically protected by patents, trademarks and/or copyrights. We market our products primarily via our internal sales force to casinos throughout North America, the Caribbean, the British Isles, Europe, Africa and to cruise ships and internet gaming sites worldwide. We currently have an installed base of our products on over 5,000 gaming tables located in over 600 casinos, which positions us as the second largest provider of proprietary table games in the world.

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

We group our products into four product categories we classify as “Proprietary Table Games,” “Enhanced Table Systems,” “e-Tables” and “Ancillary Equipment.” Our product categories are summarized below. Additional information regarding our products may be found on our web site, [www.galaxygaming.com](http://www.galaxygaming.com). Information found on the web site should not be considered part of this report.

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

**Enhanced Table Systems.** Enhanced Table Systems are electronic enhancements used on casino table games to add to player appeal and enhance game security. We include three products in this category: our *Bonus Jackpot System*, our *Inter-Casino Jackpot System* and our *MEGA-Share*. We receive compensation by collecting a fixed fee or a transaction fee.

Our *Bonus Jackpot System* facilitates a jackpot players can win by making a qualified wager. The jackpot is awarded to a player (or players) upon obtaining a specific triggering event. Our *Bonus Jackpot System* can facilitate either a fixed, adjustable or progressive style jackpot.

Our *Inter-Casino Jackpot System* leverages the abilities of our *Bonus Jackpot System* to connect and/or aggregate bonus or progressive jackpots from multiple casinos into a common network.

*MEGA-Share* is a game-play methodology invented by us that allows a player of one of our table games to share in the winnings of a jackpot together with other players. An example of this concept would be when multiple table game players are playing in a casino and one player obtains a winning hand entitling him or her to a jackpot. This jackpot winning event will trigger a second *MEGA-Share* jackpot that is divided among all players who made a *MEGA-Share* qualified wager.



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

**Ancillary equipment.** In 2014, we entered into an exclusive license for the worldwide rights to a patented technology that detects invisible card markings. With this technology, we developed *SpectrumVision*, which uses highly specialized and customized optics to see markings on playing cards that would otherwise be invisible or undetectable to the naked eye and surveillance cameras. *SpectrumVision* will be leased for a monthly fee or outright sale. Units sold may have a service contract issued in conjunction with the sale.

## NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

This summary of our significant accounting policies is presented to assist in understanding our financial statements. The financial statements and notes are representations of our management team, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") and have been consistently applied to the preparation of the financial statements.

**Basis of presentation.** The accompanying unaudited interim condensed financial statements include the accounts of Galaxy Gaming, Inc. and are stated in conformity with accounting principles generally accepted in the United States of America, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). 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. Pursuant to such rules and regulations, certain financial information and footnote disclosures normally included in the financial statements have been condensed or omitted.

In the opinion of management, the accompanying unaudited interim financial statements contain all necessary adjustments, consisting only of those of a recurring nature, and disclosures to present fairly the Company's financial position and the results of its operations and cash flows for the periods presented. These unaudited interim condensed financial statements should be read in conjunction with the financial statements and the related notes thereto included in the Company's Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on March 30, 2016.

**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 as our income is recurring with high margins. Expenses such as wages, consulting expenses, legal, regulatory and professional fees and rent are recorded when the expense is incurred.

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

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

**Inventory.** Inventory consists of ancillary products such as signs, layouts, and bases for the various games and electronic devices and components to support our Enhanced Table Systems. Inventory value is determined by the average cost method and management maintains inventory levels based on historical and industry trends. We regularly assess inventory quantities for excess and obsolescence primarily based on forecasted product demand. See Note 4.

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

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

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

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

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

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

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

**Leases.** We recognize rent expense for operating leases on a straight-line basis (including the effect of reduced or free rent and rent escalations) over the applicable lease term. The difference between the cash paid to the landlord and the amount recognized as rent expense on a straight-line basis is included in deferred rent. The landlord of our corporate headquarters financed leasehold improvements in the amount of \$150,000. See Note 11. These improvements have been recorded as a capital lease and amortized over the life of the lease.

**Concentration of risk.** We are exposed to risks associated with clients who represent a significant portion of total revenues. For the three months ended March 31, 2016 and 2015, respectively, we had the following client revenue concentrations:

	Location	2016 Revenue	2015 Revenue
Client A	North America	14.2%	15.3%
Client B	North America	6.7%	1.6%
Client C	North America	6.4%	5.3%
Client D	United Kingdom	5.7%	6.7%

We are also exposed to risks associated with the expiration of our patents. Domestic and international patents for two of our products expired in June 2015. The patents account for approximately \$1,453,393 or 49% of our revenue for the three months ended March 31, 2016.

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

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

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

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

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

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

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

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

**Income taxes.** We use the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carry-forwards. These temporary differences will result in deductible or taxable amounts in future years when the reported amounts of the assets or liabilities are recovered or settled. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided when it is more likely than not that some or all of the deferred tax assets may not be realized. Adjustments to the valuation allowance increase or decrease our income tax provision or benefit.

We follow the provisions contained in Accounting Standards Codification (“ASC”) Topic 740, Income Taxes. We recognize the tax benefit from an uncertain tax position if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position.

Judgment is required in determining the provision for incomes taxes and related accruals, deferred tax assets and liabilities. In the ordinary course of business, there are transactions and calculations where the ultimate tax outcome is uncertain. Additionally, our tax returns are subject to audit by various tax authorities. Although we believe that our estimates are reasonable, actual results could differ from these estimates

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

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

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

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

**Recently adopted accounting standards – not adopted**

We believe there is no additional new accounting guidance adopted, but not yet effective, which is relevant to the readers of our financial statements. However, there are numerous new proposals under development which, if and when enacted, may have a significant impact on its financial reporting.

**NOTE 3. PREPAID EXPENSES**

Prepaid expenses consisted of the following at:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Insurance	\$ 17,376	\$ 13,408
Compliance	11,981	39,097
IT systems	10,541	19,041
Professional services	10,025	7,792
Other prepaid expenses	2,870	372
Rent	1,989	1,989
Travel	1,395	7,780
Trade show expense	—	6,000
Dues & subscriptions	—	10,859
Prepaid expenses	<u>\$ 56,177</u>	<u>\$ 106,338</u>

**NOTE 4. INVENTORY**

Inventory consisted of the following at:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Raw materials and component parts	\$ 266,563	\$ 231,709
Finished goods	175,701	170,528
Work-in-process	44,121	39,463
	486,385	441,700
Less: inventory reserve	(30,000)	(30,000)
Inventory	<u>\$ 456,385</u>	<u>\$ 411,700</u>

**NOTE 5. PROPERTY AND EQUIPMENT**

Property and equipment, recorded at cost, consisted of the following at:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Furniture and fixtures	\$ 215,911	\$ 211,411
Leasehold improvements	156,843	156,843
Automotive vehicles	94,087	94,087
Computer equipment	92,285	89,203
Office equipment	32,873	29,140
	591,999	580,684
Less: accumulated depreciation	(313,987)	(281,807)
Property and equipment, net	<u>\$ 278,012</u>	<u>\$ 298,877</u>

Included in depreciation expense was \$32,180 and \$30,142 related to property and equipment for the three months ended March 31, 2016 and 2015, respectively.

Property and equipment includes \$243,970 of leasehold improvements, furniture and fixtures under capital leases as of March 31, 2016. Accumulated depreciation of assets under capital leases totaled \$118,552 as of March 31, 2016.

**NOTE 6. PRODUCTS LEASED AND HELD FOR LEASE**

Products leased and held for lease consisted of the following at:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Enhanced table systems	\$ 298,956	\$ 288,683
Less: accumulated depreciation	(165,681)	(154,198)
Products leased and held for lease, net	<u>\$ 133,275</u>	<u>\$ 134,485</u>

Included in depreciation expense was \$11,483 and \$10,243 related to products leased and held for lease for the three months ended March 31, 2016 and 2015, respectively.

**NOTE 7. INTANGIBLE ASSETS**

Intellectual property and intangible assets consisted of the following at:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Patents	\$ 13,615,967	\$ 13,615,967
Customer relationships	3,400,000	3,400,000
Trademarks	2,740,000	2,740,000
Non-compete agreements	660,000	660,000
Licensing agreements	35,000	35,000
	<u>20,450,967</u>	<u>20,450,967</u>
Less: accumulated amortization	(7,561,643)	(7,189,331)
Intangible assets, net	<u>\$ 12,889,324</u>	<u>\$ 13,261,636</u>

Amortization expense was \$372,312 and \$378,073 for the three months ended March 31, 2016 and 2015, respectively.

In October 2011, we acquired the following intangible assets related to the asset purchase with Prime Table Games LLC and Prime Table Games UK (collectively "Prime Table Games"):

	<b>Fair Value</b>
Patents	\$ 13,259,000
Customer relationships	3,400,000
Trademarks	2,740,000
Goodwill	1,091,000
Non-compete agreement	660,000
Total acquired intangible assets	<u>\$ 21,150,000</u>

**NOTE 8. ACCRUED EXPENSES**

Accrued expenses, consisted of the following at:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Royalties	\$ 326,829	\$ 259,193
TableMAX reimbursement	174,638	136,785
Professional fees	93,947	154,888
Trade show expenses	82,628	78,549
Vacation	73,833	62,546
Salaries & payroll taxes	72,902	95,115
Accrued interest	32,068	14,832
Commissions	23,173	22,056
Accrued expenses	<u>\$ 880,018</u>	<u>\$ 823,964</u>

## NOTE 9. CAPITAL LEASE OBLIGATIONS

Capital lease obligations consisted of the following at:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Capital lease obligation – leasehold improvements	\$ 100,170	\$ 107,365
Capital lease obligation – office furniture	19,593	29,839
	119,763	137,204
Less: Current portion	(49,366)	(59,196)
Capital lease obligations	<u>\$ 70,397</u>	<u>\$ 78,008</u>

The capital lease obligation – office furniture requires 30 monthly payments of \$3,641, including interest at 10.2%, beginning April 2014 through September 2016.

The capital lease obligation – leasehold improvements requires 60 monthly payments of \$2,879, including 5.5% interest, beginning May 2014 through May 2019.

The capital leases cover furniture and leasehold improvements located at our corporate headquarters in Las Vegas, Nevada. Annual requirements for capital leases obligations are as follows:

<b>March 31,</b>	<b>Total</b>
2017	\$ 54,692
2018	34,545
2019	34,545
2020	5,757
Total minimum lease payments	\$ 129,539
Less: amount representing interest	(9,776)
Present value of net minimum lease payments	<u>\$ 119,763</u>

## NOTE 10. NOTES PAYABLE

Notes payable consisted of the following at:

	<b>March 31, 2016</b>	<b>December 31, 2015</b>
Notes payable, net of debt discount - PTG	\$ 10,261,236	\$ 10,934,544
Note payable – related party, Carpathia Associates	562,071	579,083
Note payable – related party, Robert Saucier	500,000	500,000
Vehicles, notes payable	66,624	70,664
	11,389,931	12,084,291
Less: Current portion	(4,565,293)	(4,648,120)
Total long-term debt	<u>\$ 6,824,638</u>	<u>\$ 7,436,171</u>

In October 2011, we closed an asset acquisition with Prime Table Games (“PTG”). Included within the structure of the \$23 million acquisition was a \$22.2 million component consisting of two promissory notes: 1) a note payable for \$12.2 million, and 2) a note payable for £6.4 million GBP (\$10.0 million USD) note. The notes were recorded at fair value, net of a debt discount of \$1,530,000. See Note 16 for further details.

The note payable – related party, Carpathia Associates, requires monthly principal and interest payments of \$9,159, at a fixed interest rate of 7.3% through February 2017, at which time there is a balloon payment due of \$1,003,000. This note payable is a result of the asset purchase agreement with GLLC. The note payable between GLLC and Bank of America was the subject of litigation and was settled in February 2014.

In October 2015 (the “Effective Date”), we entered into a Promissory Note (the “Saucier Note”) with Robert Saucier, Chief Executive Officer, pursuant to which we agreed to repay a loan of \$500,000 made by Mr. Saucier to the Company. Under the terms of the Note, \$590,000 shall be due on or before one year from the Effective Date, unless we pay Mr. Saucier \$535,000 on or before six months from the Effective Date, in which case we will have fulfilled all of our obligations under the Note. In April 2016, we fulfilled our obligation by paying \$535,000 to Mr. Saucier, relieving it of any further payments or obligations under the Note.

Maturities of our notes payable are as follows:

<b>Maturities as of March 31,</b>	<b>Total</b>
2017	4,565,293
2018	4,478,099
2019	2,923,408
2020	14,287
Total notes payable	\$ 11,981,087
Less: debt discount	(591,156)
Notes payable, net of debt discount	<u>\$ 11,389,931</u>

#### NOTE 11. COMMITMENTS AND CONTINGENCIES

**Operating lease obligations.** In February 2014, we entered into a lease (the “Spencer Lease”) for a new corporate office with an unrelated third party. The 5-year Spencer Lease is for a building approximately 24,000 square feet in size, which is comprised of approximately 16,000 square feet of office space and an 8,000 square foot warehouse. The property is located in Las Vegas, Nevada.

The initial term of the Spencer Lease commenced on April 1, 2014. We paid approximately \$153,000 in annual base rent in the first year, which increases by approximately 4% each year. We are also obligated to pay real estate taxes and other building operating costs. Subject to certain conditions, we have certain rights under the Spencer Lease, including rights of first offer to purchase the premises if the landlord elects to sell. We also have an option to extend the term of the Spencer Lease for two consecutive terms of three years each, at the then current fair market value rental rate determined in accordance with the terms of the Spencer Lease.

In connection with the Spencer Lease, the landlord has agreed to finance tenant improvements (“TI Allowance”) of \$150,000. The base rent is increased by an amount sufficient to fully amortize the TI Allowance through the Spencer Lease term upon equal monthly payments of principal and interest, with interest imputed on the outstanding principal balance at the rate of 5.5% per annum. The TI Allowance has been classified as a capital lease on the balance sheet. See Note 9.

Pursuant to the Spencer Lease, we have the option to terminate the Spencer Lease effective at the end of the 36th month (“Termination Date”). We must deliver written notice of our intention to terminate the Spencer Lease to the landlord at least six months before the Termination Date. In the event we exercise our option to terminate, we must pay the landlord a termination fee equal to the sum of (i) all unamortized TI Allowance amounts, plus (ii) all unamortized leasing commissions paid by landlord with respect to the Spencer Lease, plus (iii) all unamortized rental abatement amounts.

Total rent expense was \$72,154 and \$73,951 for the three months ended March 31, 2016 and 2015, respectively.

Future minimum lease payments are as follows:

<b>Twelve Months Ended March 31,</b>	<b>Annual Obligation</b>
2017	\$ 224,865
2018	233,604
2019	242,340
2020	63,933
2021	—
Total Estimated Lease Obligations	<u>\$ 764,742</u>

**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, 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 applicable law, statute or regulation. For a complete description of the facts and circumstances surrounding material litigation to which we are a party, see Note 12 in Item 8. “Financial Statements and Supplementary Data” included in our annual report on Form 10-K for the year ended December 31, 2015. There are no material updates to matters previously reported on Form 10-K for the year ended December 31, 2015, except:

*In-Bet litigation.* In November 2014, we filed a complaint for patent infringement against In Bet Gaming, Inc. and In Bet, LLC, alleging that their “In-Between” side bet game infringes on one or more of our patents. The litigation is currently pending.

*Red Card Gaming & AGS litigation.* In September 2012, we executed an asset purchase agreement (“APA”) with Red Card Gaming, Inc. (“RCG”), for the purchase of all the rights, title and interest in and for the game known as *High Card Flush* and all associated intellectual property. The APA included customary non-compete, non-disparagement and right of first refusal provisions. In 2014, AGS, LLC (“AGS”) purchased RCG’s rights in the APA and became the assignee of the APA. In September 2014 we notified RCG of their material breach of the APA and discontinued contingent consideration payments. In November 2014, RCG and AGS attempted to terminate the APA and in December 2014, began selling their own High Card Flush game and filed a complaint against us alleging fraud, breach of contract and trademark infringement, among other allegations. We filed counterclaims against RCG and AGS alleging, among other things, fraud on the trademark office and in the marketplace, misappropriation of our trade secrets, breach of contract, infringement of our trademark and interference with customer relationships.

In February 2016, we received notice the arbitration panel (the “Panel”) issued an interim award (the “Interim Award”) which resulted in, among other things, our retention of all rights and privileges in the ownership of the product and trademark *High Card Flush* and an injunction prohibiting AGS and RCG from selling the *High Card Flush* game and using the trademark. In March 2016, the Panel issued a recovery order (“Recovery Order”) and determined Galaxy was due 70% of its reasonable attorney fees. Additional briefing on the matter, relating to questions about the nature and amount of attorneys’ fees incurred has been requested. After reviewing the briefs, the Panel will determine the specific dollar amount to be entered as part of the final award (“Final Award”). Based on the Interim Award and Recovery Award, we believe the Final Award to be issued by the Panel will not contain a material adverse effect to us.

## **NOTE 12. STOCKHOLDERS’ EQUITY**

We had 65,000,000 shares of \$.001 par value common stock and 10,000,000 shares of \$.001 par value preferred stock authorized as of March 31, 2016.

In April 2015, Bryan Waters, one of our Directors, was granted 75,000 shares of our restricted common stock as condition of his Board of Directors Director Service Agreement. The fair market value of the grant was \$22,500, which was determined using our closing stock price as April 1, 2015, the date of the grant. The restricted stock grant vested immediately.

In November 2015, Gary Vecchiarelli, our CFO, was granted 150,000 shares of our restricted common stock as condition of his Employment Agreement. The fair market value of the grant was \$30,000, which was determined using our closing stock price at November 14, 2015, the date of the grant. Beginning June 30, 2016, the restricted stock will vest at six-month intervals through December 31, 2018.

As a condition of his 2015 employment agreement, Mr. Vecchiarelli can elect to use up to 50% of his annual bonus to purchase shares of the Company’s common stock at a 50% discount. The purchase price was to be determined by using the average closing price of the prior 10 business days discounted by 50%. On February 28, 2016, Mr. Vecchiarelli made the election to utilize \$9,000 of his annual 2015 bonus to purchase 100,000 shares of common stock at the market price of \$0.18 (effective price of \$0.09 after discount). The shares vested immediately.

There were 39,315,591 common shares and no preferred shares issued and outstanding at March 31, 2016.

## **NOTE 13. RELATED PARTY TRANSACTIONS**

We have a note payable to a related party, GGLLC, an entity formerly controlled by our CEO. Subsequently, GGLLC assigned the note to Carpathia. The note payable requires monthly principal and interest payments of \$9,159, at a fixed interest rate of 7.3% through February 2017, at which time there is a balloon payment due of \$1,003,000. The balance as of March 31, 2016 and December 31, 2015 was \$595,789 and \$1,065,324, respectively. This note payable is a result of the asset purchase agreement with GGLLC.

In August 2015, our Board of Directors approved an agreement between the Company and Carpathia Associates, LLC, an entity which is owned and controlled by our Chief Executive Officer, Robert Saucier (the “Agreement”). The Agreement amended the terms of the note receivable and note payable previously entered into between the parties by offsetting the note receivable and note payable between the two parties. The effective result was that the balloon payment of \$437,313, due under the terms of the note receivable from Carpathia, was to be applied to the outstanding note payable due to Carpathia. The balloon payment due in December 2018 will be \$354,480.



As discussed in Note 10, we entered into the Saucier Note with Robert Saucier, our Chief Executive Officer, on October 2015 (the "Effective Date"). Mr. Saucier loaned \$500,000 to us, for which the terms of the Saucier Note require \$590,000 shall be due on or before one year from the Effective Date, unless we pay Mr. Saucier \$535,000 on or before six months from the Effective Date, in which case we will have fulfilled all of our obligations under the Note. In April 2016, the Company fulfilled its obligation by paying \$535,000 to Mr. Saucier, relieving it of any further payments or obligations under the Note.

#### NOTE 14. INCOME TAXES

Our forecasted effective tax rate at March 31, 2016 is 41.8%, a 1.8% decrease from the 43.6% effective tax rate recorded at March 31, 2015. After a discrete benefit of \$70,782, the effective tax rate for the three months ended March 31, 2016 was 28.83%. The discrete tax benefit was primarily due to changes in positions taken for uncertain tax positions.

#### NOTE 15. STOCK WARRANTS, OPTIONS AND GRANTS

**Stock options.** For the three months ended March 31, 2016 and 2015, we issued 112,500 and 187,500 stock options, respectively. Stock options issued to members of our Board of Directors were 75,000 and 50,000 for the three months ended March 31, 2016 and 2015, respectively. Stock options issued to independent contractors were 37,500 and 37,500 for the three months ended March 31, 2016 and 2015, respectively.

During the three months ended March 31, 2015, we issued 100,000 stock options to an employee, with a vesting period of three years. The strike price was equal to the stock price at the date of the grant.

All stock options granted for the three months ended March 31, 2016 and 2015 were calculated to have fair values of \$16,348 and \$17,418, respectively, using the Black-Scholes option pricing model with the following assumptions:

	Options Issued Three Months Ended March 31, 2016
Dividend yield	0 %
Expected volatility	89 %
Risk free interest rate	1.21 %
Expected life (years)	5.00

A summary of stock option activity is as follows:

	Common Stock Options	Weighted Average Exercise Price
Outstanding – January 1, 2015	381,250	\$ 0.36
Issued	675,000	0.23
Exercised	—	—
Expired	—	—
Outstanding – December 31, 2015	1,056,250	\$ 0.28
Issued	112,500	0.22
Exercised	—	—
Expired	—	—
Outstanding – March 31, 2016	1,168,750	\$ 0.27
Exercisable – March 31, 2016	337,500	\$ 0.19

**Share based compensation.** The cost of all stock options issued have been classified as share based compensation for the three months ended March 31, 2016 and 2015, respectively. Total share based compensation was \$20,471 and \$18,870 for the three months ended March 31, 2016 and 2015, respectively.

## NOTE 16. ASSET ACQUISITIONS AND SIGNIFICANT TRANSACTIONS

**Acquisition of Prime Table Games' assets.** In October 2011, we executed an asset purchase agreement (the "PTG Agreement") with Prime Table Games, LLC and Prime Table Games UK (collectively "Prime Table Games"). Under the terms of the PTG Agreement we acquired over 20 different table games, including *21+3*, *Two-way Hold'em* and *Three Card Poker*, which are currently played in over 250 casinos worldwide (*Three Card Poker* rights are limited to the British Isles). The intellectual property portfolio included 36 patents, 11 patents pending, 96 worldwide trademark and design registrations and 47 domain name registrations. The two principals of Prime Table Games also executed a non-compete agreement with us.

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

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

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

See Note 10 for details regarding the notes payable.

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

Patents	\$ 13,259,000
Customer relationships	3,400,000
Trademarks	2,740,000
Debt discount	1,530,000
Goodwill	1,091,000
Non-compete agreement	660,000
Total purchase price allocation	<u>\$ 22,680,000</u>

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

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

We are responsible for the losses of the TableMAX Division. Net profits from the TableMAX Division will be split between TMAX and us on a sliding scale basis dependent upon the number of TableMAX Division table installations and profit results as defined in the TMAX Agreement. We have not experienced significant losses attributable to the TableMAX Division.

Included in accrued expenses at March 31, 2016 and December 31, 2015, is \$174,638 and \$136,785, respectively, which represent reimbursement due to TMAX.

**NOTE 17. SUBSEQUENT EVENTS**

On April 1, 2016, we paid in full our short-term related party obligation, due to our Chief Executive Officer, in the amount of \$535,000. Of this amount, \$500,000 was related to principal and \$35,000 was related to interest.

In accordance with ASC 855-10, we have analyzed our operations subsequent to March 31, 2016 to the date of these financial statements were issued, and have determined that we do not have any material subsequent events to disclose in these financial statements other than the events discussed above.

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

### SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

### OVERVIEW

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

Additional information regarding our products and product categories may be found in Note 1 "Description of Business" in Item 1 "Financial Statements" included in this Form 10-Q and on our web site, [www.galaxygaming.com](http://www.galaxygaming.com). Information found on the web site should not be considered part of this report.

**Strategy.** Our long-term business strategy is designed to capitalize on the opportunities we perceive within the gaming industry. We are an experienced developer and provider of proprietary table games, advanced electronic table game platforms and e-Tables. Throughout our history, we have been focused on creating and expanding our base of recurring revenues that we earn on a monthly basis. Our plan is to continue to increase the recurring revenues we receive by employing the following strategies:

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

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

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

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

*Grow our e-Table business.* Our TMAX e-Tables are developed for us by TableMAX Corporation. Having installed the majority of TMAX e-Tables we received in prior years, we are now offering the latest version of the TMAX e-Table, referred to as the “Model E.” Currently, there are several Model E’s in the field generating revenue. We expect to expand placements of the TMAX product and increase our revenues in 2016.

*Sources of revenue.* We derive recurring revenues from the licensing of our products and intellectual property. Consistent with our strategy, these revenues are generated from negotiated recurring licensing fee agreements, which typically, are month-to-month in nature. We also receive revenues in the form of a one-time sale of certain products and/or reimbursement of our manufactured equipment.

*Financing.* Additional funding may be necessary to facilitate our current aggressive growth plans and acquisition strategy, as well as the investments in our infrastructure. If we determine that additional funding is required and we are unsuccessful in raising capital, we will still pursue acquisitions and growth; however, our acquisition opportunities could be limited and our growth strategy could be negatively impacted.

*Expected changes in number of employees, plant and equipment.* As we continue to grow, we anticipate the purchasing of inventory and equipment and possibly the leasing of additional space to accommodate research, development, manufacturing and assembly operations. We will also evaluate the necessary increases to our employee base over the course of the year.

*Results of operations for the three months ended March 31, 2016.* For the three months ended March 31, 2016, our continuing operations generated gross revenues of \$2,984,099 compared to gross revenues of \$2,584,093 for the previous year’s comparable quarter, representing an increase of \$400,006 or 15.4%. This increase was primarily attributable to our continued focus on premium games, which command a higher price point than side bets. Additionally, increased utilization of products in the United Kingdom contributed to the increase in gross revenues. Selling, general and administrative expenses for the quarter ended March 31, 2016, were \$1,652,303 compared to \$1,579,073 for the previous year’s first quarter, representing an increase of \$73,230, or 4.6%. The significant year-over-year changes in selling, general and administrative was comprised of the following categories:

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
Compensation	\$ 450,272	\$ 431,759
Distributor	\$ 67,140	\$ 175,596
Regulatory	\$ 143,012	\$ 19,784
Consulting	\$ 140,041	\$ 79,900

The increase in compensation expenses were due to increased commissions based on greater sales throughout 2016. Distributor expenses decreased as we moved away reliance on third party distributors in some jurisdictions. Regulatory and consulting expenses increased significantly due to expanding our footprint throughout the world through jurisdictional and compliance approvals.

*Liquidity and capital resources.* As of March 31, 2016 we had total current assets of \$3,398,269 and total assets of \$17,831,673. This compares to \$3,060,695 and \$17,971,048, respectively as of December 31, 2015. The increase in current assets as of March 31, 2016 was primarily impacted by an increase in cash and cash equivalents, as well as an increase in inventories. Our total current liabilities as of March 31, 2016 were \$8,016,974 versus \$7,954,017 as of December 31, 2015. This slight increase was due to increases in income taxes payable and our current portion of notes payable, due to our scheduled monthly debt payment increase to Prime Table Games in January 2016. Despite our negative working capital, our business model continues to be highly profitable and we have several options to ensure we are able to meet our short-term and long-term obligations.

Research & development expenses for the quarter ended March 31, 2016 were \$79,342 compared to \$152,987, representing a decrease of \$73,645, or 48.1%. This decrease is primarily due to less costs surrounding development of our BJS progressive system and a reduction in salaries & wages due to a changes in development personnel.

We have undertaken certain growth initiatives to expand our recurring revenue base. As such we have made investments in personnel, inventory and research related to the development of our enhanced table systems. Additionally, we have increased our sales and marketing budget and spent monies on regulatory efforts for the purpose of expanding our distribution network. We are also subject to several regulatory investigations and proceedings 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.

At March 31, 2016, other than the commitment from the major shareholder of TMAX to provide a line of credit specific to acquiring inventory for the TMAX system, we do not have any available third-party lines or letters of credit. Furthermore, we do not have any written or oral commitments from officers or shareholders to provide us with loans or advances to support our operations or fund potential acquisitions.

The primary components of our operating cash flow for the three months ended March 31, 2016, were non-cash items of \$645,466, net income of \$379,367, decreases in accounts receivable of \$76,900, restricted cash of \$51,044, accounts payables of \$111,065 and increases in inventory of \$54,958, accrued expenses of \$56,598 and deferred revenue of \$96,293 for a total operating activities impact of an increase of \$1,304,160 in cash and cash equivalents.

Cash flows used in investing activities for the three months ended March 31, 2016 were \$11,314, due to the acquisition of property and equipment. Cash used in financing activities during the three months ended March 31, 2016 was \$783,522, which was completely comprised of principal payments towards long-term debt and capital leases.

We incur unrealized gains and losses related to foreign currency translation adjustments, which is recorded as other comprehensive income or loss. For the three months ended March 31, 2016 we incurred other comprehensive income of \$398,883, net of tax. This amount is primarily due to the unrealized translation adjustment on the note payable due Prime Table Games – UK, which is due in British Sterling currency. The remaining translation adjustments relate to insignificant amounts in accounts receivable, accounts payable and accrued expenses recorded in foreign currencies. So as long as we have balance sheet items recorded in foreign currencies, such as the note payable, we will be subject to fluctuations against the U.S. Dollar. Additionally, as transactions are settled, the foreign currency translations are realized and recorded as selling, general & administrative expenses on the statement of operations. Such realized translation adjustments are de minimus for the three months ended March 31, 2016.

We intend to fund our continuing operations through increased sales. Additionally the issuance of debt or equity financing arrangements may be required to fund expenditures or other cash requirements. Despite this funding, there is no assurance that we will be successful in raising additional funding, if necessary. If we are not able to secure additional funding, the implementation of our business plan could be impaired. There can be no assurance that such additional financing will be available to us on acceptable terms or at all. 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.

**Critical accounting policies.** In December 2001, the SEC requested that all registrants list their most “critical accounting policies” in the Management Discussion and Analysis. The SEC indicated that a “critical accounting policy” is one which is both important to the portrayal of a company’s financial condition and results, and requires management’s most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Currently, we do not believe that we have any accounting policies that fit this definition.

**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 4T. CONTROLS AND PROCEDURES**

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 March 31, 2016 our disclosure controls and procedures were effective.

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.

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

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

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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, 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 applicable law, statute or regulation. For a complete description of the facts and circumstances surrounding material litigation to which we are a party, see Note 12 in Item 8. “Financial Statements and Supplementary Data” included in our annual report on Form 10-K for the year ended December 31, 2015. There are no material updates to matters previously reported on Form 10-K for the year ended December 31, 2015, except:

*In-Bet litigation.* In November 2014, we filed a complaint for patent infringement against In Bet Gaming, Inc. and In Bet, LLC, alleging that their “In-Between” side bet game infringes on one or more of our patents. The litigation is currently pending.

*Red Card Gaming & AGS litigation.* In September 2012, we executed an asset purchase agreement (“APA”) with Red Card Gaming, Inc. (“RCG”), for the purchase of all the rights, title and interest in and for the game known as *High Card Flush* and all associated intellectual property. The APA included customary non-compete, non-disparagement and right of first refusal provisions. In 2014, AGS, LLC (“AGS”) purchased RCG’s rights in the APA and became the assignee of the APA. In September 2014 we notified RCG of their material breach of the APA and discontinued contingent consideration payments. In November 2014, RCG and AGS attempted to terminate the APA and in December 2014, began selling their own High Card Flush game and filed a complaint against us alleging fraud, breach of contract and trademark infringement, among other allegations. We filed counterclaims against RCG and AGS alleging, among other things, fraud on the trademark office and in the marketplace, misappropriation of our trade secrets, breach of contract, infringement of our trademark and interference with customer relationships.

In February 2016, we received notice the arbitration panel (the “Panel”) issued an interim award (the “Interim Award”) which resulted in, among other things, our retention of all rights and privileges in the ownership of the product and trademark *High Card Flush* and an injunction prohibiting AGS and RCG from selling the *High Card Flush* game and using the trademark. In March 2016, the Panel issued a recovery order (“Recovery Order”) and determined Galaxy was due 70% of its reasonable attorney fees. Additional briefing on the matter, relating to questions about the nature and amount of attorneys’ fees incurred has been requested. After reviewing the briefs, the Panel will determine the specific dollar amount to be entered as part of the final award (“Final Award”). Based on the Interim Award and Recovery Award, we believe the Final Award to be issued by the Panel will not contain a material adverse effect to us.

### ITEM 5. OTHER INFORMATION

As of March 13, 2016, the Company has entered into separate indemnification agreements with each of its directors and officers. Each indemnification agreement provides, among other things, for indemnification to the fullest extent permitted by law and the articles of incorporation, as amended, and bylaws, as amended, against (i) any and all expenses and liabilities, including judgments, fines, penalties, interest and amounts paid in settlement of any claim with the Company’s approval and counsel fees and disbursements, and (ii) any liabilities incurred as a result of acting on behalf of the Company (as a fiduciary or otherwise) in connection with an employee benefit plan. The indemnification agreements provide for the advancement or payment of expenses to the indemnitee and for reimbursement to the Company if it is found that such indemnitee is not entitled to such indemnification under applicable law and the Company’s articles of incorporation and bylaws, each as amended.



## ITEM 6. EXHIBITS

### Exhibit

<u>Number</u>	<u>Description of Exhibit</u>
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002*
99.1	Form of Indemnification Agreement for Norman DesRosiers
99.2	Form of Indemnification Agreement for Robert Saucier
99.3	Form of Indemnification Agreement for William Zender
99.4	Form of Indemnification Agreement for Bryan Waters
101	Financials in XBRL format

\* In accordance with Item 601(b)(32)(ii) of Regulation S-K, this exhibit shall not be deemed "filed" for the purposes of Section 18 of the Securities and Exchange Act of 1934 or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

## 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: May 16, 2016

By: /s/ ROBERT B. SAUCIER  
Robert B. Saucier  
Chief Executive Officer (Principal Executive Officer)

### **Galaxy Gaming, Inc.**

Date: May 16, 2016

By: /s/ GARY A. VECCHIARELLI  
Gary A. Vecchiarelli  
Chief Financial Officer (Principal Accounting Officer)

## CERTIFICATIONS

I, Robert Saucier, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2016 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: May 16, 2016

/s/ Robert Saucier

By: Robert Saucier

Title: Chief Executive Officer

## CERTIFICATIONS

I, Gary A. Vecchiarelli, certify that;

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended March 31, 2016 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: May 16, 2016

/s/ Gary A. Vecchiarelli

By: Gary A. Vecchiarelli

Title: Chief Financial Officer

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

In connection with the quarterly Report of Galaxy Gaming, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2016 filed with the Securities and Exchange Commission (the "Report"), I, Robert Saucier, Chief Executive Officer of the Company, and I, Gary A. Vecchiarelli, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By: /s/ Robert Saucier  
Name: Robert Saucier  
Title: Principal Executive Officer, Principal  
Financial Officer and Director  
Date: May 16, 2016

By: /s/ Gary A. Vecchiarelli  
Name: Gary A. Vecchiarelli  
Title: Principal Financial Officer and Director  
Date: May 16, 2016

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

## GALAXY GAMING, INC.

## INDEMNIFICATION AGREEMENT

**This Indemnification Agreement** (THE “*Agreement*”) IS MADE AND ENTERED AS OF THE 1<sup>st</sup> DAY OF MAY, 2016 BY AND BETWEEN GALAXY GAMING, INC., A NEVADA CORPORATION WITH ITS PRINCIPAL PLACE OF BUSINESS AT 6767 SPENCER STREET, LAS VEGAS, NEVADA 89119 (THE “*Company*”) AND Norman DesRosiers (“*Indemnitee*”).

WITNESSETH THAT:

**Whereas**, INDEMNITEE PERFORMS A VALUABLE SERVICE FOR THE COMPANY AS AN OFFICER AND/OR AS A MEMBER OF ITS BOARD OF Directors; and

**Whereas**, THE BOARD OF DIRECTORS OF THE COMPANY HAS ADOPTED BYLAWS (THE “*Bylaws*”) PROVIDING FOR THE indemnification of the directors of the Company as authorized by Chapter 78 of the Nevada Revised Statutes (the “*NRS*”); and

**Whereas**, THE BYLAWS AND THE NRS, BY THEIR NONEXCLUSIVE NATURE, PERMIT CONTRACTS BETWEEN THE COMPANY AND THE directors of the Company with respect to indemnification of such directors; and

**Whereas**, IN ACCORDANCE WITH THE AUTHORIZATION AS PROVIDED BY THE NRS, THE COMPANY MAY PURCHASE AND MAINTAIN A POLICY OR POLICIES OF DIRECTOR’S AND OFFICER’S LIABILITY INSURANCE (“*D & O Insurance*”), COVERING CERTAIN LIABILITIES WHICH MAY BE incurred by its officers or directors in the performance of their obligations to the Company; and

**Whereas**, THERE EXISTS GENERAL UNCERTAINTY AS TO THE EXTENT OF PROTECTION AFFORDED COMPANY OFFICERS AND DIRECTORS BY such D&O Insurance and said uncertainty also exists under statutory and bylaw indemnification provisions; and

**Whereas**, IN RECOGNITION OF PAST SERVICES AND IN ORDER TO INDUCE INDEMNITEE TO CONTINUE TO SERVE AS AN OFFICER AND/OR director of the Company, the Company has determined and agreed to enter into this contract with Indemnitee.

**Now, Therefore**, IN CONSIDERATION OF INDEMNITEE’S CONTINUED SERVICE AS AN OFFICER AND/OR DIRECTOR AFTER THE DATE HEREOF, the parties hereto agree as follows:

**1. Indemnity of Indemnitee.** THE COMPANY HEREBY AGREES TO HOLD HARMLESS AND INDEMNIFY INDEMNITEE TO THE FULLEST EXTENT AUTHORIZED OR PERMITTED BY THE PROVISIONS OF THE NRS, AS SUCH MAY BE AMENDED FROM TIME TO TIME, AND THE BYLAWS, as such may be amended. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

**(a) Proceedings Other Than Proceedings by or in the Right of the Company.** INDEMNITEE SHALL BE ENTITLED TO THE RIGHTS OF INDEMNIFICATION PROVIDED IN THIS SECTION 1(A) IF, BY REASON OF HIS CORPORATE STATUS (AS HEREINAFTER DEFINED), HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING (AS HEREINAFTER DEFINED) OTHER THAN PROCEEDING BY OR IN THE RIGHT OF THE COMPANY. PURSUANT TO THIS SECTION 1(A), INDEMNITEE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES (AS HEREINAFTER DEFINED), JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company

and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

**(b) Proceedings by or in the Right of the Company** INDEMNITEE SHALL BE ENTITLED TO THE RIGHTS OF INDEMNIFICATION PROVIDED IN THIS SECTION 1(B) IF, BY REASON OF HIS CORPORATE STATUS, HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING BROUGHT BY OR IN THE RIGHT OF THE COMPANY TO PROCURE A JUDGMENT IN ITS FAVOR. PURSUANT TO THE SECTION 1(B), INDEMNITEE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION WITH SUCH PROCEEDING IF HE ACTED IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE best interests of the Company; *provided, however,* THAT, IF APPLICABLE LAW SO PROVIDES, NO INDEMNIFICATION AGAINST SUCH EXPENSES SHALL BE MADE IN RESPECT OF ANY CLAIM, ISSUE OR MATTER IN SUCH PROCEEDING AS TO WHICH INDEMNITEE SHALL HAVE BEEN ADJUDGED TO BE LIABLE TO THE COMPANY UNLESS AND TO THE EXTENT THAT A COURT OF COMPETENCY JURISDICTION SHALL DETERMINE THAT SUCH INDEMNIFICATION may be made.

**(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful** Notwithstanding ANY OTHER PROVISION OF THIS AGREEMENT, TO THE EXTENT THAT INDEMNITEE IS, BY REASON OF HIS CORPORATE STATUS, A PARTY TO AND SUCCESSFUL, ON THE MERITS OR OTHERWISE, IN ANY PROCEEDING, HE SHALL BE INDEMNIFIED TO THE MAXIMUM EXTENT PERMITTED BY LAW AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION THEREWITH. IF INDEMNITEE IS NOT WHOLLY SUCCESSFUL IN SUCH PROCEEDING BUT IS SUCCESSFUL, ON THE MERITS OR OTHERWISE, AS TO ONE OR MORE BUT LESS THAN ALL CLAIM ISSUES OR MATTERS IN SUCH PROCEEDING, THE COMPANY SHALL INDEMNIFY INDEMNITEE AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION WITH EACH SUCCESSFULLY RESOLVED CLAIM, ISSUE OR MATTER. FOR PURPOSES OF THIS SECTION AND WITHOUT LIMITATION, THE TERMINATION OF ANY CLAIM, ISSUE OR MATTER IN SUCH A PROCEEDING BY DISMISSAL, WITH OR WITHOUT prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

**2. Additional Indemnity.** IN ADDITION TO, AND WITHOUT REGARD TO ANY LIMITATIONS ON, THE INDEMNIFICATION PROVIDED FOR IN SECTION 1, THE COMPANY SHALL AND HEREBY DOES INDEMNIFY AND HOLD HARMLESS INDEMNITEE AGAINST ALL EXPENSES, JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IF, BY REASON OF HIS CORPORATE STATUS HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING (INCLUDING A PROCEEDING BY OR IN THE RIGHT OF THE COMPANY), INCLUDING, WITHOUT LIMITATION, ALL LIABILITY ARISING OUT OF THE NEGLIGENCE OR ACTIVE OR PASSIVE wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall BE THAT THE COMPANY SHALL NOT BE OBLIGATED TO MAKE ANY PAYMENT TO INDEMNITEE THAT IS FINALLY DETERMINED (UNDER THE PROCEDURES, and subject to the presumptions, set forth in this Agreement) to be unlawful under the NRS.

**3. Contribution in the Event of Joint Liability.**

**(a)** WHETHER OR NOT THE INDEMNIFICATION PROVIDED IN SECTIONS 1 AND 2 HEREOF IS AVAILABLE, IN RESPECT OF ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), COMPANY SHALL PAY, IN THE FIRST INSTANCE, THE ENTIRE AMOUNT OF ANY JUDGMENT OR SETTLEMENT OF SUCH ACTION, SUIT OR PROCEEDING WITHOUT REQUIRING INDEMNITEE TO CONTRIBUTE TO SUCH PAYMENT AND COMPANY HEREBY WAIVES AND RELINQUISHES ANY RIGHT OF CONTRIBUTION IT MAY HAVE AGAINST INDEMNITEE. COMPANY SHALL NOT ENTER INTO ANY SETTLEMENT OF ANY ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

**(b)** WITHOUT DIMINISHING OR IMPAIRING THE OBLIGATIONS OF THE COMPANY SET FORTH IN THE PRECEDING subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any

JUDGMENT OR SETTLEMENT IN ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), COMPANY SHALL CONTRIBUTE TO THE AMOUNT OF EXPENSES (INCLUDING ATTORNEYS' FEES), JUDGMENTS, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED AND PAID OR PAYABLE BY INDEMNITEE IN PROPORTION TO THE RELATIVE BENEFITS RECEIVED BY THE COMPANY AND ALL OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, FROM THE TRANSACTION FROM WHICH SUCH ACTION, SUIT OR PROCEEDING AROSE; PROVIDED, HOWEVER, THAT THE PROPORTION DETERMINED ON THE BASIS OF RELATIVE BENEFIT MAY, TO THE EXTENT NECESSARY TO CONFORM TO LAW, BE FURTHER ADJUSTED BY REFERENCE TO THE RELATIVE FAULT OF COMPANY AND ALL OFFICERS, DIRECTOR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, IN CONNECTION WITH THE EVENTS THAT RESULTED IN SUCH EXPENSES, JUDGMENTS, FINES OR SETTLEMENT AMOUNTS, AS WELL AS ANY OTHER EQUITABLE CONSIDERATIONS WHICH THE LAW MAY REQUIRE TO BE CONSIDERED. THE RELATIVE FAULT OF COMPANY AND ALL OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, SHALL BE DETERMINED BY REFERENCE TO, AMONG OTHER THINGS, THE DEGREE TO WHICH THEIR ACTIONS WERE MOTIVATED BY INTENT TO GAIN PERSONAL PROFIT OR ADVANTAGE, THE DEGREE TO WHICH THEIR LIABILITY IS PRIMARY OR SECONDARY, AND THE DEGREE TO WHICH THEIR CONDUCT IS ACTIVE OR PASSIVE.

(c) COMPANY HEREBY AGREES TO FULLY INDEMNIFY AND HOLD INDEMNITEE HARMLESS FROM ANY CLAIMS OF CONTRIBUTION WHICH MAY BE BROUGHT BY OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO MAY BE JOINTLY LIABLE WITH INDEMNITEE.

4. **Indemnification for Expenses of a Witness.** Notwithstanding any other provision of this Agreement, to the EXTENT THAT INDEMNITEE IS, BY REASON OF HIS CORPORATE STATUS, A WITNESS IN ANY PROCEEDING TO WHICH INDEMNITEE IS NOT A PARTY, HE shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. **Advancement of Expenses.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, THE COMPANY SHALL ADVANCE ALL REASONABLE EXPENSES INCURRED BY OR ON BEHALF OF INDEMNITEE IN CONNECTION WITH ANY PROCEEDING BY REASON OF INDEMNITEE'S CORPORATE STATUS WITHIN TEN DAYS AFTER THE RECEIPT BY THE COMPANY OF A STATEMENT OR STATEMENTS FROM INDEMNITEE REQUESTING SUCH ADVANCE OR ADVANCES FROM TIME TO TIME, WHETHER PRIOR TO OR AFTER FINAL DISPOSITION OF SUCH PROCEEDING. SUCH STATEMENT OR STATEMENTS SHALL REASONABLY EVIDENCE THE EXPENSES INCURRED BY INDEMNITEE AND SHALL INCLUDE OR BE PRECEDED OR ACCOMPANIED BY AN UNDERTAKING BY OR ON BEHALF OF INDEMNITEE TO REPAY ANY EXPENSES ADVANCED IF IT SHALL ULTIMATELY BE DETERMINED THAT INDEMNITEE IS NOT ENTITLED TO BE INDEMNIFIED AGAINST SUCH EXPENSES. ANY ADVANCES AND UNDERTAKINGS TO REPAY PURSUANT TO THIS SECTION 5 SHALL BE UNSECURED AND INTEREST FREE. NOTWITHSTANDING THE FOREGOING, THE OBLIGATION OF THE COMPANY TO ADVANCE EXPENSES PURSUANT TO THIS SECTION 5 SHALL BE SUBJECT TO THE CONDITION THAT, IF, WHEN AND TO THE EXTENT THAT THE COMPANY DETERMINES THAT INDEMNITEE WOULD NOT BE PERMITTED TO BE INDEMNIFIED UNDER APPLICABLE LAW, THE COMPANY SHALL BE ENTITLED TO BE REIMBURSED, WITHIN THIRTY (30) DAYS OF SUCH DETERMINATION, BY INDEMNITEE (WHO HEREBY AGREES TO REIMBURSE THE COMPANY) FOR ALL SUCH AMOUNTS THERETOFORE PAID; PROVIDED, HOWEVER, THAT IF INDEMNITEE HAS COMMENCED OR THEREAFTER COMMENCES LEGAL PROCEEDINGS IN A COURT OF COMPETENT JURISDICTION TO SECURE A DETERMINATION THAT INDEMNITEE SHOULD BE INDEMNIFIED UNDER APPLICABLE LAW, ANY DETERMINATION MADE BY THE COMPANY THAT INDEMNITEE WOULD NOT BE PERMITTED TO BE INDEMNIFIED UNDER APPLICABLE LAW SHALL NOT BE BINDING AND INDEMNITEE SHALL NOT BE REQUIRED TO REIMBURSE THE COMPANY FOR ANY ADVANCE OF EXPENSES until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed).

6. **Procedures and Presumptions for Determination of Entitlement to Indemnification.** IT IS THE INTENT OF this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may



BE PERMITTED UNDER THE LAW AND PUBLIC POLICY OF THE STATE OF NEVADA. ACCORDINGLY, THE PARTIES AGREE THAT THE FOLLOWING PROCEDURES AND PRESUMPTIONS SHALL APPLY IN THE EVENT OF ANY QUESTION AS TO WHETHER INDEMNITEE IS ENTITLED TO INDEMNIFICATION under this Agreement:

(a) TO OBTAIN INDEMNIFICATION (INCLUDING, BUT NOT LIMITED TO, THE ADVANCEMENT OF EXPENSES AND CONTRIBUTION BY THE COMPANY) UNDER THIS AGREEMENT, INDEMNITEE SHALL SUBMIT TO THE COMPANY A WRITTEN REQUEST, INCLUDING THEREIN OR THEREWITH SUCH DOCUMENTATION AND INFORMATION AS IS REASONABLY AVAILABLE TO INDEMNITEE AND IS REASONABLY NECESSARY TO DETERMINE WHETHER AND TO WHAT EXTENT INDEMNITEE IS ENTITLED TO INDEMNIFICATION. THE SECRETARY OF THE COMPANY SHALL PROMPTLY UPON RECEIPT OF SUCH A REQUEST FOR INDEMNIFICATION, ADVISE THE BOARD OF DIRECTORS IN WRITING THAT INDEMNITEE HAS requested indemnification.

(b) UPON WRITTEN REQUEST BY INDEMNITEE FOR INDEMNIFICATION PURSUANT TO THE FIRST SENTENCE OF SECTION 6(A) HEREOF, A DETERMINATION, IF REQUIRED BY APPLICABLE LAW, WITH RESPECT TO INDEMNITEE'S ENTITLEMENT THERETO SHALL BE MADE IN THE SPECIFIC CASE BY ONE OF THE FOLLOWING THREE METHODS, WHICH SHALL BE AT THE ELECTION OF INDEMNITEE: (1) BY A MAJORITY VOTE OF THE DISINTERESTED DIRECTORS, EVEN THOUGH LESS THAN A QUORUM, OR (2) BY INDEPENDENT COUNSEL IN A WRITTEN OPINION, OR (3) BY THE stockholders.

(c) IF THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION IS TO BE MADE BY INDEPENDENT COUNSEL PURSUANT TO SECTION 6(B) HEREOF, THE INDEPENDENT COUNSEL SHALL BE SELECTED AS PROVIDED IN THIS SECTION 6(C). THE INDEPENDENT COUNSEL SHALL BE SELECTED BY INDEMNITEE (UNLESS INDEMNITEE SHALL REQUEST THAT SUCH SELECTION BE MADE BY THE BOARD OF DIRECTORS). INDEMNITEE OR THE COMPANY, AS THE CASE MAY BE, MAY, WITHIN 10 DAYS AFTER SUCH WRITTEN NOTICE OF SELECTION SHALL HAVE BEEN GIVEN, DELIVER TO THE COMPANY OR TO INDEMNITEE, AS THE CASE MAY BE, A WRITTEN OBJECTION TO SUCH SELECTION *provided, however,* THAT SUCH OBJECTION MAY BE ASSERTED ONLY ON THE GROUND THAT THE INDEPENDENT COUNSEL SO SELECTED DOES NOT MEET THE REQUIREMENTS OF "INDEPENDENT COUNSEL" AS DEFINED IN SECTION 13 OF THIS AGREEMENT, AND THE OBJECTION SHALL SET FORTH WITH PARTICULARITY THE FACTUAL BASIS OF SUCH ASSERTION. ABSENT A PROPER AND TIMELY OBJECTION, THE PERSON SO SELECTED SHALL ACT AS INDEPENDENT COUNSEL. IF A WRITTEN OBJECTION IS MADE AND SUBSTANTIATED, THE INDEPENDENT COUNSEL SELECTED MAY NOT SERVE AS INDEPENDENT COUNSEL UNLESS AND UNTIL SUCH OBJECTION IS WITHDRAWN OR A COURT HAS DETERMINED THAT SUCH OBJECTION IS WITHOUT MERIT. IF, WITHIN 20 DAYS AFTER SUBMISSION BY INDEMNITEE OF A WRITTEN REQUEST FOR INDEMNIFICATION PURSUANT TO SECTION 6(A) HEREOF, NO INDEPENDENT COUNSEL SHALL HAVE BEEN SELECTED AND NOT OBJECTED TO, EITHER THE COMPANY OR INDEMNITEE MAY PETITION AN APPROPRIATE COURT OF COMPETENT JURISDICTION FOR RESOLUTION OF ANY OBJECTION WHICH SHALL HAVE BEEN MADE BY THE COMPANY OR INDEMNITEE TO THE OTHER'S SELECTION OF INDEPENDENT COUNSEL AND/OR FOR THE APPOINTMENT AS INDEPENDENT COUNSEL OF A PERSON SELECTED BY THE COURT OR BY SUCH OTHER PERSON AS THE COURT SHALL DESIGNATE, AND THE PERSON WITH RESPECT TO WHOM ALL OBJECTIONS SO RESOLVED OR THE PERSON SO APPOINTED SHALL ACT AS INDEPENDENT COUNSEL UNDER SECTION 6(B) HEREOF. THE COMPANY SHALL PAY ANY AND ALL REASONABLE FEES AND EXPENSES OF INDEPENDENT COUNSEL INCURRED BY SUCH INDEPENDENT COUNSEL IN CONNECTION WITH ACTING PURSUANT TO SECTION 6(B) HEREOF, AND THE COMPANY SHALL PAY ALL REASONABLE FEES AND EXPENSES INCIDENT TO THE PROCEDURES OF THIS SECTION 6(C), REGARDLESS OF THE MANNER IN WHICH SUCH INDEPENDENT COUNSEL WAS SELECTED OR APPOINTED.

(d) IN MAKING A DETERMINATION WITH RESPECT TO ENTITLEMENT TO INDEMNIFICATION HEREUNDER, THE PERSON OR PERSONS OR ENTITY MAKING SUCH DETERMINATION SHALL PRESUME THAT INDEMNITEE IS ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT IF INDEMNITEE HAS SUBMITTED A REQUEST FOR INDEMNIFICATION IN ACCORDANCE WITH SECTION 6(A) OF THIS AGREEMENT. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY CLEAR AND CONVINCING EVIDENCE.

(e) INDEMNITEE SHALL BE DEEMED TO HAVE ACTED IN GOOD FAITH IF INDEMNITEE'S ACTION IS BASED ON THE RECORDS OR BOOKS OF ACCOUNT OF THE ENTERPRISE, INCLUDING FINANCIAL STATEMENTS, OR ON INFORMATION SUPPLIED TO INDEMNITEE BY THE OFFICERS OF THE ENTERPRISE IN THE COURSE OF THEIR DUTIES, OR ON THE ADVICE OF LEGAL COUNSEL FOR THE ENTERPRISE OR ON INFORMATION records given or reports made to the Enterprise by an

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT OR BY AN APPRAISER OR OTHER EXPERT SELECTED WITH REASONABLE CARE BY THE ENTERPRISE. IN ADDITION, THE KNOWLEDGE AND/OR ACTIONS, OR FAILURE TO ACT, OF ANY DIRECTOR, OFFICER, AGENT OR EMPLOYEE OF THE ENTERPRISE SHALL BE IMPUTED TO INDEMNITEE FOR PURPOSES OF DETERMINING THE RIGHT TO INDEMNIFICATION UNDER THIS AGREEMENT. WHETHER OR NOT THE foregoing provisions of THIS SECTION 6(E) ARE SATISFIED, IT SHALL IN ANY EVENT BE PRESUMED THAT INDEMNITEE HAS AT ALL TIMES ACTED IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE BEST INTERESTS OF THE COMPANY. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY CLEAR AND CONVINCING evidence.

**(f)** THE COMPANY ACKNOWLEDGES THAT A SETTLEMENT OR OTHER DISPOSITION SHORT OF FINAL JUDGMENT MAY BE SUCCESSFUL IF IT PERMITS A PARTY TO AVOID EXPENSE, DELAY, DISTRACTION, DISRUPTION AND UNCERTAINTY. IN THE EVENT THAT ANY ACTION OR PROCEEDING TO WHICH INDEMNITEE IS A PARTY IS RESOLVED IN ANY MANNER OTHER THAN BY ADVERSE JUDGMENT AGAINST INDEMNITEE (INCLUDING, WITHOUT LIMITATION, SETTLEMENT OF SUCH ACTION, CLAIM OR PROCEEDING WITH OR WITHOUT PAYMENT OF MONEY OR OTHER CONSIDERATION) IT SHALL BE PRESUMED THAT INDEMNITEE HAS BEEN SUCCESSFUL ON THE MERITS OR OTHERWISE IN SUCH ACTION, SUIT OR PROCEEDING. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY clear and convincing evidence.

**(g)** IF THE PERSON, PERSONS OR ENTITY EMPOWERED OR SELECTED UNDER SECTION 6 TO DETERMINE WHETHER INDEMNITEE IS ENTITLED TO INDEMNIFICATION SHALL NOT HAVE MADE A DETERMINATION WITHIN THIRTY (30) DAYS AFTER RECEIPT BY THE COMPANY OF THE REQUEST THEREFOR, THE REQUISITE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION SHALL BE DEEMED TO HAVE BEEN MADE AND INDEMNITEE SHALL BE ENTITLED TO SUCH INDEMNIFICATION, ABSENT (i) A MISSTATEMENT BY INDEMNITEE OF A MATERIAL FACT, OR AN OMISSION OF A MATERIAL FACT NECESSARY TO MAKE INDEMNITEE'S STATEMENT NOT MATERIALLY MISLEADING, IN CONNECTION WITH THE REQUEST FOR INDEMNIFICATION, OR (ii) A PROHIBITION OF SUCH INDEMNIFICATION UNDER APPLICABLE LAW; PROVIDED, HOWEVER, THAT SUCH 30 DAY PERIOD MAY BE EXTENDED FOR A REASONABLE TIME, NOT TO EXCEED AN ADDITIONAL FIFTEEN (15) DAYS, IF THE PERSON, PERSONS OR ENTITY MAKING THE DETERMINATION WITH RESPECT TO ENTITLEMENT TO INDEMNIFICATION IN GOOD FAITH REQUIRES SUCH ADDITIONAL TIME FOR THE OBTAINING OR EVALUATING DOCUMENTATION AND/OR INFORMATION RELATING THERETO; AND PROVIDED, FURTHER, THAT THE FOREGOING PROVISION OF THIS SECTION 6(G) SHALL NOT APPLY IF THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION IS TO BE MADE BY THE STOCKHOLDER PURSUANT TO SECTION 6(B) OF THIS AGREEMENT AND IF (A) WITHIN FIFTEEN (15) DAYS AFTER RECEIPT BY THE COMPANY OF THE REQUEST FOR SUCH DETERMINATION THE BOARD OF DIRECTORS OR THE DISINTERESTED DIRECTORS, IF APPROPRIATE, RESOLVE TO SUBMIT SUCH DETERMINATION TO THE STOCKHOLDERS FOR THEIR CONSIDERATION AT AN ANNUAL MEETING THEREOF TO BE HELD WITHIN SEVENTY FIVE (75) DAYS AFTER SUCH RECEIPT AND SUCH DETERMINATION IS MADE THEREAT, OR (B) A SPECIAL MEETING OF STOCKHOLDERS IS CALLED WITHIN FIFTEEN (15) DAYS AFTER SUCH RECEIPT FOR THE PURPOSE OF MAKING SUCH DETERMINATION, SUCH MEETING IS HELD FOR SUCH PURPOSE WITHIN SIXTY (60) DAYS AFTER HAVING been so called and such determination is made thereat.

**(h)** INDEMNITEE SHALL COOPERATE WITH THE PERSON, PERSONS OR ENTITY MAKING SUCH DETERMINATION WITH RESPECT TO INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION, INCLUDING PROVIDING TO SUCH PERSON, PERSONS OR ENTITY UPON REASONABLE ADVANCE REQUEST ANY DOCUMENTATION OR INFORMATION WHICH IS NOT PRIVILEGED OR OTHERWISE PROTECTED FROM DISCLOSURE AND WHICH IS REASONABLY AVAILABLE TO INDEMNITEE AND REASONABLY NECESSARY TO SUCH DETERMINATION. ANY INDEPENDENT COUNSEL, MEMBER OF THE BOARD OF DIRECTORS, OR STOCKHOLDER OF THE COMPANY SHALL ACT REASONABLY AND IN GOOD FAITH IN MAKING A DETERMINATION UNDER THIS AGREEMENT OF THE INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION. ANY COSTS OR EXPENSES (INCLUDING ATTORNEYS' FEES AND DISBURSEMENTS) INCURRED BY INDEMNITEE IN SO COOPERATING WITH THE PERSON, PERSONS OR ENTITY MAKING SUCH DETERMINATION SHALL BE BORNE BY THE COMPANY (IRRESPECTIVE OF THE DETERMINATION AS TO INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION) AND THE COMPANY hereby indemnifies and agrees to hold Indemnatee harmless therefrom.

## **7. Remedies of Indemnatee.**

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of the Company's incorporation, or in any other court of competent jurisdiction, of his entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as *de novo* trial, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination.

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

## **8. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.**

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Articles of Incorporation of the Company, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his corporate status prior to such amendment, alteration or repeal. To the extent that a change in the NRS, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or

NOW OR HEREAFTER EXISTING AT LAW OR IN EQUITY OR OTHERWISE. THE ASSERTION OR EMPLOYMENT OF ANY RIGHT OR REMEDY HEREUNDER, OR OTHERWISE, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) TO THE EXTENT THAT THE COMPANY MAINTAINS AN INSURANCE POLICY OR POLICIES PROVIDING LIABILITY INSURANCE FOR DIRECTORS, OFFICERS, EMPLOYEES, OR AGENTS OR FIDUCIARIES OF THE COMPANY OR OF ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE WHICH SUCH PERSON SERVES AT THE REQUEST OF THE COMPANY INDEMNITEE SHALL BE COVERED BY SUCH POLICY OR POLICIES IN ACCORDANCE WITH ITS OR THEIR TERMS TO THE MAXIMUM EXTENT OF THE COVERAGE AVAILABLE FOR ANY SUCH DIRECTOR, OFFICER, EMPLOYEE OR AGENT UNDER SUCH POLICY OR POLICIES.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of SUCH PAYMENT TO ALL OF THE RIGHTS OF RECOVERY OF INDEMNITEE, WHO SHALL EXECUTE ALL PAPERS REQUIRED AND TAKE ALL ACTION NECESSARY TO SECURE SUCH RIGHTS, INCLUDING EXECUTION OF SUCH DOCUMENTS AS ARE NECESSARY TO ENABLE THE COMPANY TO BRING SUIT TO ENFORCE SUCH RIGHTS.

(d) THE COMPANY SHALL NOT BE LIABLE UNDER THIS AGREEMENT TO MAKE ANY PAYMENT OF AMOUNTS OTHERWISE INDEMNIFIABLE HEREUNDER IF AND TO THE EXTENT THAT INDEMNITEE HAS OTHERWISE ACTUALLY RECEIVED SUCH PAYMENT UNDER ANY INSURANCE POLICY, CONTRACT, AGREEMENT OR OTHERWISE.

9. **Exception to Right of Indemnification.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, INDEMNITEE SHALL NOT BE ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT WITH RESPECT TO ANY PROCEEDING BROUGHT BY INDEMNITEE, OR ANY CLAIM THEREIN, UNLESS (A) THE BRINGING OF SUCH PROCEEDING OR MAKING OF SUCH CLAIM SHALL HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS OR (B) SUCH PROCEEDING IS BEING BROUGHT BY THE INDEMNITEE TO ASSERT HIS RIGHTS UNDER THIS AGREEMENT.

10. **Duration of Agreement.** ALL AGREEMENTS AND OBLIGATIONS OF THE COMPANY CONTAINED HEREIN SHALL CONTINUE DURING THE PERIOD INDEMNITEE IS AN OFFICER OR DIRECTOR OF THE COMPANY (OR IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ANOTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST OR OTHER ENTERPRISE) AND SHALL CONTINUE THEREAFTER SO LONG AS INDEMNITEE SHALL BE SUBJECT TO ANY PROCEEDING (OR ANY PROCEEDING COMMENCED UNDER SECTION 7 HEREOF) BY REASON OF HIS CORPORATE STATUS, WHETHER OR NOT HE IS ACTING OR SERVING IN ANY SUCH CAPACITY AT THE TIME ANY LIABILITY OR EXPENSE IS INCURRED FOR WHICH INDEMNIFICATION CAN BE PROVIDED UNDER THIS AGREEMENT. THIS AGREEMENT SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF AND BE ENFORCEABLE BY THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS (INCLUDING ANY DIRECT OR INDIRECT SUCCESSORS BY PURCHASE, MERGER, CONSOLIDATION OR OTHERWISE TO ALL OR SUBSTANTIALLY ALL OF THE BUSINESS OR ASSETS OF THE COMPANY), ASSIGNS, SPOUSES, HEIRS, EXECUTORS AND PERSONAL AND LEGAL REPRESENTATIVES. THIS AGREEMENT SHALL CONTINUE IN EFFECT REGARDLESS OF WHETHER THE INDEMNITEE CONTINUES TO SERVE AS AN OFFICER OR DIRECTOR OF THE COMPANY OR ANY OTHER ENTERPRISE AT THE COMPANY'S REQUEST.

11. **Security.** TO THE EXTENT REQUESTED BY THE INDEMNITEE AND APPROVED BY THE BOARD OF DIRECTORS, THE COMPANY MAY AT ANY TIME AND FROM TIME TO TIME PROVIDE SECURITY TO THE INDEMNITEE FOR THE COMPANY'S OBLIGATIONS HEREUNDER THROUGH AN IRREVOCABLE BANK LINE OF CREDIT, FUNDED TRUST OR OTHER COLLATERAL. ANY SUCH SECURITY, ONCE PROVIDED TO THE INDEMNITEE, MAY NOT BE REVOKED OR RELEASED WITHOUT THE PRIOR WRITTEN CONSENT OF THE INDEMNITEE.

12. **Enforcement.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the OBLIGATIONS IMPOSED ON IT HEREBY IN ORDER TO INDUCE INDEMNITEE TO SERVE AS AN OFFICER OR DIRECTOR OF THE COMPANY, AND THE COMPANY ACKNOWLEDGES THAT INDEMNITEE IS RELYING UPON THIS AGREEMENT IN SERVING AS AN OFFICER OR DIRECTOR OF THE COMPANY.

(b) THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDES ALL PRIOR AGREEMENTS AND UNDERSTANDINGS, ORAL, WRITTEN AND IMPLIED, BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF.

13. **Definitions.** For purposes of this Agreement:

(a) “*Corporate Status*” DESCRIBES THE STATUS OF A PERSON WHO IS OR WAS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OR FIDUCIARY OF THE COMPANY OR OF ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE WHICH SUCH PERSON IS OR WAS SERVING AT THE EXPRESS WRITTEN REQUEST OF THE COMPANY.

(b) “*Disinterested Director*” MEANS A DIRECTOR OF THE COMPANY WHO IS NOT AND WAS NOT A PARTY TO THE PROCEEDING IN RESPECT OF WHICH INDEMNIFICATION IS SOUGHT BY INDEMNITEE.

(c) “*Enterprise*” SHALL MEAN THE COMPANY AND ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE OF WHICH INDEMNITEE IS OR WAS SERVING AT THE EXPRESS WRITTEN REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE, AGENT OR FIDUCIARY.

(d) “*Expenses*” SHALL INCLUDE ALL REASONABLE ATTORNEYS’ FEES, RETAINERS, COURT COSTS, TRANSCRIPT COSTS, FEES OF EXPERTS, WITNESS FEES, TRAVEL EXPENSES, DUPLICATING COSTS, PRINTING AND BINDING COSTS, TELEPHONE CHARGES, POSTAGE, DELIVERY SERVICE FEES, AND ALL OTHER DISBURSEMENTS OR EXPENSES OF THE TYPES CUSTOMARILY INCURRED IN CONNECTION WITH PROSECUTING, DEFENDING, PREPARING TO PROSECUTE OR DEFEND, INVESTIGATING, PARTICIPATING, OR BEING OR PREPARING TO BE A WITNESS IN A PROCEEDING.

(e) “*Independent Counsel*” MEANS A LAW FIRM, OR A MEMBER OF A LAW FIRM, THAT IS EXPERIENCED IN MATTERS OF CORPORATION LAW AND NEITHER PRESENTLY IS, NOR IN THE PAST FIVE YEARS HAS BEEN, RETAINED TO REPRESENT: (i) THE COMPANY OR INDEMNITEE IN ANY MATTER MATERIAL TO EITHER SUCH PARTY (OTHER THAN WITH RESPECT TO MATTERS CONCERNING THE INDEMNITEE UNDER THIS AGREEMENT, OR OF OTHER INDEMNITEES UNDER SIMILAR INDEMNIFICATION AGREEMENTS), OR (ii) ANY OTHER PARTY TO THE PROCEEDING GIVING RISE TO A CLAIM FOR INDEMNIFICATION HEREUNDER. NOTWITHSTANDING THE FOREGOING, THE TERM “INDEPENDENT COUNSEL” SHALL NOT INCLUDE ANY PERSON WHO, UNDER THE APPLICABLE STANDARDS OF PROFESSIONAL CONDUCT THEN PREVAILING, WOULD HAVE A CONFLICT OF INTEREST REPRESENTING EITHER THE COMPANY OR INDEMNITEE IN AN ACTION TO DETERMINE INDEMNITEE’S RIGHTS UNDER THIS AGREEMENT. THE COMPANY AGREES TO PAY THE REASONABLE FEES OF THE INDEPENDENT COUNSEL REFERRED TO ABOVE AND TO FULLY INDEMNIFY SUCH COUNSEL AGAINST ANY AND ALL EXPENSES, CLAIMS, LIABILITIES AND DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ITS ENGAGEMENTS PURSUANT HERETO.

(f) “*Proceeding*” INCLUDES ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT, ARBITRATION, ALTERNATIVE DISPUTE RESOLUTION MECHANISM, INVESTIGATION, INQUIRY, ADMINISTRATIVE HEARING OR ANY OTHER ACTUAL, THREATENED OR COMPLETE PROCEEDING, WHETHER BROUGHT BY OR IN THE RIGHT OF THE COMPANY OR OTHERWISE AND WHETHER CIVIL, CRIMINAL, ADMINISTRATIVE OR INVESTIGATIVE, IN WHICH INDEMNITEE WAS, IS OR WILL BE INVOLVED AS A PARTY OR OTHERWISE, BY REASON OF THE FACT THAT INDEMNITEE IS OR WAS A DIRECTOR OF THE COMPANY, BY REASON OF ANY ACTION TAKEN BY HIM OR OF ANY INACTION ON HIS PART WHILE ACTING AS AN OFFICER OR DIRECTOR OF THE COMPANY, OR BY REASON OF THE FACT THAT HE IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ANOTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST OR OTHER ENTERPRISE; IN EACH CASE WHETHER OR NOT HE IS ACTING OR SERVING IN ANY SUCH CAPACITY AT THE TIME ANY LIABILITY OR EXPENSE IS INCURRED FOR WHICH INDEMNIFICATION CAN BE PROVIDED UNDER THIS AGREEMENT; INCLUDING ONE PENDING ON OR BEFORE THE DATE OF THIS AGREEMENT; AND EXCLUDING ONE INITIATED BY AN INDEMNITEE PURSUANT TO SECTION 7 OF THIS AGREEMENT TO ENFORCE HIS RIGHTS UNDER THIS AGREEMENT.

**14. Severability.** IF ANY PROVISION OR PROVISIONS OF THIS AGREEMENT SHALL BE HELD BY A COURT OF COMPETENT JURISDICTION TO BE INVALID, VOID, ILLEGAL OR OTHERWISE UNENFORCEABLE FOR ANY REASON WHATSOEVER: (A) THE VALIDITY, LEGALITY AND ENFORCEABILITY OF THE REMAINING PROVISIONS OF THIS AGREEMENT (INCLUDING WITHOUT LIMITATION, EACH PORTION OF ANY SECTION OF THIS AGREEMENT CONTAINING ANY SUCH PROVISION HELD TO BE INVALID, ILLEGAL OR UNENFORCEABLE, THAT IS NOT ITSELF INVALID, ILLEGAL OR UNENFORCEABLE) SHALL NOT IN ANY WAY BE AFFECTED OR IMPAIRED THEREBY AND SHALL REMAIN ENFORCEABLE TO THE FULLEST EXTENT PERMITTED BY LAW; AND (B) TO THE FULLEST EXTENT POSSIBLE, THE PROVISIONS OF THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH PORTION OF ANY SECTION OF THIS AGREEMENT CONTAINING ANY SUCH PROVISION HELD TO BE INVALID, ILLEGAL OR UNENFORCEABLE, THAT IS NOT ITSELF INVALID, ILLEGAL OR UNENFORCEABLE) shall be construed so as to give effect to the intent manifested thereby.

**15. Modification and Waiver.** NO SUPPLEMENT, MODIFICATION, TERMINATION OR AMENDMENT OF THIS AGREEMENT SHALL BE BINDING UNLESS EXECUTED IN WRITING BY BOTH OF THE PARTIES HERETO. NO WAIVER OF ANY OF THE PROVISIONS OF THIS AGREEMENT SHALL BE DEEMED OR SHALL CONSTITUTE A WAIVER OF ANY OTHER PROVISIONS HEREOF (WHETHER OR NOT SIMILAR) NOR SHALL SUCH WAIVER constitute a continuing waiver.

**16. Notice by Indemnitee.** INDEMNITEE AGREES PROMPTLY TO NOTIFY THE COMPANY IN WRITING UPON BEING SERVED WITH ANY SUMMONS, CITATION, SUBPOENA, COMPLAINT, INDICTMENT, INFORMATION OR OTHER DOCUMENT RELATING TO ANY PROCEEDING OR MATTER WHICH MAY BE SUBJECT TO INDEMNIFICATION COVERED HEREUNDER. THE FAILURE TO SO NOTIFY THE COMPANY SHALL NOT RELIEVE THE Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

**17. Notices.** ALL NOTICES, REQUESTS, DEMANDS AND OTHER COMMUNICATIONS HEREUNDER SHALL BE IN WRITING AND SHALL BE DEEMED TO HAVE BEEN DULY GIVEN IF (I) DELIVERED BY HAND AND RECEIPTED FOR BY THE PARTY TO WHOM SAID NOTICE OR OTHER COMMUNICATION SHALL HAVE BEEN DIRECTED, OR (II) MAILED BY CERTIFIED OR REGISTERED MAIL WITH POSTAGE PREPAID, ON THE THIRD BUSINESS day after the date on which it is so mailed:

- (a) If to Indemnitee, to the address set forth below Indemnitee signature hereto.
- (b) If to the Company, to:

Galaxy Gaming, Inc.  
6767 Spencer Street  
Las Vegas, Nevada 89119  
Attention: Board of Directors

With a copy to:

Alexander N. Pearson, Esq.  
Kirton McConkie, PC  
60 E. South Temple, Suite 1800  
Salt Lake City, Utah 84111

OR TO SUCH OTHER ADDRESS AS MAY HAVE BEEN FURNISHED TO INDEMNITEE BY THE COMPANY OR TO THE COMPANY BY INDEMNITEE, AS THE case may be.

**18. Identical Counterparts.** THIS AGREEMENT MAY BE EXECUTED IN ONE OR MORE COUNTERPARTS, EACH OF WHICH SHALL FOR ALL PURPOSES BE DEEMED TO BE AN ORIGINAL BUT ALL OF WHICH TOGETHER SHALL CONSTITUTE ONE AND THE SAME AGREEMENT. ON one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

**19. Headings.** THE HEADINGS OF THE PARAGRAPHS OF THIS AGREEMENT ARE INSERTED FOR CONVENIENCE ONLY AND SHALL NOT BE DEEMED TO CONSTITUTE PART OF THIS AGREEMENT OR TO AFFECT THE CONSTRUCTION THEREOF.

**20. Governing Law.** THE PARTIES AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA, WITHOUT APPLICATION OF THE CONFLICT OF LAWS PRINCIPLES THEREOF.

**21. Gender.** USE OF THE MASCULINE PRONOUN SHALL BE DEEMED TO INCLUDE USAGE OF THE FEMININE PRONOUN WHERE APPROPRIATE.

*[Signature page follows]*

**In Witness Whereof**, THE PARTIES HERETO HAVE EXECUTED THIS INDEMNIFICATION AGREEMENT ON AND AS OF THE DAY AND YEAR first above written.

**COMPANY:**

GALAXY GAMING, INC.  
a Nevada corporation

/s/ GARY A. VECCHIARELLI  
Signature

By Gary A. Vecchiarelli  
Its: Chief Financial Officer

**INDEMNITEE:**

/s/ NORMAN DESROSIERS  
Signature

Norman DesRosiers

Address:

6767 Spencer Street  
Las Vegas, NV 89119



## GALAXY GAMING, INC.

## INDEMNIFICATION AGREEMENT

**This Indemnification Agreement** (THE “*Agreement*”) IS MADE AND ENTERED AS OF THE 1<sup>st</sup> DAY OF MAY, 2016 BY AND BETWEEN GALAXY GAMING, INC., A NEVADA CORPORATION WITH ITS PRINCIPAL PLACE OF BUSINESS AT 6767 SPENCER STREET, LAS VEGAS, NEVADA 89119 (THE “*Company*”) AND Robert B. Saucier (“*Indemnitee*”).

WITNESSETH THAT:

**Whereas**, INDEMNITEE PERFORMS A VALUABLE SERVICE FOR THE COMPANY AS AN OFFICER AND/OR AS A MEMBER OF ITS BOARD OF Directors; and

**Whereas**, THE BOARD OF DIRECTORS OF THE COMPANY HAS ADOPTED BYLAWS (THE “*Bylaws*”) PROVIDING FOR THE indemnification of the directors of the Company as authorized by Chapter 78 of the Nevada Revised Statutes (the “*NRS*”); and

**Whereas**, THE BYLAWS AND THE NRS, BY THEIR NONEXCLUSIVE NATURE, PERMIT CONTRACTS BETWEEN THE COMPANY AND THE directors of the Company with respect to indemnification of such directors; and

**Whereas**, IN ACCORDANCE WITH THE AUTHORIZATION AS PROVIDED BY THE NRS, THE COMPANY MAY PURCHASE AND MAINTAIN A POLICY OR POLICIES OF DIRECTOR’S AND OFFICER’S LIABILITY INSURANCE (“*D & O Insurance*”), COVERING CERTAIN LIABILITIES WHICH MAY BE incurred by its officers or directors in the performance of their obligations to the Company; and

**Whereas**, THERE EXISTS GENERAL UNCERTAINTY AS TO THE EXTENT OF PROTECTION AFFORDED COMPANY OFFICERS AND DIRECTORS BY such D&O Insurance and said uncertainty also exists under statutory and bylaw indemnification provisions; and

**Whereas**, IN RECOGNITION OF PAST SERVICES AND IN ORDER TO INDUCE INDEMNITEE TO CONTINUE TO SERVE AS AN OFFICER AND/OR director of the Company, the Company has determined and agreed to enter into this contract with Indemnitee.

**Now, Therefore**, IN CONSIDERATION OF INDEMNITEE’S CONTINUED SERVICE AS AN OFFICER AND/OR DIRECTOR AFTER THE DATE HEREOF, the parties hereto agree as follows:

**1. Indemnity of Indemnitee.** THE COMPANY HEREBY AGREES TO HOLD HARMLESS AND INDEMNIFY INDEMNITEE TO THE FULLEST EXTENT AUTHORIZED OR PERMITTED BY THE PROVISIONS OF THE NRS, AS SUCH MAY BE AMENDED FROM TIME TO TIME, AND THE BYLAWS, as such may be amended. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

**(a) Proceedings Other Than Proceedings by or in the Right of the Company.** INDEMNITEE SHALL BE ENTITLED TO THE RIGHTS OF INDEMNIFICATION PROVIDED IN THIS SECTION 1(A) IF, BY REASON OF HIS CORPORATE STATUS (AS HEREINAFTER DEFINED), HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING (AS HEREINAFTER DEFINED) OTHER THAN PROCEEDING BY OR IN THE RIGHT OF THE COMPANY. PURSUANT TO THIS SECTION 1(A), INDEMNITEE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES (AS HEREINAFTER DEFINED), JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company

and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

**(b) Proceedings by or in the Right of the Company** INDEMNITEE SHALL BE ENTITLED TO THE RIGHTS OF INDEMNIFICATION PROVIDED IN THIS SECTION 1(B) IF, BY REASON OF HIS CORPORATE STATUS, HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING BROUGHT BY OR IN THE RIGHT OF THE COMPANY TO PROCURE A JUDGMENT IN ITS FAVOR. PURSUANT TO THE SECTION 1(B), INDEMNITEE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION WITH SUCH PROCEEDING IF HE ACTED IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE best interests of the Company; *provided, however,* THAT, IF APPLICABLE LAW SO PROVIDES, NO INDEMNIFICATION AGAINST SUCH EXPENSES SHALL BE MADE IN RESPECT OF ANY CLAIM, ISSUE OR MATTER IN SUCH PROCEEDING AS TO WHICH INDEMNITEE SHALL HAVE BEEN ADJUDGED TO BE LIABLE TO THE COMPANY UNLESS AND TO THE EXTENT THAT A COURT OF COMPETENCY JURISDICTION SHALL DETERMINE THAT SUCH INDEMNIFICATION may be made.

**(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful** Notwithstanding ANY OTHER PROVISION OF THIS AGREEMENT, TO THE EXTENT THAT INDEMNITEE IS, BY REASON OF HIS CORPORATE STATUS, A PARTY TO AND SUCCESSFUL, ON THE MERITS OR OTHERWISE, IN ANY PROCEEDING, HE SHALL BE INDEMNIFIED TO THE MAXIMUM EXTENT PERMITTED BY LAW AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION THEREWITH. IF INDEMNITEE IS NOT WHOLLY SUCCESSFUL IN SUCH PROCEEDING BUT IS SUCCESSFUL, ON THE MERITS OR OTHERWISE, AS TO ONE OR MORE BUT LESS THAN ALL CLAIM ISSUES OR MATTERS IN SUCH PROCEEDING, THE COMPANY SHALL INDEMNIFY INDEMNITEE AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION WITH EACH SUCCESSFULLY RESOLVED CLAIM, ISSUE OR MATTER. FOR PURPOSES OF THIS SECTION AND WITHOUT LIMITATION, THE TERMINATION OF ANY CLAIM, ISSUE OR MATTER IN SUCH A PROCEEDING BY DISMISSAL, WITH OR WITHOUT prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

**2. Additional Indemnity.** IN ADDITION TO, AND WITHOUT REGARD TO ANY LIMITATIONS ON, THE INDEMNIFICATION PROVIDED FOR IN SECTION 1, THE COMPANY SHALL AND HEREBY DOES INDEMNIFY AND HOLD HARMLESS INDEMNITEE AGAINST ALL EXPENSES, JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IF, BY REASON OF HIS CORPORATE STATUS HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING (INCLUDING A PROCEEDING BY OR IN THE RIGHT OF THE COMPANY), INCLUDING, WITHOUT LIMITATION, ALL LIABILITY ARISING OUT OF THE NEGLIGENCE OR ACTIVE OR PASSIVE wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall BE THAT THE COMPANY SHALL NOT BE OBLIGATED TO MAKE ANY PAYMENT TO INDEMNITEE THAT IS FINALLY DETERMINED (UNDER THE PROCEDURES, and subject to the presumptions, set forth in this Agreement) to be unlawful under the NRS.

**3. Contribution in the Event of Joint Liability.**

**(a)** WHETHER OR NOT THE INDEMNIFICATION PROVIDED IN SECTIONS 1 AND 2 HEREOF IS AVAILABLE, IN RESPECT OF ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), COMPANY SHALL PAY, IN THE FIRST INSTANCE, THE ENTIRE AMOUNT OF ANY JUDGMENT OR SETTLEMENT OF SUCH ACTION, SUIT OR PROCEEDING WITHOUT REQUIRING INDEMNITEE TO CONTRIBUTE TO SUCH PAYMENT AND COMPANY HEREBY WAIVES AND RELINQUISHES ANY RIGHT OF CONTRIBUTION IT MAY HAVE AGAINST INDEMNITEE. COMPANY SHALL NOT ENTER INTO ANY SETTLEMENT OF ANY ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

**(b)** WITHOUT DIMINISHING OR IMPAIRING THE OBLIGATIONS OF THE COMPANY SET FORTH IN THE PRECEDING subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any

JUDGMENT OR SETTLEMENT IN ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), COMPANY SHALL CONTRIBUTE TO THE AMOUNT OF EXPENSES (INCLUDING ATTORNEYS' FEES), JUDGMENTS, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED AND PAID OR PAYABLE BY INDEMNITEE IN PROPORTION TO THE RELATIVE BENEFITS RECEIVED BY THE COMPANY AND ALL OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, FROM THE TRANSACTION FROM WHICH SUCH ACTION, SUIT OR PROCEEDING AROSE; PROVIDED, HOWEVER, THAT THE PROPORTION DETERMINED ON THE BASIS OF RELATIVE BENEFIT MAY, TO THE EXTENT NECESSARY TO CONFORM TO LAW, BE FURTHER ADJUSTED BY REFERENCE TO THE RELATIVE FAULT OF COMPANY AND ALL OFFICERS, DIRECTOR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, IN CONNECTION WITH THE EVENTS THAT RESULTED IN SUCH EXPENSES, JUDGMENTS, FINES OR SETTLEMENT AMOUNTS, AS WELL AS ANY OTHER EQUITABLE CONSIDERATIONS WHICH THE LAW MAY REQUIRE TO BE CONSIDERED. THE RELATIVE FAULT OF COMPANY AND ALL OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, SHALL BE DETERMINED BY REFERENCE TO, AMONG OTHER THINGS, THE DEGREE TO WHICH THEIR ACTIONS WERE MOTIVATED BY INTENT TO GAIN PERSONAL PROFIT OR ADVANTAGE, THE DEGREE TO WHICH THEIR LIABILITY IS PRIMARY OR SECONDARY, AND THE DEGREE TO WHICH THEIR CONDUCT IS ACTIVE OR PASSIVE.

(c) COMPANY HEREBY AGREES TO FULLY INDEMNIFY AND HOLD INDEMNITEE HARMLESS FROM ANY CLAIMS OF CONTRIBUTION WHICH MAY BE BROUGHT BY OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO MAY BE JOINTLY LIABLE WITH INDEMNITEE.

4. **Indemnification for Expenses of a Witness.** Notwithstanding any other provision of this Agreement, to the extent that INDEMNITEE IS, BY REASON OF HIS CORPORATE STATUS, A WITNESS IN ANY PROCEEDING TO WHICH INDEMNITEE IS NOT A PARTY, HE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION THEREWITH.

5. **Advancement of Expenses.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, THE COMPANY SHALL ADVANCE ALL REASONABLE EXPENSES INCURRED BY OR ON BEHALF OF INDEMNITEE IN CONNECTION WITH ANY PROCEEDING BY REASON OF INDEMNITEE'S CORPORATE STATUS WITHIN TEN DAYS AFTER THE RECEIPT BY THE COMPANY OF A STATEMENT OR STATEMENTS FROM INDEMNITEE REQUESTING SUCH ADVANCE OR ADVANCES FROM TIME TO TIME, WHETHER PRIOR TO OR AFTER FINAL DISPOSITION OF SUCH PROCEEDING. SUCH STATEMENT OR STATEMENTS SHALL REASONABLY EVIDENCE THE EXPENSES INCURRED BY INDEMNITEE AND SHALL INCLUDE OR BE PRECEDED OR ACCOMPANIED BY AN UNDERTAKING BY OR ON BEHALF OF INDEMNITEE TO REPAY ANY EXPENSES ADVANCED IF IT SHALL ULTIMATELY BE DETERMINED THAT INDEMNITEE IS NOT ENTITLED TO BE INDEMNIFIED AGAINST SUCH EXPENSES. ANY ADVANCES AND UNDERTAKINGS TO REPAY PURSUANT TO THIS SECTION 5 SHALL BE UNSECURED AND INTEREST FREE. NOTWITHSTANDING THE FOREGOING, THE OBLIGATION OF THE COMPANY TO ADVANCE EXPENSES PURSUANT TO THIS SECTION 5 SHALL BE SUBJECT TO THE CONDITION THAT, IF, WHEN AND TO THE EXTENT THAT THE COMPANY DETERMINES THAT INDEMNITEE WOULD NOT BE PERMITTED TO BE INDEMNIFIED UNDER APPLICABLE LAW, THE COMPANY SHALL BE ENTITLED TO BE REIMBURSED, WITHIN THIRTY (30) DAYS OF SUCH DETERMINATION, BY INDEMNITEE (WHO HEREBY AGREES TO REIMBURSE THE COMPANY) FOR ALL SUCH AMOUNTS THERETOFORE PAID; PROVIDED, HOWEVER, THAT IF INDEMNITEE HAS COMMENCED OR THEREAFTER COMMENCES LEGAL PROCEEDINGS IN A COURT OF COMPETENT JURISDICTION TO SECURE A DETERMINATION THAT INDEMNITEE SHOULD BE INDEMNIFIED UNDER APPLICABLE LAW, ANY DETERMINATION MADE BY THE COMPANY THAT INDEMNITEE WOULD NOT BE PERMITTED TO BE INDEMNIFIED UNDER APPLICABLE LAW SHALL NOT BE BINDING AND INDEMNITEE SHALL NOT BE REQUIRED TO REIMBURSE THE COMPANY FOR ANY ADVANCE OF EXPENSES UNTIL A FINAL JUDICIAL DETERMINATION IS MADE WITH RESPECT THERETO (AS TO WHICH ALL RIGHTS OF APPEAL THEREFROM HAVE BEEN EXHAUSTED OR LAPSED).

6. **Procedures and Presumptions for Determination of Entitlement to Indemnification.** IT IS THE INTENT OF THIS AGREEMENT TO SECURE FOR INDEMNITEE RIGHTS OF INDEMNITY THAT ARE AS FAVORABLE AS MAY

BE PERMITTED UNDER THE LAW AND PUBLIC POLICY OF THE STATE OF NEVADA. ACCORDINGLY, THE PARTIES AGREE THAT THE FOLLOWING PROCEDURES AND PRESUMPTIONS SHALL APPLY IN THE EVENT OF ANY QUESTION AS TO WHETHER INDEMNITEE IS ENTITLED TO INDEMNIFICATION under this Agreement:

(a) TO OBTAIN INDEMNIFICATION (INCLUDING, BUT NOT LIMITED TO, THE ADVANCEMENT OF EXPENSES AND CONTRIBUTION BY THE COMPANY) UNDER THIS AGREEMENT, INDEMNITEE SHALL SUBMIT TO THE COMPANY A WRITTEN REQUEST, INCLUDING THEREIN OR THEREWITH SUCH DOCUMENTATION AND INFORMATION AS IS REASONABLY AVAILABLE TO INDEMNITEE AND IS REASONABLY NECESSARY TO DETERMINE WHETHER AND TO WHAT EXTENT INDEMNITEE IS ENTITLED TO INDEMNIFICATION. THE SECRETARY OF THE COMPANY SHALL PROMPTLY UPON RECEIPT OF SUCH A REQUEST FOR INDEMNIFICATION, ADVISE THE BOARD OF DIRECTORS IN WRITING THAT INDEMNITEE HAS requested indemnification.

(b) UPON WRITTEN REQUEST BY INDEMNITEE FOR INDEMNIFICATION PURSUANT TO THE FIRST SENTENCE OF SECTION 6(A) HEREOF, A DETERMINATION, IF REQUIRED BY APPLICABLE LAW, WITH RESPECT TO INDEMNITEE'S ENTITLEMENT THERETO SHALL BE MADE IN THE SPECIFIC CASE BY ONE OF THE FOLLOWING THREE METHODS, WHICH SHALL BE AT THE ELECTION OF INDEMNITEE: (1) BY A MAJORITY VOTE OF THE DISINTERESTED DIRECTORS, EVEN THOUGH LESS THAN A QUORUM, OR (2) BY INDEPENDENT COUNSEL IN A WRITTEN OPINION, OR (3) BY THE stockholders.

(c) IF THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION IS TO BE MADE BY INDEPENDENT COUNSEL PURSUANT TO SECTION 6(B) HEREOF, THE INDEPENDENT COUNSEL SHALL BE SELECTED AS PROVIDED IN THIS SECTION 6(C). THE INDEPENDENT COUNSEL SHALL BE SELECTED BY INDEMNITEE (UNLESS INDEMNITEE SHALL REQUEST THAT SUCH SELECTION BE MADE BY THE BOARD OF DIRECTORS). INDEMNITEE OR THE COMPANY, AS THE CASE MAY BE, MAY, WITHIN 10 DAYS AFTER SUCH WRITTEN NOTICE OF SELECTION SHALL HAVE BEEN GIVEN, DELIVER TO THE COMPANY OR TO INDEMNITEE, AS THE CASE MAY BE, A WRITTEN OBJECTION TO SUCH SELECTION *provided, however,* THAT SUCH OBJECTION MAY BE ASSERTED ONLY ON THE GROUND THAT THE INDEPENDENT COUNSEL SO SELECTED DOES NOT MEET THE REQUIREMENTS OF "INDEPENDENT COUNSEL" AS DEFINED IN SECTION 13 OF THIS AGREEMENT, AND THE OBJECTION SHALL SET FORTH WITH PARTICULARITY THE FACTUAL BASIS OF SUCH ASSERTION. ABSENT A PROPER AND TIMELY OBJECTION, THE PERSON SO SELECTED SHALL ACT AS INDEPENDENT COUNSEL. IF A WRITTEN OBJECTION IS MADE AND SUBSTANTIATED, THE INDEPENDENT COUNSEL SELECTED MAY NOT SERVE AS INDEPENDENT COUNSEL UNLESS AND UNTIL SUCH OBJECTION IS WITHDRAWN OR A COURT HAS DETERMINED THAT SUCH OBJECTION IS WITHOUT MERIT. IF, WITHIN 20 DAYS AFTER SUBMISSION BY INDEMNITEE OF A WRITTEN REQUEST FOR INDEMNIFICATION PURSUANT TO SECTION 6(A) HEREOF, NO INDEPENDENT COUNSEL SHALL HAVE BEEN SELECTED AND NOT OBJECTED TO, EITHER THE COMPANY OR INDEMNITEE MAY PETITION AN APPROPRIATE COURT OF COMPETENT JURISDICTION FOR RESOLUTION OF ANY OBJECTION WHICH SHALL HAVE BEEN MADE BY THE COMPANY OR INDEMNITEE TO THE OTHER'S SELECTION OF INDEPENDENT COUNSEL AND/OR FOR THE APPOINTMENT AS INDEPENDENT COUNSEL OF A PERSON SELECTED BY THE COURT OR BY SUCH OTHER PERSON AS THE COURT SHALL DESIGNATE, AND THE PERSON WITH RESPECT TO WHOM ALL OBJECTIONS SO RESOLVED OR THE PERSON SO APPOINTED SHALL ACT AS INDEPENDENT COUNSEL UNDER SECTION 6(B) HEREOF. THE COMPANY SHALL PAY ANY AND ALL REASONABLE FEES AND EXPENSES OF INDEPENDENT COUNSEL INCURRED BY SUCH INDEPENDENT COUNSEL IN CONNECTION WITH ACTING PURSUANT TO SECTION 6(B) HEREOF, AND THE COMPANY SHALL PAY ALL REASONABLE FEES AND EXPENSES INCIDENT TO THE PROCEDURES OF THIS SECTION 6(C), REGARDLESS OF THE MANNER IN WHICH SUCH INDEPENDENT COUNSEL WAS SELECTED OR APPOINTED.

(d) IN MAKING A DETERMINATION WITH RESPECT TO ENTITLEMENT TO INDEMNIFICATION HEREUNDER, THE PERSON OR PERSONS OR ENTITY MAKING SUCH DETERMINATION SHALL PRESUME THAT INDEMNITEE IS ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT IF INDEMNITEE HAS SUBMITTED A REQUEST FOR INDEMNIFICATION IN ACCORDANCE WITH SECTION 6(A) OF THIS AGREEMENT. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY CLEAR AND CONVINCING EVIDENCE.

(e) INDEMNITEE SHALL BE DEEMED TO HAVE ACTED IN GOOD FAITH IF INDEMNITEE'S ACTION IS BASED ON THE RECORDS OR BOOKS OF ACCOUNT OF THE ENTERPRISE, INCLUDING FINANCIAL STATEMENTS, OR ON INFORMATION SUPPLIED TO INDEMNITEE BY THE OFFICERS OF THE ENTERPRISE IN THE COURSE OF THEIR DUTIES, OR ON THE ADVICE OF LEGAL COUNSEL FOR THE ENTERPRISE OR ON INFORMATION records given or reports made to the Enterprise by an

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT OR BY AN APPRAISER OR OTHER EXPERT SELECTED WITH REASONABLE CARE BY THE ENTERPRISE. IN ADDITION, THE KNOWLEDGE AND/OR ACTIONS, OR FAILURE TO ACT, OF ANY DIRECTOR, OFFICER, AGENT OR EMPLOYEE OF THE ENTERPRISE SHALL BE IMPUTED TO INDEMNITEE FOR PURPOSES OF DETERMINING THE RIGHT TO INDEMNIFICATION UNDER THIS AGREEMENT. WHETHER OR NOT THE foregoing provisions of THIS SECTION 6(E) ARE SATISFIED, IT SHALL IN ANY EVENT BE PRESUMED THAT INDEMNITEE HAS AT ALL TIMES ACTED IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE BEST INTERESTS OF THE COMPANY. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY CLEAR AND CONVINCING evidence.

**(f)** THE COMPANY ACKNOWLEDGES THAT A SETTLEMENT OR OTHER DISPOSITION SHORT OF FINAL JUDGMENT MAY BE SUCCESSFUL IF IT PERMITS A PARTY TO AVOID EXPENSE, DELAY, DISTRACTION, DISRUPTION AND UNCERTAINTY. IN THE EVENT THAT ANY ACTION OR PROCEEDING TO WHICH INDEMNITEE IS A PARTY IS RESOLVED IN ANY MANNER OTHER THAN BY ADVERSE JUDGMENT AGAINST INDEMNITEE (INCLUDING, WITHOUT LIMITATION, SETTLEMENT OF SUCH ACTION, CLAIM OR PROCEEDING WITH OR WITHOUT PAYMENT OF MONEY OR OTHER CONSIDERATION) IT SHALL BE PRESUMED THAT INDEMNITEE HAS BEEN SUCCESSFUL ON THE MERITS OR OTHERWISE IN SUCH ACTION, SUIT OR PROCEEDING. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY clear and convincing evidence.

**(g)** IF THE PERSON, PERSONS OR ENTITY EMPOWERED OR SELECTED UNDER SECTION 6 TO DETERMINE WHETHER INDEMNITEE IS ENTITLED TO INDEMNIFICATION SHALL NOT HAVE MADE A DETERMINATION WITHIN THIRTY (30) DAYS AFTER RECEIPT BY THE COMPANY OF THE REQUEST THEREFOR, THE REQUISITE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION SHALL BE DEEMED TO HAVE BEEN MADE AND INDEMNITEE SHALL BE ENTITLED TO SUCH INDEMNIFICATION, ABSENT (i) A MISSTATEMENT BY INDEMNITEE OF A MATERIAL FACT, OR AN OMISSION OF A MATERIAL FACT NECESSARY TO MAKE INDEMNITEE'S STATEMENT NOT MATERIALLY MISLEADING, IN CONNECTION WITH THE REQUEST FOR INDEMNIFICATION, OR (ii) A PROHIBITION OF SUCH INDEMNIFICATION UNDER APPLICABLE LAW; PROVIDED, HOWEVER, THAT SUCH 30 DAY PERIOD MAY BE EXTENDED FOR A REASONABLE TIME, NOT TO EXCEED AN ADDITIONAL FIFTEEN (15) DAYS, IF THE PERSON, PERSONS OR ENTITY MAKING THE DETERMINATION WITH RESPECT TO ENTITLEMENT TO INDEMNIFICATION IN GOOD FAITH REQUIRES SUCH ADDITIONAL TIME FOR THE OBTAINING OR EVALUATING DOCUMENTATION AND/OR INFORMATION RELATING THERETO; AND PROVIDED, FURTHER, THAT THE FOREGOING PROVISION OF THIS SECTION 6(G) SHALL NOT APPLY IF THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION IS TO BE MADE BY THE STOCKHOLDER PURSUANT TO SECTION 6(B) OF THIS AGREEMENT AND IF (A) WITHIN FIFTEEN (15) DAYS AFTER RECEIPT BY THE COMPANY OF THE REQUEST FOR SUCH DETERMINATION THE BOARD OF DIRECTORS OR THE DISINTERESTED DIRECTORS, IF APPROPRIATE, RESOLVE TO SUBMIT SUCH DETERMINATION TO THE STOCKHOLDERS FOR THEIR CONSIDERATION AT AN ANNUAL MEETING THEREOF TO BE HELD WITHIN SEVENTY FIVE (75) DAYS AFTER SUCH RECEIPT AND SUCH DETERMINATION IS MADE THEREAT, OR (B) A SPECIAL MEETING OF STOCKHOLDERS IS CALLED WITHIN FIFTEEN (15) DAYS AFTER SUCH RECEIPT FOR THE PURPOSE OF MAKING SUCH DETERMINATION, SUCH MEETING IS HELD FOR SUCH PURPOSE WITHIN SIXTY (60) DAYS AFTER HAVING been so called and such determination is made thereat.

**(h)** INDEMNITEE SHALL COOPERATE WITH THE PERSON, PERSONS OR ENTITY MAKING SUCH DETERMINATION WITH RESPECT TO INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION, INCLUDING PROVIDING TO SUCH PERSON, PERSONS OR ENTITY UPON REASONABLE ADVANCE REQUEST ANY DOCUMENTATION OR INFORMATION WHICH IS NOT PRIVILEGED OR OTHERWISE PROTECTED FROM DISCLOSURE AND WHICH IS REASONABLY AVAILABLE TO INDEMNITEE AND REASONABLY NECESSARY TO SUCH DETERMINATION. ANY INDEPENDENT COUNSEL, MEMBER OF THE BOARD OF DIRECTORS, OR STOCKHOLDER OF THE COMPANY SHALL ACT REASONABLY AND IN GOOD FAITH IN MAKING A DETERMINATION UNDER THIS AGREEMENT OF THE INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION. ANY COSTS OR EXPENSES (INCLUDING ATTORNEYS' FEES AND DISBURSEMENTS) INCURRED BY INDEMNITEE IN SO COOPERATING WITH THE PERSON, PERSONS OR ENTITY MAKING SUCH DETERMINATION SHALL BE BORNE BY THE COMPANY (IRRESPECTIVE OF THE DETERMINATION AS TO INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION) AND THE COMPANY hereby indemnifies and agrees to hold Indemnatee harmless therefrom.

## **7. Remedies of Indemnatee.**

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of the Company's incorporation, or in any other court of competent jurisdiction, of his entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as *de novo* trial, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination.

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

## **8. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.**

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Articles of Incorporation of the Company, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his corporate status prior to such amendment, alteration or repeal. To the extent that a change in the NRS, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or

NOW OR HEREAFTER EXISTING AT LAW OR IN EQUITY OR OTHERWISE. THE ASSERTION OR EMPLOYMENT OF ANY RIGHT OR REMEDY HEREUNDER, OR OTHERWISE, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) TO THE EXTENT THAT THE COMPANY MAINTAINS AN INSURANCE POLICY OR POLICIES PROVIDING LIABILITY INSURANCE FOR DIRECTORS, OFFICERS, EMPLOYEES, OR AGENTS OR FIDUCIARIES OF THE COMPANY OR OF ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE WHICH SUCH PERSON SERVES AT THE REQUEST OF THE COMPANY INDEMNITEE SHALL BE COVERED BY SUCH POLICY OR POLICIES IN ACCORDANCE WITH ITS OR THEIR TERMS TO THE MAXIMUM EXTENT OF THE COVERAGE AVAILABLE FOR ANY SUCH DIRECTOR, OFFICER, EMPLOYEE OR AGENT UNDER SUCH POLICY OR POLICIES.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of SUCH PAYMENT TO ALL OF THE RIGHTS OF RECOVERY OF INDEMNITEE, WHO SHALL EXECUTE ALL PAPERS REQUIRED AND TAKE ALL ACTION NECESSARY TO SECURE SUCH RIGHTS, INCLUDING EXECUTION OF SUCH DOCUMENTS AS ARE NECESSARY TO ENABLE THE COMPANY TO BRING SUIT TO ENFORCE SUCH RIGHTS.

(d) THE COMPANY SHALL NOT BE LIABLE UNDER THIS AGREEMENT TO MAKE ANY PAYMENT OF AMOUNTS OTHERWISE INDEMNIFIABLE HEREUNDER IF AND TO THE EXTENT THAT INDEMNITEE HAS OTHERWISE ACTUALLY RECEIVED SUCH PAYMENT UNDER ANY INSURANCE POLICY, CONTRACT, AGREEMENT OR OTHERWISE.

9. **Exception to Right of Indemnification.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, INDEMNITEE SHALL NOT BE ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT WITH RESPECT TO ANY PROCEEDING BROUGHT BY INDEMNITEE, OR ANY CLAIM THEREIN, UNLESS (A) THE BRINGING OF SUCH PROCEEDING OR MAKING OF SUCH CLAIM SHALL HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS OR (B) SUCH PROCEEDING IS BEING BROUGHT BY THE INDEMNITEE TO ASSERT HIS RIGHTS UNDER THIS AGREEMENT.

10. **Duration of Agreement.** ALL AGREEMENTS AND OBLIGATIONS OF THE COMPANY CONTAINED HEREIN SHALL CONTINUE DURING THE PERIOD INDEMNITEE IS AN OFFICER OR DIRECTOR OF THE COMPANY (OR IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ANOTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST OR OTHER ENTERPRISE) AND SHALL CONTINUE THEREAFTER SO LONG AS INDEMNITEE SHALL BE SUBJECT TO ANY PROCEEDING (OR ANY PROCEEDING COMMENCED UNDER SECTION 7 HEREOF) BY REASON OF HIS CORPORATE STATUS, WHETHER OR NOT HE IS ACTING OR SERVING IN ANY SUCH CAPACITY AT THE TIME ANY LIABILITY OR EXPENSE IS INCURRED FOR WHICH INDEMNIFICATION CAN BE PROVIDED UNDER THIS AGREEMENT. THIS AGREEMENT SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF AND BE ENFORCEABLE BY THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS (INCLUDING ANY DIRECT OR INDIRECT SUCCESSORS BY PURCHASE, MERGER, CONSOLIDATION OR OTHERWISE TO ALL OR SUBSTANTIALLY ALL OF THE BUSINESS OR ASSETS OF THE COMPANY), ASSIGNS, SPOUSES, HEIRS, EXECUTORS AND PERSONAL AND LEGAL REPRESENTATIVES. THIS AGREEMENT SHALL CONTINUE IN EFFECT REGARDLESS OF WHETHER THE INDEMNITEE CONTINUES TO SERVE AS AN OFFICER OR DIRECTOR OF THE COMPANY OR ANY OTHER ENTERPRISE AT THE COMPANY'S REQUEST.

11. **Security.** TO THE EXTENT REQUESTED BY THE INDEMNITEE AND APPROVED BY THE BOARD OF DIRECTORS, THE COMPANY MAY AT ANY TIME AND FROM TIME TO TIME PROVIDE SECURITY TO THE INDEMNITEE FOR THE COMPANY'S OBLIGATIONS HEREUNDER THROUGH AN IRREVOCABLE BANK LINE OF CREDIT, FUNDED TRUST OR OTHER COLLATERAL. ANY SUCH SECURITY, ONCE PROVIDED TO THE INDEMNITEE, MAY NOT BE REVOKED OR RELEASED WITHOUT THE PRIOR WRITTEN CONSENT OF THE INDEMNITEE.

12. **Enforcement.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the OBLIGATIONS IMPOSED ON IT HEREBY IN ORDER TO INDUCE INDEMNITEE TO SERVE AS AN OFFICER OR DIRECTOR OF THE COMPANY, AND THE COMPANY ACKNOWLEDGES THAT INDEMNITEE IS RELYING UPON THIS AGREEMENT IN SERVING AS AN OFFICER OR DIRECTOR OF THE COMPANY.

(b) THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDES ALL PRIOR AGREEMENTS AND UNDERSTANDINGS, ORAL, WRITTEN AND IMPLIED, BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF.

13. **Definitions.** For purposes of this Agreement:

(a) “*Corporate Status*” DESCRIBES THE STATUS OF A PERSON WHO IS OR WAS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OR FIDUCIARY OF THE COMPANY OR OF ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE WHICH SUCH PERSON IS OR WAS SERVING AT THE EXPRESS WRITTEN REQUEST OF THE COMPANY.

(b) “*Disinterested Director*” MEANS A DIRECTOR OF THE COMPANY WHO IS NOT AND WAS NOT A PARTY TO THE PROCEEDING IN RESPECT OF WHICH INDEMNIFICATION IS SOUGHT BY INDEMNITEE.

(c) “*Enterprise*” SHALL MEAN THE COMPANY AND ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE OF WHICH INDEMNITEE IS OR WAS SERVING AT THE EXPRESS WRITTEN REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE, AGENT OR FIDUCIARY.

(d) “*Expenses*” SHALL INCLUDE ALL REASONABLE ATTORNEYS’ FEES, RETAINERS, COURT COSTS, TRANSCRIPT COSTS, FEES OF EXPERTS, WITNESS FEES, TRAVEL EXPENSES, DUPLICATING COSTS, PRINTING AND BINDING COSTS, TELEPHONE CHARGES, POSTAGE, DELIVERY SERVICE FEES, AND ALL OTHER DISBURSEMENTS OR EXPENSES OF THE TYPES CUSTOMARILY INCURRED IN CONNECTION WITH PROSECUTING, DEFENDING, PREPARING TO PROSECUTE OR DEFEND, INVESTIGATING, PARTICIPATING, OR BEING OR PREPARING TO BE A WITNESS IN A PROCEEDING.

(e) “*Independent Counsel*” MEANS A LAW FIRM, OR A MEMBER OF A LAW FIRM, THAT IS EXPERIENCED IN MATTERS OF CORPORATION LAW AND NEITHER PRESENTLY IS, NOR IN THE PAST FIVE YEARS HAS BEEN, RETAINED TO REPRESENT: (i) THE COMPANY OR INDEMNITEE IN ANY MATTER MATERIAL TO EITHER SUCH PARTY (OTHER THAN WITH RESPECT TO MATTERS CONCERNING THE INDEMNITEE UNDER THIS AGREEMENT, OR OF OTHER INDEMNITEES UNDER SIMILAR INDEMNIFICATION AGREEMENTS), OR (ii) ANY OTHER PARTY TO THE PROCEEDING GIVING RISE TO A CLAIM FOR INDEMNIFICATION HEREUNDER. NOTWITHSTANDING THE FOREGOING, THE TERM “INDEPENDENT COUNSEL” SHALL NOT INCLUDE ANY PERSON WHO, UNDER THE APPLICABLE STANDARDS OF PROFESSIONAL CONDUCT THEN PREVAILING, WOULD HAVE A CONFLICT OF INTEREST REPRESENTING EITHER THE COMPANY OR INDEMNITEE IN AN ACTION TO DETERMINE INDEMNITEE’S RIGHTS UNDER THIS AGREEMENT. THE COMPANY AGREES TO PAY THE REASONABLE FEES OF THE INDEPENDENT COUNSEL REFERRED TO ABOVE AND TO FULLY INDEMNIFY SUCH COUNSEL AGAINST ANY AND ALL EXPENSES, CLAIMS, LIABILITIES AND DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ITS ENGAGEMENTS PURSUANT HERETO.

(f) “*Proceeding*” INCLUDES ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT, ARBITRATION, ALTERNATIVE DISPUTE RESOLUTION MECHANISM, INVESTIGATION, INQUIRY, ADMINISTRATIVE HEARING OR ANY OTHER ACTUAL, THREATENED OR COMPLETE PROCEEDING, WHETHER BROUGHT BY OR IN THE RIGHT OF THE COMPANY OR OTHERWISE AND WHETHER CIVIL, CRIMINAL, ADMINISTRATIVE OR INVESTIGATIVE, IN WHICH INDEMNITEE WAS, IS OR WILL BE INVOLVED AS A PARTY OR OTHERWISE, BY REASON OF THE FACT THAT INDEMNITEE IS OR WAS A DIRECTOR OF THE COMPANY, BY REASON OF ANY ACTION TAKEN BY HIM OR OF ANY INACTION ON HIS PART WHILE ACTING AS AN OFFICER OR DIRECTOR OF THE COMPANY, OR BY REASON OF THE FACT THAT HE IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ANOTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST OR OTHER ENTERPRISE; IN EACH CASE WHETHER OR NOT HE IS ACTING OR SERVING IN ANY SUCH CAPACITY AT THE TIME ANY LIABILITY OR EXPENSE IS INCURRED FOR WHICH INDEMNIFICATION CAN BE PROVIDED UNDER THIS AGREEMENT; INCLUDING ONE PENDING ON OR BEFORE THE DATE OF THIS AGREEMENT; AND EXCLUDING ONE INITIATED BY AN INDEMNITEE PURSUANT TO SECTION 7 OF THIS AGREEMENT TO ENFORCE HIS RIGHTS UNDER THIS AGREEMENT.



**14. Severability.** IF ANY PROVISION OR PROVISIONS OF THIS AGREEMENT SHALL BE HELD BY A COURT OF COMPETENT JURISDICTION TO BE INVALID, VOID, ILLEGAL OR OTHERWISE UNENFORCEABLE FOR ANY REASON WHATSOEVER: (A) THE VALIDITY, LEGALITY AND ENFORCEABILITY OF THE REMAINING PROVISIONS OF THIS AGREEMENT (INCLUDING WITHOUT LIMITATION, EACH PORTION OF ANY SECTION OF THIS AGREEMENT CONTAINING ANY SUCH PROVISION HELD TO BE INVALID, ILLEGAL OR UNENFORCEABLE, THAT IS NOT ITSELF INVALID, ILLEGAL OR UNENFORCEABLE) SHALL NOT IN ANY WAY BE AFFECTED OR IMPAIRED THEREBY AND SHALL REMAIN ENFORCEABLE TO THE FULLEST EXTENT PERMITTED BY LAW; AND (B) TO THE FULLEST EXTENT POSSIBLE, THE PROVISIONS OF THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH PORTION OF ANY SECTION OF THIS AGREEMENT CONTAINING ANY SUCH PROVISION HELD TO BE INVALID, ILLEGAL OR UNENFORCEABLE, THAT IS NOT ITSELF INVALID, ILLEGAL OR UNENFORCEABLE) shall be construed so as to give effect to the intent manifested thereby.

**15. Modification and Waiver.** NO SUPPLEMENT, MODIFICATION, TERMINATION OR AMENDMENT OF THIS AGREEMENT SHALL BE BINDING UNLESS EXECUTED IN WRITING BY BOTH OF THE PARTIES HERETO. NO WAIVER OF ANY OF THE PROVISIONS OF THIS AGREEMENT SHALL BE DEEMED OR SHALL CONSTITUTE A WAIVER OF ANY OTHER PROVISIONS HEREOF (WHETHER OR NOT SIMILAR) NOR SHALL SUCH WAIVER constitute a continuing waiver.

**16. Notice by Indemnitee.** INDEMNITEE AGREES PROMPTLY TO NOTIFY THE COMPANY IN WRITING UPON BEING SERVED WITH ANY SUMMONS, CITATION, SUBPOENA, COMPLAINT, INDICTMENT, INFORMATION OR OTHER DOCUMENT RELATING TO ANY PROCEEDING OR MATTER WHICH MAY BE SUBJECT TO INDEMNIFICATION COVERED HEREUNDER. THE FAILURE TO SO NOTIFY THE COMPANY SHALL NOT RELIEVE THE Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

**17. Notices.** ALL NOTICES, REQUESTS, DEMANDS AND OTHER COMMUNICATIONS HEREUNDER SHALL BE IN WRITING AND SHALL BE DEEMED TO HAVE BEEN DULY GIVEN IF (I) DELIVERED BY HAND AND RECEIPTED FOR BY THE PARTY TO WHOM SAID NOTICE OR OTHER COMMUNICATION SHALL HAVE BEEN DIRECTED, OR (II) MAILED BY CERTIFIED OR REGISTERED MAIL WITH POSTAGE PREPAID, ON THE THIRD BUSINESS day after the date on which it is so mailed:

- (a) If to Indemnitee, to the address set forth below Indemnitee signature hereto.
- (b) If to the Company, to:

Galaxy Gaming, Inc.  
6767 Spencer Street  
Las Vegas, Nevada 89119  
Attention: Board of Directors

With a copy to:

Alexander N. Pearson, Esq.  
Kirton McConkie, PC  
60 E. South Temple, Suite 1800  
Salt Lake City, Utah 84111

OR TO SUCH OTHER ADDRESS AS MAY HAVE BEEN FURNISHED TO INDEMNITEE BY THE COMPANY OR TO THE COMPANY BY INDEMNITEE, AS THE case may be.

**18. Identical Counterparts.** THIS AGREEMENT MAY BE EXECUTED IN ONE OR MORE COUNTERPARTS, EACH OF WHICH SHALL FOR ALL PURPOSES BE DEEMED TO BE AN ORIGINAL BUT ALL OF WHICH TOGETHER SHALL CONSTITUTE ONE AND THE SAME AGREEMENT. ON one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

**19. Headings.** THE HEADINGS OF THE PARAGRAPHS OF THIS AGREEMENT ARE INSERTED FOR CONVENIENCE ONLY AND SHALL NOT BE DEEMED TO CONSTITUTE PART OF THIS AGREEMENT OR TO AFFECT THE CONSTRUCTION THEREOF.

**20. Governing Law.** THE PARTIES AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA, WITHOUT APPLICATION OF THE CONFLICT OF LAWS PRINCIPLES THEREOF.

**21. Gender.** USE OF THE MASCULINE PRONOUN SHALL BE DEEMED TO INCLUDE USAGE OF THE FEMININE PRONOUN WHERE APPROPRIATE.

*[Signature page follows]*

**In Witness Whereof**, THE PARTIES HERETO HAVE EXECUTED THIS INDEMNIFICATION AGREEMENT ON AND AS OF THE DAY AND YEAR first above written.

**COMPANY:**

GALAXY GAMING, INC.  
a Nevada corporation

/s/ GARY A. VECCHIARELLI  
Signature

By Gary A. Vecchiarelli  
Its: Chief Financial Officer

**INDEMNITEE:**

/s/ ROBERT B. SAUCIER  
Signature

Robert B. Saucier

Address:

6767 Spencer Street  
Las Vegas, NV 89119

## GALAXY GAMING, INC.

## INDEMNIFICATION AGREEMENT

**This Indemnification Agreement** (THE “*Agreement*”) IS MADE AND ENTERED AS OF THE 1<sup>st</sup> DAY OF MAY, 2016 BY AND BETWEEN GALAXY GAMING, INC., A NEVADA CORPORATION WITH ITS PRINCIPAL PLACE OF BUSINESS AT 6767 SPENCER STREET, LAS VEGAS, Nevada 89119 (the “*Company*”) and William Zender (“*Indemnitee*”).

WITNESSETH THAT:

**Whereas**, INDEMNITEE PERFORMS A VALUABLE SERVICE FOR THE COMPANY AS AN OFFICER AND/OR AS A MEMBER OF ITS BOARD OF Directors; and

**Whereas**, THE BOARD OF DIRECTORS OF THE COMPANY HAS ADOPTED BYLAWS (THE “*Bylaws*”) PROVIDING FOR THE indemnification of the directors of the Company as authorized by Chapter 78 of the Nevada Revised Statutes (the “*NRS*”); and

**Whereas**, THE BYLAWS AND THE NRS, BY THEIR NONEXCLUSIVE NATURE, PERMIT CONTRACTS BETWEEN THE COMPANY AND THE directors of the Company with respect to indemnification of such directors; and

**Whereas**, IN ACCORDANCE WITH THE AUTHORIZATION AS PROVIDED BY THE NRS, THE COMPANY MAY PURCHASE AND MAINTAIN A POLICY OR POLICIES OF DIRECTOR’S AND OFFICER’S LIABILITY INSURANCE (“*D&O Insurance*”), COVERING CERTAIN LIABILITIES WHICH MAY BE incurred by its officers or directors in the performance of their obligations to the Company; and

**Whereas**, THERE EXISTS GENERAL UNCERTAINTY AS TO THE EXTENT OF PROTECTION AFFORDED COMPANY OFFICERS AND DIRECTORS BY such D&O Insurance and said uncertainty also exists under statutory and bylaw indemnification provisions; and

**Whereas**, IN RECOGNITION OF PAST SERVICES AND IN ORDER TO INDUCE INDEMNITEE TO CONTINUE TO SERVE AS AN OFFICER AND/OR director of the Company, the Company has determined and agreed to enter into this contract with Indemnitee.

**Now, Therefore**, IN CONSIDERATION OF INDEMNITEE’S CONTINUED SERVICE AS AN OFFICER AND/OR DIRECTOR AFTER THE DATE HEREOF, the parties hereto agree as follows:

**1. Indemnity of Indemnitee.** THE COMPANY HEREBY AGREES TO HOLD HARMLESS AND INDEMNIFY INDEMNITEE TO THE FULLEST EXTENT AUTHORIZED OR PERMITTED BY THE PROVISIONS OF THE NRS, AS SUCH MAY BE AMENDED FROM TIME TO TIME, AND THE BYLAWS, as such may be amended. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

**(a) Proceedings Other Than Proceedings by or in the Right of the Company.** INDEMNITEE SHALL BE ENTITLED TO THE RIGHTS OF INDEMNIFICATION PROVIDED IN THIS SECTION 1(A) IF, BY REASON OF HIS CORPORATE STATUS (AS HEREINAFTER DEFINED), HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING (AS HEREINAFTER DEFINED) OTHER THAN PROCEEDING BY OR IN THE RIGHT OF THE COMPANY. PURSUANT TO THIS SECTION 1(A), INDEMNITEE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES (AS HEREINAFTER DEFINED), JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company

and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

**(b) Proceedings by or in the Right of the Company** INDEMNITEE SHALL BE ENTITLED TO THE RIGHTS OF INDEMNIFICATION PROVIDED IN THIS SECTION 1(B) IF, BY REASON OF HIS CORPORATE STATUS, HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING BROUGHT BY OR IN THE RIGHT OF THE COMPANY TO PROCURE A JUDGMENT IN ITS FAVOR. PURSUANT TO THE SECTION 1(B), INDEMNITEE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION WITH SUCH PROCEEDING IF HE ACTED IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE best interests of the Company; *provided, however*, THAT, IF APPLICABLE LAW SO PROVIDES, NO INDEMNIFICATION AGAINST SUCH EXPENSES SHALL BE MADE IN RESPECT OF ANY CLAIM, ISSUE OR MATTER IN SUCH PROCEEDING AS TO WHICH INDEMNITEE SHALL HAVE BEEN ADJUDGED TO BE LIABLE TO THE COMPANY UNLESS AND TO THE EXTENT THAT A COURT OF COMPETENCY JURISDICTION SHALL DETERMINE THAT SUCH INDEMNIFICATION may be made.

**(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful** Notwithstanding ANY OTHER PROVISION OF THIS AGREEMENT, TO THE EXTENT THAT INDEMNITEE IS, BY REASON OF HIS CORPORATE STATUS, A PARTY TO AND SUCCESSFUL, ON THE MERITS OR OTHERWISE, IN ANY PROCEEDING, HE SHALL BE INDEMNIFIED TO THE MAXIMUM EXTENT PERMITTED BY LAW AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION THEREWITH. IF INDEMNITEE IS NC WHOLLY SUCCESSFUL IN SUCH PROCEEDING BUT IS SUCCESSFUL, ON THE MERITS OR OTHERWISE, AS TO ONE OR MORE BUT LESS THAN ALL CLAIM ISSUES OR MATTERS IN SUCH PROCEEDING, THE COMPANY SHALL INDEMNIFY INDEMNITEE AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION WITH EACH SUCCESSFULLY RESOLVED CLAIM, ISSUE OR MATTER. FOR PURPOSES OF THIS SECTION AND WITHOUT LIMITATION, THE TERMINATION OF ANY CLAIM, ISSUE OR MATTER IN SUCH A PROCEEDING BY DISMISSAL, WITH OR WITHOUT prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

**2. Additional Indemnity.** IN ADDITION TO, AND WITHOUT REGARD TO ANY LIMITATIONS ON, THE INDEMNIFICATION PROVIDED FOR IN SECTION 1, THE COMPANY SHALL AND HEREBY DOES INDEMNIFY AND HOLD HARMLESS INDEMNITEE AGAINST ALL EXPENSES, JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IF, BY REASON OF HIS CORPORATE STATUS HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING (INCLUDING A PROCEEDING BY OR IN THE RIGHT OF THE COMPANY), INCLUDING, WITHOUT LIMITATION, ALL LIABILITY ARISING OUT OF THE NEGLIGENCE OR ACTIVE OR PASSIVE wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall BE THAT THE COMPANY SHALL NOT BE OBLIGATED TO MAKE ANY PAYMENT TO INDEMNITEE THAT IS FINALLY DETERMINED (UNDER THE PROCEDURES, and subject to the presumptions, set forth in this Agreement) to be unlawful under the NRS.

**3. Contribution in the Event of Joint Liability.**

**(a)** WHETHER OR NOT THE INDEMNIFICATION PROVIDED IN SECTIONS 1 AND 2 HEREOF IS AVAILABLE, IN RESPECT OF ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), COMPANY SHALL PAY, IN THE FIRST INSTANCE, THE ENTIRE AMOUNT OF ANY JUDGMENT OR SETTLEMENT OF SUCH ACTION, SUIT OR PROCEEDING WITHOUT REQUIRING INDEMNITEE TO CONTRIBUTE TO SUCH PAYMENT AND COMPANY HEREBY WAIVES AND RELINQUISHES ANY RIGHT OF CONTRIBUTION IT MAY HAVE AGAINST INDEMNITEE. COMPANY SHALL NOT ENTER INTO ANY SETTLEMENT OF ANY ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT or proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

**(b)** WITHOUT DIMINISHING OR IMPAIRING THE OBLIGATIONS OF THE COMPANY SET FORTH IN THE PRECEDING subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any

JUDGMENT OR SETTLEMENT IN ANY THREATENED, PENDING OR COMPLETE ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), COMPANY SHALL CONTRIBUTE TO THE AMOUNT OF EXPENSES (INCLUDING ATTORNEYS' FEES), JUDGMENTS, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED AND PAID OF PAYABLE BY INDEMNITEE IN PROPORTION TO THE RELATIVE BENEFITS RECEIVED BY THE COMPANY AND ALL OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, FROM THE TRANSACTION FROM WHICH SUCH ACTION, SUIT OR PROCEEDING AROSE; PROVIDED, HOWEVER, THAT THE PROPORTION DETERMINED ON THE BASIS OF RELATIVE BENEFIT MAY, TO THE EXTENT NECESSARY TO CONFORM TO LAW, BE FURTHER ADJUSTED BY REFERENCE TO THE RELATIVE FAULT OF COMPANY AND ALL OFFICERS, DIRECTOR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, IN CONNECTION WITH THE EVENTS THAT RESULTED IN SUCH EXPENSES, JUDGMENTS, FINES OR SETTLEMENT AMOUNTS, AS WELL AS ANY OTHER EQUITABLE CONSIDERATIONS WHICH THE LAW MAY REQUIRE TO BE CONSIDERED. THE RELATIVE FAULT OF COMPANY AND ALL OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, SHALL BE DETERMINED BY REFERENCE TO, AMONG OTHER THINGS, THE DEGREE TO WHICH THEIR ACTIONS WERE MOTIVATED BY INTENT TO GAIN PERSONAL PROFIT OR ADVANTAGE, THE DEGREE TO WHICH THEIR LIABILITY IS PRIMARY OR SECONDARY, AND THE DEGREE TO WHICH THEIR CONDUCT IS ACTIVE OR PASSIVE.

(c) COMPANY HEREBY AGREES TO FULLY INDEMNIFY AND HOLD INDEMNITEE HARMLESS FROM ANY CLAIMS OF CONTRIBUTION WHICH MAY BE BROUGHT BY OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO MAY BE jointly liable with Indemnitee.

4. **Indemnification for Expenses of a Witness.** Notwithstanding any other provision of this Agreement, to the extent that INDEMNITEE IS, BY REASON OF HIS CORPORATE STATUS, A WITNESS IN ANY PROCEEDING TO WHICH INDEMNITEE IS NOT A PARTY, HE shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. **Advancement of Expenses.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, THE COMPANY SHALL ADVANCE ALL REASONABLE EXPENSES INCURRED BY OR ON BEHALF OF INDEMNITEE IN CONNECTION WITH ANY PROCEEDING BY REASON OF INDEMNITEE'S CORPORATE STATUS WITHIN TEN DAYS AFTER THE RECEIPT BY THE COMPANY OF A STATEMENT OR STATEMENTS FROM INDEMNITEE REQUESTING SUCH ADVANCE OR ADVANCES FROM TIME TO TIME, WHETHER PRIOR TO OR AFTER FINAL DISPOSITION OF SUCH PROCEEDING. SUCH STATEMENT OR STATEMENTS SHALL REASONABLY EVIDENCE THE EXPENSES INCURRED BY INDEMNITEE AND SHALL INCLUDE OR BE PRECEDED OR ACCOMPANIED BY AN UNDERTAKING BY OR ON BEHALF OF INDEMNITEE TO REPAY ANY EXPENSES ADVANCED IF IT SHALL ULTIMATELY BE DETERMINED THAT INDEMNITEE IS NOT ENTITLED TO BE INDEMNIFIED AGAINST SUCH EXPENSES. ANY ADVANCES AND UNDERTAKINGS TO REPAY PURSUANT TO THIS SECTION 5 SHALL BE UNSECURED AND INTEREST FREE. NOTWITHSTANDING THE FOREGOING, THE OBLIGATION OF THE COMPANY TO ADVANCE EXPENSES PURSUANT TO THIS SECTION 5 SHALL BE SUBJECT TO THE CONDITION THAT, IF, WHEN AND TO THE EXTENT THAT THE COMPANY DETERMINES THAT INDEMNITEE WOULD NOT BE PERMITTED TO BE INDEMNIFIED UNDER APPLICABLE LAW, THE COMPANY SHALL BE ENTITLED TO BE REIMBURSED, WITHIN THIRTY (30) DAYS OF SUCH DETERMINATION, BY INDEMNITEE (WHO HEREBY AGREES TO REIMBURSE THE COMPANY) FOR ALL SUCH AMOUNTS THERETOFORE PAID; PROVIDED, HOWEVER, THAT IF INDEMNITEE HAS COMMENCED OR THEREAFTER COMMENCES LEGAL PROCEEDINGS IN A COURT OF COMPETENT JURISDICTION TO SECURE A DETERMINATION THAT INDEMNITEE SHOULD BE INDEMNIFIED UNDER APPLICABLE LAW, ANY DETERMINATION MADE BY THE COMPANY THAT INDEMNITEE WOULD NOT BE PERMITTED TO BE INDEMNIFIED UNDER APPLICABLE LAW SHALL NOT BE BINDING AND INDEMNITEE SHALL NOT BE REQUIRED TO REIMBURSE THE COMPANY FOR ANY ADVANCE OF EXPENSES until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed).

6. **Procedures and Presumptions for Determination of Entitlement to Indemnification.** IT IS THE INTENT OF this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may

BE PERMITTED UNDER THE LAW AND PUBLIC POLICY OF THE STATE OF NEVADA. ACCORDINGLY, THE PARTIES AGREE THAT THE FOLLOWING PROCEDURES AND PRESUMPTIONS SHALL APPLY IN THE EVENT OF ANY QUESTION AS TO WHETHER INDEMNITEE IS ENTITLED TO INDEMNIFICATION under this Agreement:

(a) TO OBTAIN INDEMNIFICATION (INCLUDING, BUT NOT LIMITED TO, THE ADVANCEMENT OF EXPENSES AND CONTRIBUTION BY THE COMPANY) UNDER THIS AGREEMENT, INDEMNITEE SHALL SUBMIT TO THE COMPANY A WRITTEN REQUEST, INCLUDING THEREIN OR THEREWITH SUCH DOCUMENTATION AND INFORMATION AS IS REASONABLY AVAILABLE TO INDEMNITEE AND IS REASONABLY NECESSARY TO DETERMINE WHETHER AND TO WHAT EXTENT INDEMNITEE IS ENTITLED TO INDEMNIFICATION. THE SECRETARY OF THE COMPANY SHALL PROMPTLY UPON RECEIPT OF SUCH A REQUEST FOR INDEMNIFICATION, ADVISE THE BOARD OF DIRECTORS IN WRITING THAT INDEMNITEE HAS requested indemnification.

(b) UPON WRITTEN REQUEST BY INDEMNITEE FOR INDEMNIFICATION PURSUANT TO THE FIRST SENTENCE OF SECTION 6(A) HEREOF, A DETERMINATION, IF REQUIRED BY APPLICABLE LAW, WITH RESPECT TO INDEMNITEE'S ENTITLEMENT THERETO SHALL BE MADE IN THE SPECIFIC CASE BY ONE OF THE FOLLOWING THREE METHODS, WHICH SHALL BE AT THE ELECTION OF INDEMNITEE: (1) BY A MAJORITY VOTE OF THE DISINTERESTED DIRECTORS, EVEN THOUGH LESS THAN A QUORUM, OR (2) BY INDEPENDENT COUNSEL IN A WRITTEN OPINION, OR (3) BY THE stockholders.

(c) IF THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION IS TO BE MADE BY INDEPENDENT COUNSEL PURSUANT TO SECTION 6(B) HEREOF, THE INDEPENDENT COUNSEL SHALL BE SELECTED AS PROVIDED IN THIS SECTION 6(C). THE INDEPENDENT COUNSEL SHALL BE SELECTED BY INDEMNITEE (UNLESS INDEMNITEE SHALL REQUEST THAT SUCH SELECTION BE MADE BY THE BOARD OF DIRECTORS). INDEMNITEE OR THE COMPANY, AS THE CASE MAY BE, MAY, WITHIN 10 DAYS AFTER SUCH WRITTEN NOTICE OF SELECTION SHALL HAVE BEEN GIVEN, DELIVER TO THE COMPANY OR TO INDEMNITEE, AS THE CASE MAY BE, A WRITTEN OBJECTION TO SUCH SELECTION *provided, however,* THAT SUCH OBJECTION MAY BE ASSERTED ONLY ON THE GROUND THAT THE INDEPENDENT COUNSEL SO SELECTED DOES NOT MEET THE REQUIREMENTS OF "INDEPENDENT COUNSEL" AS DEFINED IN SECTION 13 OF THIS AGREEMENT, AND THE OBJECTION SHALL SET FORTH WITH PARTICULARITY THE FACTUAL BASIS OF SUCH ASSERTION. ABSENT A PROPER AND TIMELY OBJECTION, THE PERSON SO SELECTED SHALL ACT AS INDEPENDENT COUNSEL. IF A WRITTEN OBJECTION IS MADE AND SUBSTANTIATED, THE INDEPENDENT COUNSEL SELECTED MAY NOT SERVE AS INDEPENDENT COUNSEL UNLESS AND UNTIL SUCH OBJECTION IS WITHDRAWN OR A COURT HAS DETERMINED THAT SUCH OBJECTION IS WITHOUT MERIT. IF, WITHIN 20 DAYS AFTER SUBMISSION BY INDEMNITEE OF A WRITTEN REQUEST FOR INDEMNIFICATION PURSUANT TO SECTION 6(A) HEREOF, NO INDEPENDENT COUNSEL SHALL HAVE BEEN SELECTED AND NOT OBJECTED TO, EITHER THE COMPANY OR INDEMNITEE MAY PETITION AN APPROPRIATE COURT OF COMPETENT JURISDICTION FOR RESOLUTION OF ANY OBJECTION WHICH SHALL HAVE BEEN MADE BY THE COMPANY OR INDEMNITEE TO THE OTHER'S SELECTION OF INDEPENDENT COUNSEL AND/OR FOR THE APPOINTMENT AS INDEPENDENT COUNSEL OF A PERSON SELECTED BY THE COURT OR BY SUCH OTHER PERSON AS THE COURT SHALL DESIGNATE, AND THE PERSON WITH RESPECT TO WHOM ALL OBJECTIONS SO RESOLVED OR THE PERSON SO APPOINTED SHALL ACT AS INDEPENDENT COUNSEL UNDER SECTION 6(B) HEREOF. THE COMPANY SHALL PAY ANY AND ALL REASONABLE FEES AND EXPENSES OF INDEPENDENT COUNSEL INCURRED BY SUCH INDEPENDENT COUNSEL IN CONNECTION WITH ACTING PURSUANT TO SECTION 6(B) HEREOF, AND THE COMPANY SHALL PAY ALL REASONABLE FEES AND EXPENSES INCIDENT TO THE PROCEDURES OF THIS SECTION 6(C), REGARDLESS OF THE MANNER IN WHICH SUCH INDEPENDENT COUNSEL WAS SELECTED OR APPOINTED.

(d) IN MAKING A DETERMINATION WITH RESPECT TO ENTITLEMENT TO INDEMNIFICATION HEREUNDER, THE PERSON OR PERSONS OR ENTITY MAKING SUCH DETERMINATION SHALL PRESUME THAT INDEMNITEE IS ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT IF INDEMNITEE HAS SUBMITTED A REQUEST FOR INDEMNIFICATION IN ACCORDANCE WITH SECTION 6(A) OF THIS AGREEMENT. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY CLEAR AND CONVINCING EVIDENCE.

(e) INDEMNITEE SHALL BE DEEMED TO HAVE ACTED IN GOOD FAITH IF INDEMNITEE'S ACTION IS BASED ON THE RECORDS OR BOOKS OF ACCOUNT OF THE ENTERPRISE, INCLUDING FINANCIAL STATEMENTS, OR ON INFORMATION SUPPLIED TO INDEMNITEE BY THE OFFICERS OF THE ENTERPRISE IN THE COURSE OF THEIR DUTIES, OR ON THE ADVICE OF LEGAL COUNSEL FOR THE ENTERPRISE OR ON INFORMATION records given or reports made to the Enterprise by an

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT OR BY AN APPRAISER OR OTHER EXPERT SELECTED WITH REASONABLE CARE BY THE ENTERPRISE. IN ADDITION, THE KNOWLEDGE AND/OR ACTIONS, OR FAILURE TO ACT, OF ANY DIRECTOR, OFFICER, AGENT OR EMPLOYEE OF THE ENTERPRISE SHALL BE IMPUTED TO INDEMNITEE FOR PURPOSES OF DETERMINING THE RIGHT TO INDEMNIFICATION UNDER THIS AGREEMENT. WHETHER OR NOT THE foregoing provisions OF THIS SECTION 6(E) ARE SATISFIED, IT SHALL IN ANY EVENT BE PRESUMED THAT INDEMNITEE HAS AT ALL TIMES ACTED IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE BEST INTERESTS OF THE COMPANY. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY CLEAR AND CONVINCING evidence.

**(f)** THE COMPANY ACKNOWLEDGES THAT A SETTLEMENT OR OTHER DISPOSITION SHORT OF FINAL JUDGMENT MAY BE SUCCESSFUL IF IT PERMITS A PARTY TO AVOID EXPENSE, DELAY, DISTRACTION, DISRUPTION AND UNCERTAINTY. IN THE EVENT THAT ANY ACTION OR PROCEEDING TO WHICH INDEMNITEE IS A PARTY IS RESOLVED IN ANY MANNER OTHER THAN BY ADVERSE JUDGMENT AGAINST INDEMNITEE (INCLUDING, WITHOUT LIMITATION, SETTLEMENT OF SUCH ACTION, CLAIM OR PROCEEDING WITH OR WITHOUT PAYMENT OF MONEY OR OTHER CONSIDERATION) IT SHALL BE PRESUMED THAT INDEMNITEE HAS BEEN SUCCESSFUL ON THE MERITS OR OTHERWISE IN SUCH ACTION, SUIT OR PROCEEDING. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY clear and convincing evidence.

**(g)** IF THE PERSON, PERSONS OR ENTITY EMPOWERED OR SELECTED UNDER SECTION 6 TO DETERMINE WHETHER INDEMNITEE IS ENTITLED TO INDEMNIFICATION SHALL NOT HAVE MADE A DETERMINATION WITHIN THIRTY (30) DAYS AFTER RECEIPT BY THE COMPANY OF THE REQUEST THEREFOR, THE REQUISITE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION SHALL BE DEEMED TO HAVE BEEN MADE AND INDEMNITEE SHALL BE ENTITLED TO SUCH INDEMNIFICATION, ABSENT (i) A MISSTATEMENT BY INDEMNITEE OF A MATERIAL FACT, OR AN OMISSION OF A MATERIAL FACT NECESSARY TO MAKE INDEMNITEE'S STATEMENT NOT MATERIALLY MISLEADING, IN CONNECTION WITH THE REQUEST FOR INDEMNIFICATION, OR (ii) A PROHIBITION OF SUCH INDEMNIFICATION UNDER APPLICABLE LAW; PROVIDED, HOWEVER, THAT SUCH 30 DAY PERIOD MAY BE EXTENDED FOR A REASONABLE TIME, NOT TO EXCEED AN ADDITIONAL FIFTEEN (15) DAYS, IF THE PERSON, PERSONS OR ENTITY MAKING THE DETERMINATION WITH RESPECT TO ENTITLEMENT TO INDEMNIFICATION IN GOOD FAITH REQUIRES SUCH ADDITIONAL TIME FOR THE OBTAINING OR EVALUATING DOCUMENTATION AND/OR INFORMATION RELATING THERETO; AND PROVIDED, FURTHER, THAT THE FOREGOING PROVISION OF THIS SECTION 6(G) SHALL NOT APPLY IF THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION IS TO BE MADE BY THE STOCKHOLDER PURSUANT TO SECTION 6(B) OF THIS AGREEMENT AND IF (A) WITHIN FIFTEEN (15) DAYS AFTER RECEIPT BY THE COMPANY OF THE REQUEST FOR SUCH DETERMINATION THE BOARD OF DIRECTORS OR THE DISINTERESTED DIRECTORS, IF APPROPRIATE, RESOLVE TO SUBMIT SUCH DETERMINATION TO THE STOCKHOLDERS FOR THEIR CONSIDERATION AT AN ANNUAL MEETING THEREOF TO BE HELD WITHIN SEVENTY FIVE (75) DAYS AFTER SUCH RECEIPT AND SUCH DETERMINATION IS MADE THEREAT, OR (B) A SPECIAL MEETING OF STOCKHOLDERS IS CALLED WITHIN FIFTEEN (15) DAYS AFTER SUCH RECEIPT FOR THE PURPOSE OF MAKING SUCH DETERMINATION, SUCH MEETING IS HELD FOR SUCH PURPOSE WITHIN SIXTY (60) DAYS AFTER HAVING been so called and such determination is made thereat.

**(h)** INDEMNITEE SHALL COOPERATE WITH THE PERSON, PERSONS OR ENTITY MAKING SUCH DETERMINATION WITH RESPECT TO INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION, INCLUDING PROVIDING TO SUCH PERSON, PERSONS OR ENTITY UPON REASONABLE ADVANCE REQUEST ANY DOCUMENTATION OR INFORMATION WHICH IS NOT PRIVILEGED OR OTHERWISE PROTECTED FROM DISCLOSURE AND WHICH IS REASONABLY AVAILABLE TO INDEMNITEE AND REASONABLY NECESSARY TO SUCH DETERMINATION. ANY INDEPENDENT COUNSEL, MEMBER OF THE BOARD OF DIRECTORS, OR STOCKHOLDER OF THE COMPANY SHALL ACT REASONABLY AND IN GOOD FAITH IN MAKING A DETERMINATION UNDER THIS AGREEMENT OF THE INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION. ANY COSTS OR EXPENSES (INCLUDING ATTORNEYS' FEES AND DISBURSEMENTS) INCURRED BY INDEMNITEE IN SO COOPERATING WITH THE PERSON, PERSONS OR ENTITY MAKING SUCH DETERMINATION SHALL BE BORNE BY THE COMPANY (IRRESPECTIVE OF THE DETERMINATION AS TO INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION) AND THE COMPANY hereby indemnifies and agrees to hold Indemnitee harmless therefrom.

**7. Remedies of Indemnitee.**



(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of the Company's incorporation, or in any other court of competent jurisdiction, of his entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as *de novo* trial, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination.

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

## **8. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.**

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Articles of Incorporation of the Company, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his corporate status prior to such amendment, alteration or repeal. To the extent that a change in the NRS, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or

NOW OR HEREAFTER EXISTING AT LAW OR IN EQUITY OR OTHERWISE. THE ASSERTION OR EMPLOYMENT OF ANY RIGHT OR REMEDY HEREUNDER, OR OTHERWISE, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) TO THE EXTENT THAT THE COMPANY MAINTAINS AN INSURANCE POLICY OR POLICIES PROVIDING LIABILITY INSURANCE FOR DIRECTORS, OFFICERS, EMPLOYEES, OR AGENTS OR FIDUCIARIES OF THE COMPANY OR OF ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE WHICH SUCH PERSON SERVES AT THE REQUEST OF THE COMPANY INDEMNITEE SHALL BE COVERED BY SUCH POLICY OR POLICIES IN ACCORDANCE WITH ITS OR THEIR TERMS TO THE MAXIMUM EXTENT OF THE COVERAGE AVAILABLE FOR ANY SUCH DIRECTOR, OFFICER, EMPLOYEE OR AGENT UNDER SUCH POLICY OR POLICIES.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of SUCH PAYMENT TO ALL OF THE RIGHTS OF RECOVERY OF INDEMNITEE, WHO SHALL EXECUTE ALL PAPERS REQUIRED AND TAKE ALL ACTION NECESSARY TO SECURE SUCH RIGHTS, INCLUDING EXECUTION OF SUCH DOCUMENTS AS ARE NECESSARY TO ENABLE THE COMPANY TO BRING SUIT TO ENFORCE SUCH RIGHTS.

(d) THE COMPANY SHALL NOT BE LIABLE UNDER THIS AGREEMENT TO MAKE ANY PAYMENT OF AMOUNTS OTHERWISE INDEMNIFIABLE HEREUNDER IF AND TO THE EXTENT THAT INDEMNITEE HAS OTHERWISE ACTUALLY RECEIVED SUCH PAYMENT UNDER ANY INSURANCE POLICY, CONTRACT, AGREEMENT OR OTHERWISE.

9. **Exception to Right of Indemnification.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, INDEMNITEE SHALL NOT BE ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT WITH RESPECT TO ANY PROCEEDING BROUGHT BY INDEMNITEE, OR ANY CLAIM THEREIN, UNLESS (A) THE BRINGING OF SUCH PROCEEDING OR MAKING OF SUCH CLAIM SHALL HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS OR (B) SUCH PROCEEDING IS BEING BROUGHT BY THE INDEMNITEE TO ASSERT HIS RIGHTS UNDER THIS AGREEMENT.

10. **Duration of Agreement.** ALL AGREEMENTS AND OBLIGATIONS OF THE COMPANY CONTAINED HEREIN SHALL CONTINUE DURING THE PERIOD INDEMNITEE IS AN OFFICER OR DIRECTOR OF THE COMPANY (OR IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ANOTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST OR OTHER ENTERPRISE) AND SHALL CONTINUE THEREAFTER SO LONG AS INDEMNITEE SHALL BE SUBJECT TO ANY PROCEEDING (OR ANY PROCEEDING COMMENCED UNDER SECTION 7 HEREOF) BY REASON OF HIS CORPORATE STATUS, WHETHER OR NOT HE IS ACTING OR SERVING IN ANY SUCH CAPACITY AT THE TIME ANY LIABILITY OR EXPENSE IS INCURRED FOR WHICH INDEMNIFICATION CAN BE PROVIDED UNDER THIS AGREEMENT. THIS AGREEMENT SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF AND BE ENFORCEABLE BY THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS (INCLUDING ANY DIRECT OR INDIRECT SUCCESSORS BY PURCHASE, MERGER, CONSOLIDATION OR OTHERWISE TO ALL OR SUBSTANTIALLY ALL OF THE BUSINESS OR ASSETS OF THE COMPANY), ASSIGNS, SPOUSES, HEIRS, EXECUTORS AND PERSONAL AND LEGAL REPRESENTATIVES. THIS AGREEMENT SHALL CONTINUE IN EFFECT REGARDLESS OF WHETHER THE INDEMNITEE CONTINUES TO SERVE AS AN OFFICER OR DIRECTOR OF THE COMPANY OR ANY OTHER ENTERPRISE AT THE COMPANY'S REQUEST.

11. **Security.** TO THE EXTENT REQUESTED BY THE INDEMNITEE AND APPROVED BY THE BOARD OF DIRECTORS, THE COMPANY MAY AT ANY TIME AND FROM TIME TO TIME PROVIDE SECURITY TO THE INDEMNITEE FOR THE COMPANY'S OBLIGATIONS HEREUNDER THROUGH AN IRREVOCABLE BANK LINE OF CREDIT, FUNDED TRUST OR OTHER COLLATERAL. ANY SUCH SECURITY, ONCE PROVIDED TO THE INDEMNITEE, MAY NOT BE REVOKED OR RELEASED WITHOUT THE PRIOR WRITTEN CONSENT OF THE INDEMNITEE.

12. **Enforcement.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the OBLIGATIONS IMPOSED ON IT HEREBY IN ORDER TO INDUCE INDEMNITEE TO SERVE AS AN OFFICER OR DIRECTOR OF THE COMPANY, AND THE COMPANY ACKNOWLEDGES THAT INDEMNITEE IS RELYING UPON THIS AGREEMENT IN SERVING AS AN OFFICER OR DIRECTOR OF THE COMPANY.

(b) THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDES ALL PRIOR AGREEMENTS AND UNDERSTANDINGS, ORAL, WRITTEN AND IMPLIED, BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF.

13. **Definitions.** For purposes of this Agreement:

(a) “*Corporate Status*” DESCRIBES THE STATUS OF A PERSON WHO IS OR WAS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OR FIDUCIARY OF THE COMPANY OR OF ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE WHICH SUCH PERSON IS OR WAS SERVING AT THE EXPRESS WRITTEN REQUEST OF THE COMPANY.

(b) “*Disinterested Director*” MEANS A DIRECTOR OF THE COMPANY WHO IS NOT AND WAS NOT A PARTY TO THE PROCEEDING IN RESPECT OF WHICH INDEMNIFICATION IS SOUGHT BY INDEMNITEE.

(c) “*Enterprise*” SHALL MEAN THE COMPANY AND ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE OF WHICH INDEMNITEE IS OR WAS SERVING AT THE EXPRESS WRITTEN REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE, AGENT OR FIDUCIARY.

(d) “*Expenses*” SHALL INCLUDE ALL REASONABLE ATTORNEYS’ FEES, RETAINERS, COURT COSTS, TRANSCRIPT COSTS, FEES OF EXPERTS, WITNESS FEES, TRAVEL EXPENSES, DUPLICATING COSTS, PRINTING AND BINDING COSTS, TELEPHONE CHARGES, POSTAGE, DELIVERY SERVICE FEES, AND ALL OTHER DISBURSEMENTS OR EXPENSES OF THE TYPES CUSTOMARILY INCURRED IN CONNECTION WITH PROSECUTING, DEFENDING, PREPARING TO PROSECUTE OR DEFEND, INVESTIGATING, PARTICIPATING, OR BEING OR PREPARING TO BE A WITNESS IN A PROCEEDING.

(e) “*Independent Counsel*” MEANS A LAW FIRM, OR A MEMBER OF A LAW FIRM, THAT IS EXPERIENCED IN MATTERS OF CORPORATION LAW AND NEITHER PRESENTLY IS, NOR IN THE PAST FIVE YEARS HAS BEEN, RETAINED TO REPRESENT: (i) THE COMPANY OR INDEMNITEE IN ANY MATTER MATERIAL TO EITHER SUCH PARTY (OTHER THAN WITH RESPECT TO MATTERS CONCERNING THE INDEMNITEE UNDER THIS AGREEMENT, OR OF OTHER INDEMNITEES UNDER SIMILAR INDEMNIFICATION AGREEMENTS), OR (ii) ANY OTHER PARTY TO THE PROCEEDING GIVING RISE TO A CLAIM FOR INDEMNIFICATION HEREUNDER. NOTWITHSTANDING THE FOREGOING, THE TERM “INDEPENDENT COUNSEL” SHALL NOT INCLUDE ANY PERSON WHO, UNDER THE APPLICABLE STANDARDS OF PROFESSIONAL CONDUCT THEN PREVAILING, WOULD HAVE A CONFLICT OF INTEREST REPRESENTING EITHER THE COMPANY OR INDEMNITEE IN AN ACTION TO DETERMINE INDEMNITEE’S RIGHTS UNDER THIS AGREEMENT. THE COMPANY AGREES TO PAY THE REASONABLE FEES OF THE INDEPENDENT COUNSEL REFERRED TO ABOVE AND TO FULLY INDEMNIFY SUCH COUNSEL AGAINST ANY AND ALL EXPENSES, CLAIMS, LIABILITIES AND DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ITS ENGAGEMENTS PURSUANT HERETO.

(f) “*Proceeding*” INCLUDES ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT, ARBITRATION, ALTERNATIVE DISPUTE RESOLUTION MECHANISM, INVESTIGATION, INQUIRY, ADMINISTRATIVE HEARING OR ANY OTHER ACTUAL, THREATENED OR COMPLETE PROCEEDING, WHETHER BROUGHT BY OR IN THE RIGHT OF THE COMPANY OR OTHERWISE AND WHETHER CIVIL, CRIMINAL, ADMINISTRATIVE OR INVESTIGATIVE, IN WHICH INDEMNITEE WAS, IS OR WILL BE INVOLVED AS A PARTY OR OTHERWISE, BY REASON OF THE FACT THAT INDEMNITEE IS OR WAS A DIRECTOR OF THE COMPANY, BY REASON OF ANY ACTION TAKEN BY HIM OR OF ANY INACTION ON HIS PART WHILE ACTING AS AN OFFICER OR DIRECTOR OF THE COMPANY, OR BY REASON OF THE FACT THAT HE IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ANOTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST OR OTHER ENTERPRISE; IN EACH CASE WHETHER OR NOT HE IS ACTING OR SERVING IN ANY SUCH CAPACITY AT THE TIME ANY LIABILITY OR EXPENSE IS INCURRED FOR WHICH INDEMNIFICATION CAN BE PROVIDED UNDER THIS AGREEMENT; INCLUDING ONE PENDING ON OR BEFORE THE DATE OF THIS AGREEMENT; AND EXCLUDING ONE INITIATED BY AN INDEMNITEE PURSUANT TO SECTION 7 OF THIS AGREEMENT TO ENFORCE HIS RIGHTS UNDER THIS AGREEMENT.

**14. Severability.** IF ANY PROVISION OR PROVISIONS OF THIS AGREEMENT SHALL BE HELD BY A COURT OF COMPETENT JURISDICTION TO BE INVALID, VOID, ILLEGAL OR OTHERWISE UNENFORCEABLE FOR ANY REASON WHATSOEVER: (A) THE VALIDITY, LEGALITY AND ENFORCEABILITY OF THE REMAINING PROVISIONS OF THIS AGREEMENT (INCLUDING WITHOUT LIMITATION, EACH PORTION OF ANY SECTION OF THIS AGREEMENT CONTAINING ANY SUCH PROVISION HELD TO BE INVALID, ILLEGAL OR UNENFORCEABLE, THAT IS NOT ITSELF INVALID, ILLEGAL OR UNENFORCEABLE) SHALL NOT IN ANY WAY BE AFFECTED OR IMPAIRED THEREBY AND SHALL REMAIN ENFORCEABLE TO THE FULLEST EXTENT PERMITTED BY LAW; AND (B) TO THE FULLEST EXTENT POSSIBLE, THE PROVISIONS OF THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH PORTION OF ANY SECTION OF THIS AGREEMENT CONTAINING ANY SUCH PROVISION HELD TO BE INVALID, ILLEGAL OR UNENFORCEABLE, THAT IS NOT ITSELF INVALID, ILLEGAL OR UNENFORCEABLE) SHALL BE CONSTRUED SO AS TO GIVE EFFECT TO THE INTENT MANIFESTED THEREBY.

**15. Modification and Waiver.** NO SUPPLEMENT, MODIFICATION, TERMINATION OR AMENDMENT OF THIS AGREEMENT SHALL BE BINDING UNLESS EXECUTED IN WRITING BY BOTH OF THE PARTIES HERETO. NO WAIVER OF ANY OF THE PROVISIONS OF THIS AGREEMENT SHALL BE DEEMED OR SHALL CONSTITUTE A WAIVER OF ANY OTHER PROVISIONS HEREOF (WHETHER OR NOT SIMILAR) NOR SHALL SUCH WAIVER CONSTITUTE A CONTINUING WAIVER.

**16. Notice by Indemnitee.** INDEMNITEE AGREES PROMPTLY TO NOTIFY THE COMPANY IN WRITING UPON BEING SERVED WITH ANY SUMMONS, CITATION, SUBPOENA, COMPLAINT, INDICTMENT, INFORMATION OR OTHER DOCUMENT RELATING TO ANY PROCEEDING OR MATTER WHICH MAY BE SUBJECT TO INDEMNIFICATION COVERED HEREUNDER. THE FAILURE TO SO NOTIFY THE COMPANY SHALL NOT RELIEVE THE COMPANY OF ANY OBLIGATION WHICH IT MAY HAVE TO THE INDEMNITEE UNDER THIS AGREEMENT OR OTHERWISE.

**17. Notices.** ALL NOTICES, REQUESTS, DEMANDS AND OTHER COMMUNICATIONS HEREUNDER SHALL BE IN WRITING AND SHALL BE DEEMED TO HAVE BEEN DULY GIVEN IF (I) DELIVERED BY HAND AND RECEIPTED FOR BY THE PARTY TO WHOM SAID NOTICE OR OTHER COMMUNICATION SHALL HAVE BEEN DIRECTED, OR (II) MAILED BY CERTIFIED OR REGISTERED MAIL WITH POSTAGE PREPAID, ON THE THIRD BUSINESS DAY AFTER THE DATE ON WHICH IT IS SO MAILED:

- (a) If to Indemnitee, to the address set forth below Indemnitee signature hereto.
- (b) If to the Company, to:

Galaxy Gaming, Inc.  
6767 Spencer Street  
Las Vegas, Nevada 89119  
Attention: Board of Directors

With a copy to:

Alexander N. Pearson, Esq.  
Kirton McConkie, PC  
60 E. South Temple, Suite 1800  
Salt Lake City, Utah 84111

OR TO SUCH OTHER ADDRESS AS MAY HAVE BEEN FURNISHED TO INDEMNITEE BY THE COMPANY OR TO THE COMPANY BY INDEMNITEE, AS THE CASE MAY BE.

**18. Identical Counterparts.** THIS AGREEMENT MAY BE EXECUTED IN ONE OR MORE COUNTERPARTS, EACH OF WHICH SHALL FOR ALL PURPOSES BE DEEMED TO BE AN ORIGINAL BUT ALL OF WHICH TOGETHER SHALL CONSTITUTE ONE AND THE SAME AGREEMENT. ON ONE SUCH COUNTERPART SIGNED BY THE PARTY AGAINST WHOM ENFORCEABILITY IS SOUGHT NEEDS TO BE PRODUCED TO EVIDENCE THE EXISTENCE OF THIS AGREEMENT.

**19. Headings.** THE HEADINGS OF THE PARAGRAPHS OF THIS AGREEMENT ARE INSERTED FOR CONVENIENCE ONLY AND SHALL NOT BE DEEMED TO CONSTITUTE PART OF THIS AGREEMENT OR TO AFFECT THE CONSTRUCTION THEREOF.

**20. Governing Law.** THE PARTIES AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA, WITHOUT APPLICATION OF THE CONFLICT OF LAWS PRINCIPLES THEREOF.

**21. Gender.** USE OF THE MASCULINE PRONOUN SHALL BE DEEMED TO INCLUDE USAGE OF THE FEMININE PRONOUN WHERE APPROPRIATE.

*[Signature page follows]*

**In Witness Whereof**, THE PARTIES HERETO HAVE EXECUTED THIS INDEMNIFICATION AGREEMENT ON AND AS OF THE DAY AND YEAR first above written.

**COMPANY:**

GALAXY GAMING, INC.  
a Nevada corporation

/s/ GARY A. VECCHIARELLI  
Signature

By Gary A. Vecchiarelli  
Its: Chief Financial Officer

**INDEMNITEE:**

/s/ WILLIAM ZENDER  
Signature

William Zender

Address:

6767 Spencer Street  
Las Vegas, NV 89119

## GALAXY GAMING, INC.

## INDEMNIFICATION AGREEMENT

**This Indemnification Agreement** (THE “*Agreement*”) IS MADE AND ENTERED AS OF THE 1<sup>st</sup> DAY OF MAY, 2016 BY AND BETWEEN GALAXY GAMING, INC., A NEVADA CORPORATION WITH ITS PRINCIPAL PLACE OF BUSINESS AT 6767 SPENCER STREET, LAS VEGAS, NEVADA 89119 (THE “*Company*”) AND Bryan Waters (“*Indemnitee*”).

WITNESSETH THAT:

**Whereas**, INDEMNITEE PERFORMS A VALUABLE SERVICE FOR THE COMPANY AS AN OFFICER AND/OR AS A MEMBER OF ITS BOARD OF Directors; and

**Whereas**, THE BOARD OF DIRECTORS OF THE COMPANY HAS ADOPTED BYLAWS (THE “*Bylaws*”) PROVIDING FOR THE indemnification of the directors of the Company as authorized by Chapter 78 of the Nevada Revised Statutes (the “*NRS*”); and

**Whereas**, THE BYLAWS AND THE NRS, BY THEIR NONEXCLUSIVE NATURE, PERMIT CONTRACTS BETWEEN THE COMPANY AND THE directors of the Company with respect to indemnification of such directors; and

**Whereas**, IN ACCORDANCE WITH THE AUTHORIZATION AS PROVIDED BY THE NRS, THE COMPANY MAY PURCHASE AND MAINTAIN A POLICY OR POLICIES OF DIRECTOR’S AND OFFICER’S LIABILITY INSURANCE (“*D & O Insurance*”), COVERING CERTAIN LIABILITIES WHICH MAY BE incurred by its officers or directors in the performance of their obligations to the Company; and

**Whereas**, THERE EXISTS GENERAL UNCERTAINTY AS TO THE EXTENT OF PROTECTION AFFORDED COMPANY OFFICERS AND DIRECTORS BY such D&O Insurance and said uncertainty also exists under statutory and bylaw indemnification provisions; and

**Whereas**, IN RECOGNITION OF PAST SERVICES AND IN ORDER TO INDUCE INDEMNITEE TO CONTINUE TO SERVE AS AN OFFICER AND/OR director of the Company, the Company has determined and agreed to enter into this contract with Indemnitee.

**Now, Therefore**, IN CONSIDERATION OF INDEMNITEE’S CONTINUED SERVICE AS AN OFFICER AND/OR DIRECTOR AFTER THE DATE HEREOF, the parties hereto agree as follows:

**1. Indemnity of Indemnitee.** THE COMPANY HEREBY AGREES TO HOLD HARMLESS AND INDEMNIFY INDEMNITEE TO THE FULLEST EXTENT AUTHORIZED OR PERMITTED BY THE PROVISIONS OF THE NRS, AS SUCH MAY BE AMENDED FROM TIME TO TIME, AND THE BYLAWS, as such may be amended. In furtherance of the foregoing indemnification, and without limiting the generality thereof:

**(a) Proceedings Other Than Proceedings by or in the Right of the Company.** INDEMNITEE SHALL BE ENTITLED TO THE RIGHTS OF INDEMNIFICATION PROVIDED IN THIS SECTION 1(A) IF, BY REASON OF HIS CORPORATE STATUS (AS HEREINAFTER DEFINED), HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING (AS HEREINAFTER DEFINED) OTHER THAN PROCEEDING BY OR IN THE RIGHT OF THE COMPANY. PURSUANT TO THIS SECTION 1(A), INDEMNITEE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES (AS HEREINAFTER DEFINED), JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company

and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful.

**(b) Proceedings by or in the Right of the Company** INDEMNITEE SHALL BE ENTITLED TO THE RIGHTS OF INDEMNIFICATION PROVIDED IN THIS SECTION 1(B) IF, BY REASON OF HIS CORPORATE STATUS, HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING BROUGHT BY OR IN THE RIGHT OF THE COMPANY TO PROCURE A JUDGMENT IN ITS FAVOR. PURSUANT TO THE SECTION 1(B), INDEMNITEE SHALL BE INDEMNIFIED AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION WITH SUCH PROCEEDING IF HE ACTED IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE best interests of the Company; *provided, however,* THAT, IF APPLICABLE LAW SO PROVIDES, NO INDEMNIFICATION AGAINST SUCH EXPENSES SHALL BE MADE IN RESPECT OF ANY CLAIM, ISSUE OR MATTER IN SUCH PROCEEDING AS TO WHICH INDEMNITEE SHALL HAVE BEEN ADJUDGED TO BE LIABLE TO THE COMPANY UNLESS AND TO THE EXTENT THAT A COURT OF COMPETENCY JURISDICTION SHALL DETERMINE THAT SUCH INDEMNIFICATION may be made.

**(c) Indemnification for Expenses of a Party Who is Wholly or Partly Successful** Notwithstanding ANY OTHER PROVISION OF THIS AGREEMENT, TO THE EXTENT THAT INDEMNITEE IS, BY REASON OF HIS CORPORATE STATUS, A PARTY TO AND SUCCESSFUL, ON THE MERITS OR OTHERWISE, IN ANY PROCEEDING, HE SHALL BE INDEMNIFIED TO THE MAXIMUM EXTENT PERMITTED BY LAW AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION THEREWITH. IF INDEMNITEE IS NOT WHOLLY SUCCESSFUL IN SUCH PROCEEDING BUT IS SUCCESSFUL, ON THE MERITS OR OTHERWISE, AS TO ONE OR MORE BUT LESS THAN ALL CLAIM ISSUES OR MATTERS IN SUCH PROCEEDING, THE COMPANY SHALL INDEMNIFY INDEMNITEE AGAINST ALL EXPENSES ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IN CONNECTION WITH EACH SUCCESSFULLY RESOLVED CLAIM, ISSUE OR MATTER. FOR PURPOSES OF THIS SECTION AND WITHOUT LIMITATION, THE TERMINATION OF ANY CLAIM, ISSUE OR MATTER IN SUCH A PROCEEDING BY DISMISSAL, WITH OR WITHOUT prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

**2. Additional Indemnity.** IN ADDITION TO, AND WITHOUT REGARD TO ANY LIMITATIONS ON, THE INDEMNIFICATION PROVIDED FOR IN SECTION 1, THE COMPANY SHALL AND HEREBY DOES INDEMNIFY AND HOLD HARMLESS INDEMNITEE AGAINST ALL EXPENSES, JUDGMENTS, PENALTIES, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED BY HIM OR ON HIS BEHALF IF, BY REASON OF HIS CORPORATE STATUS HE IS, OR IS THREATENED TO BE MADE, A PARTY TO OR PARTICIPANT IN ANY PROCEEDING (INCLUDING A PROCEEDING BY OR IN THE RIGHT OF THE COMPANY), INCLUDING, WITHOUT LIMITATION, ALL LIABILITY ARISING OUT OF THE NEGLIGENCE OR ACTIVE OR PASSIVE wrongdoing of Indemnitee. The only limitation that shall exist upon the Company's obligations pursuant to this Agreement shall BE THAT THE COMPANY SHALL NOT BE OBLIGATED TO MAKE ANY PAYMENT TO INDEMNITEE THAT IS FINALLY DETERMINED (UNDER THE PROCEDURES, and subject to the presumptions, set forth in this Agreement) to be unlawful under the NRS.

**3. Contribution in the Event of Joint Liability.**

**(a)** WHETHER OR NOT THE INDEMNIFICATION PROVIDED IN SECTIONS 1 AND 2 HEREOF IS AVAILABLE, IN RESPECT OF ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), COMPANY SHALL PAY, IN THE FIRST INSTANCE, THE ENTIRE AMOUNT OF ANY JUDGMENT OR SETTLEMENT OF SUCH ACTION, SUIT OR PROCEEDING WITHOUT REQUIRING INDEMNITEE TO CONTRIBUTE TO SUCH PAYMENT AND COMPANY HEREBY WAIVES AND RELINQUISHES ANY RIGHT OF CONTRIBUTION IT MAY HAVE AGAINST INDEMNITEE. COMPANY SHALL NOT ENTER INTO ANY SETTLEMENT OF ANY ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR proceeding) unless such settlement provides for a full and final release of all claims asserted against Indemnitee.

**(b)** WITHOUT DIMINISHING OR IMPAIRING THE OBLIGATIONS OF THE COMPANY SET FORTH IN THE PRECEDING subparagraph, if, for any reason, Indemnitee shall elect or be required to pay all or any portion of any



JUDGMENT OR SETTLEMENT IN ANY THREATENED, PENDING OR COMPLETE ACTION, SUIT OR PROCEEDING IN WHICH COMPANY IS JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), COMPANY SHALL CONTRIBUTE TO THE AMOUNT OF EXPENSES (INCLUDING ATTORNEYS' FEES), JUDGMENTS, FINES AND AMOUNTS PAID IN SETTLEMENT ACTUALLY AND REASONABLY INCURRED AND PAID OR PAYABLE BY INDEMNITEE IN PROPORTION TO THE RELATIVE BENEFITS RECEIVED BY THE COMPANY AND ALL OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, FROM THE TRANSACTION FROM WHICH SUCH ACTION, SUIT OR PROCEEDING AROSE; PROVIDED, HOWEVER, THAT THE PROPORTION DETERMINED ON THE BASIS OF RELATIVE BENEFIT MAY, TO THE EXTENT NECESSARY TO CONFORM TO LAW, BE FURTHER ADJUSTED BY REFERENCE TO THE RELATIVE FAULT OF COMPANY AND ALL OFFICERS, DIRECTOR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, IN CONNECTION WITH THE EVENTS THAT RESULTED IN SUCH EXPENSES, JUDGMENTS, FINES OR SETTLEMENT AMOUNTS, AS WELL AS ANY OTHER EQUITABLE CONSIDERATIONS WHICH THE LAW MAY REQUIRE TO BE CONSIDERED. THE RELATIVE FAULT OF COMPANY AND ALL OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO ARE JOINTLY LIABLE WITH INDEMNITEE (OR WOULD BE IF JOINED IN SUCH ACTION, SUIT OR PROCEEDING), ON THE ONE HAND, AND INDEMNITEE, ON THE OTHER HAND, SHALL BE DETERMINED BY REFERENCE TO, AMONG OTHER THINGS, THE DEGREE TO WHICH THEIR ACTIONS WERE MOTIVATED BY INTENT TO GAIN PERSONAL PROFIT OR ADVANTAGE, THE DEGREE TO WHICH THEIR LIABILITY IS PRIMARY OR SECONDARY, AND THE degree to which their conduct is active or passive.

(c) COMPANY HEREBY AGREES TO FULLY INDEMNIFY AND HOLD INDEMNITEE HARMLESS FROM ANY CLAIMS OF CONTRIBUTION WHICH MAY BE BROUGHT BY OFFICERS, DIRECTORS OR EMPLOYEES OF THE COMPANY OTHER THAN INDEMNITEE WHO MAY BE jointly liable with Indemnitee.

4. **Indemnification for Expenses of a Witness.** Notwithstanding any other provision of this Agreement, to the extent that INDEMNITEE IS, BY REASON OF HIS CORPORATE STATUS, A WITNESS IN ANY PROCEEDING TO WHICH INDEMNITEE IS NOT A PARTY, HE shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

5. **Advancement of Expenses.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, THE COMPANY SHALL ADVANCE ALL REASONABLE EXPENSES INCURRED BY OR ON BEHALF OF INDEMNITEE IN CONNECTION WITH ANY PROCEEDING BY REASON OF INDEMNITEE'S CORPORATE STATUS WITHIN TEN DAYS AFTER THE RECEIPT BY THE COMPANY OF A STATEMENT OR STATEMENTS FROM INDEMNITEE REQUESTING SUCH ADVANCE OR ADVANCES FROM TIME TO TIME, WHETHER PRIOR TO OR AFTER FINAL DISPOSITION OF SUCH PROCEEDING. SUCH STATEMENT OR STATEMENTS SHALL REASONABLY EVIDENCE THE EXPENSES INCURRED BY INDEMNITEE AND SHALL INCLUDE OR BE PRECEDED OR ACCOMPANIED BY AN UNDERTAKING BY OR ON BEHALF OF INDEMNITEE TO REPAY ANY EXPENSES ADVANCED IF IT SHALL ULTIMATELY BE DETERMINED THAT INDEMNITEE IS NOT ENTITLED TO BE INDEMNIFIED AGAINST SUCH EXPENSES. ANY ADVANCES AND UNDERTAKINGS TO REPAY PURSUANT TO THIS SECTION 5 SHALL BE UNSECURED AND INTEREST FREE. NOTWITHSTANDING THE FOREGOING, THE OBLIGATION OF THE COMPANY TO ADVANCE EXPENSES PURSUANT TO THIS SECTION 5 SHALL BE SUBJECT TO THE CONDITION THAT, IF, WHEN AND TO THE EXTENT THAT THE COMPANY DETERMINES THAT INDEMNITEE WOULD NOT BE PERMITTED TO BE INDEMNIFIED UNDER APPLICABLE LAW, THE COMPANY SHALL BE ENTITLED TO BE REIMBURSED, WITHIN THIRTY (30) DAYS OF SUCH DETERMINATION, BY INDEMNITEE (WHO HEREBY AGREES TO REIMBURSE THE COMPANY) FOR ALL SUCH AMOUNTS THERETOFORE PAID; PROVIDED, HOWEVER, THAT IF INDEMNITEE HAS COMMENCED OR THEREAFTER COMMENCES LEGAL PROCEEDINGS IN A COURT OF COMPETENT JURISDICTION TO SECURE A DETERMINATION THAT INDEMNITEE SHOULD BE INDEMNIFIED UNDER APPLICABLE LAW, ANY DETERMINATION MADE BY THE COMPANY THAT INDEMNITEE WOULD NOT BE PERMITTED TO BE INDEMNIFIED UNDER APPLICABLE LAW SHALL NOT BE BINDING AND INDEMNITEE SHALL NOT BE REQUIRED TO REIMBURSE THE COMPANY FOR ANY ADVANCE OF EXPENSES until a final judicial determination is made with respect thereto (as to which all rights of appeal therefrom have been exhausted or lapsed).

6. **Procedures and Presumptions for Determination of Entitlement to Indemnification.** IT IS THE INTENT OF this Agreement to secure for Indemnitee rights of indemnity that are as favorable as may

BE PERMITTED UNDER THE LAW AND PUBLIC POLICY OF THE STATE OF NEVADA. ACCORDINGLY, THE PARTIES AGREE THAT THE FOLLOWING PROCEDURES AND PRESUMPTIONS SHALL APPLY IN THE EVENT OF ANY QUESTION AS TO WHETHER INDEMNITEE IS ENTITLED TO INDEMNIFICATION under this Agreement:

(a) TO OBTAIN INDEMNIFICATION (INCLUDING, BUT NOT LIMITED TO, THE ADVANCEMENT OF EXPENSES AND CONTRIBUTION BY THE COMPANY) UNDER THIS AGREEMENT, INDEMNITEE SHALL SUBMIT TO THE COMPANY A WRITTEN REQUEST, INCLUDING THEREIN OR THEREWITH SUCH DOCUMENTATION AND INFORMATION AS IS REASONABLY AVAILABLE TO INDEMNITEE AND IS REASONABLY NECESSARY TO DETERMINE WHETHER AND TO WHAT EXTENT INDEMNITEE IS ENTITLED TO INDEMNIFICATION. THE SECRETARY OF THE COMPANY SHALL PROMPTLY UPON RECEIPT OF SUCH A REQUEST FOR INDEMNIFICATION, ADVISE THE BOARD OF DIRECTORS IN WRITING THAT INDEMNITEE HAS requested indemnification.

(b) UPON WRITTEN REQUEST BY INDEMNITEE FOR INDEMNIFICATION PURSUANT TO THE FIRST SENTENCE OF SECTION 6(A) HEREOF, A DETERMINATION, IF REQUIRED BY APPLICABLE LAW, WITH RESPECT TO INDEMNITEE'S ENTITLEMENT THERETO SHALL BE MADE IN THE SPECIFIC CASE BY ONE OF THE FOLLOWING THREE METHODS, WHICH SHALL BE AT THE ELECTION OF INDEMNITEE: (1) BY A MAJORITY VOTE OF THE DISINTERESTED DIRECTORS, EVEN THOUGH LESS THAN A QUORUM, OR (2) BY INDEPENDENT COUNSEL IN A WRITTEN OPINION, OR (3) BY THE stockholders.

(c) IF THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION IS TO BE MADE BY INDEPENDENT COUNSEL PURSUANT TO SECTION 6(B) HEREOF, THE INDEPENDENT COUNSEL SHALL BE SELECTED AS PROVIDED IN THIS SECTION 6(C). THE INDEPENDENT COUNSEL SHALL BE SELECTED BY INDEMNITEE (UNLESS INDEMNITEE SHALL REQUEST THAT SUCH SELECTION BE MADE BY THE BOARD OF DIRECTORS). INDEMNITEE OR THE COMPANY, AS THE CASE MAY BE, MAY, WITHIN 10 DAYS AFTER SUCH WRITTEN NOTICE OF SELECTION SHALL HAVE BEEN GIVEN, DELIVER TO THE COMPANY OR TO INDEMNITEE, AS THE CASE MAY BE, A WRITTEN OBJECTION TO SUCH SELECTION *provided, however,* THAT SUCH OBJECTION MAY BE ASSERTED ONLY ON THE GROUND THAT THE INDEPENDENT COUNSEL SO SELECTED DOES NOT MEET THE REQUIREMENTS OF "INDEPENDENT COUNSEL" AS DEFINED IN SECTION 13 OF THIS AGREEMENT, AND THE OBJECTION SHALL SET FORTH WITH PARTICULARITY THE FACTUAL BASIS OF SUCH ASSERTION. ABSENT A PROPER AND TIMELY OBJECTION, THE PERSON SO SELECTED SHALL ACT AS INDEPENDENT COUNSEL. IF A WRITTEN OBJECTION IS MADE AND SUBSTANTIATED, THE INDEPENDENT COUNSEL SELECTED MAY NOT SERVE AS INDEPENDENT COUNSEL UNLESS AND UNTIL SUCH OBJECTION IS WITHDRAWN OR A COURT HAS DETERMINED THAT SUCH OBJECTION IS WITHOUT MERIT. IF, WITHIN 20 DAYS AFTER SUBMISSION BY INDEMNITEE OF A WRITTEN REQUEST FOR INDEMNIFICATION PURSUANT TO SECTION 6(A) HEREOF, NO INDEPENDENT COUNSEL SHALL HAVE BEEN SELECTED AND NOT OBJECTED TO, EITHER THE COMPANY OR INDEMNITEE MAY PETITION AN APPROPRIATE COURT OF COMPETENT JURISDICTION FOR RESOLUTION OF ANY OBJECTION WHICH SHALL HAVE BEEN MADE BY THE COMPANY OR INDEMNITEE TO THE OTHER'S SELECTION OF INDEPENDENT COUNSEL AND/OR FOR THE APPOINTMENT AS INDEPENDENT COUNSEL OF A PERSON SELECTED BY THE COURT OR BY SUCH OTHER PERSON AS THE COURT SHALL DESIGNATE, AND THE PERSON WITH RESPECT TO WHOM ALL OBJECTIONS SO RESOLVED OR THE PERSON SO APPOINTED SHALL ACT AS INDEPENDENT COUNSEL UNDER SECTION 6(B) HEREOF. THE COMPANY SHALL PAY ANY AND ALL REASONABLE FEES AND EXPENSES OF INDEPENDENT COUNSEL INCURRED BY SUCH INDEPENDENT COUNSEL IN CONNECTION WITH ACTING PURSUANT TO SECTION 6(B) HEREOF, AND THE COMPANY SHALL PAY ALL REASONABLE FEES AND EXPENSES INCIDENT TO THE PROCEDURES OF THIS SECTION 6(c), regardless of the manner in which such Independent Counsel was selected or appointed.

(d) IN MAKING A DETERMINATION WITH RESPECT TO ENTITLEMENT TO INDEMNIFICATION HEREUNDER, THE PERSON OR PERSONS OR ENTITY MAKING SUCH DETERMINATION SHALL PRESUME THAT INDEMNITEE IS ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT IF INDEMNITEE HAS SUBMITTED A REQUEST FOR INDEMNIFICATION IN ACCORDANCE WITH SECTION 6(A) OF THIS AGREEMENT. ANYONE SEEKING to overcome this presumption shall have the burden of proof and the burden of persuasion, by clear and convincing evidence.

(e) INDEMNITEE SHALL BE DEEMED TO HAVE ACTED IN GOOD FAITH IF INDEMNITEE'S ACTION IS BASED ON THE RECORDS OR BOOKS OF ACCOUNT OF THE ENTERPRISE, INCLUDING FINANCIAL STATEMENTS, OR ON INFORMATION SUPPLIED TO INDEMNITEE BY THE OFFICERS OF THE ENTERPRISE IN THE COURSE OF THEIR DUTIES, OR ON THE ADVICE OF LEGAL COUNSEL FOR THE ENTERPRISE OR ON INFORMATION records given or reports made to the Enterprise by an

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT OR BY AN APPRAISER OR OTHER EXPERT SELECTED WITH REASONABLE CARE BY THE ENTERPRISE. ADDITION, THE KNOWLEDGE AND/OR ACTIONS, OR FAILURE TO ACT, OF ANY DIRECTOR, OFFICER, AGENT OR EMPLOYEE OF THE ENTERPRISE SHALL BE IMPUTED TO INDEMNITEE FOR PURPOSES OF DETERMINING THE RIGHT TO INDEMNIFICATION UNDER THIS AGREEMENT. WHETHER OR NOT THE foregoing provisions of THIS SECTION 6(E) ARE SATISFIED, IT SHALL IN ANY EVENT BE PRESUMED THAT INDEMNITEE HAS AT ALL TIMES ACTED IN GOOD FAITH AND IN A MANNER HE REASONABLY BELIEVED TO BE IN OR NOT OPPOSED TO THE BEST INTERESTS OF THE COMPANY. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY CLEAR AND CONVINCING evidence.

**(f)** THE COMPANY ACKNOWLEDGES THAT A SETTLEMENT OR OTHER DISPOSITION SHORT OF FINAL JUDGMENT MAY BE SUCCESSFUL IF IT PERMITS A PARTY TO AVOID EXPENSE, DELAY, DISTRACTION, DISRUPTION AND UNCERTAINTY. IN THE EVENT THAT ANY ACTION CLAIM OR PROCEEDING TO WHICH INDEMNITEE IS A PARTY IS RESOLVED IN ANY MANNER OTHER THAN BY ADVERSE JUDGMENT AGAINST INDEMNITEE (INCLUDING, WITHOUT LIMITATION, SETTLEMENT OF SUCH ACTION, CLAIM OR PROCEEDING WITH OR WITHOUT PAYMENT OF MONEY OR OTHER CONSIDERATION) IT SHALL BE PRESUMED THAT INDEMNITEE HAS BEEN SUCCESSFUL ON THE MERITS OR OTHERWISE IN SUCH ACTION, SUIT OR PROCEEDING. ANYONE SEEKING TO OVERCOME THIS PRESUMPTION SHALL HAVE THE BURDEN OF PROOF AND THE BURDEN OF PERSUASION, BY clear and convincing evidence.

**(g)** IF THE PERSON, PERSONS OR ENTITY EMPOWERED OR SELECTED UNDER SECTION 6 TO DETERMINE WHETHER INDEMNITEE IS ENTITLED TO INDEMNIFICATION SHALL NOT HAVE MADE A DETERMINATION WITHIN THIRTY (30) DAYS AFTER RECEIPT BY THE COMPANY OF THE REQUEST THEREFOR, THE REQUISITE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION SHALL BE DEEMED TO HAVE BEEN MADE AND INDEMNITEE SHALL BE ENTITLED TO SUCH INDEMNIFICATION, ABSENT (i) A MISSTATEMENT BY INDEMNITEE OF A MATERIAL FACT, OR AN OMISSION OF A MATERIAL FACT NECESSARY TO MAKE INDEMNITEE'S STATEMENT NOT MATERIALLY MISLEADING, IN CONNECTION WITH THE REQUEST FOR INDEMNIFICATION, OR (ii) A PROHIBITION OF SUCH INDEMNIFICATION UNDER APPLICABLE LAW; PROVIDED, HOWEVER, THAT SUCH 30 DAY PERIOD MAY BE EXTENDED FOR A REASONABLE TIME, NOT TO EXCEED AN ADDITIONAL FIFTEEN (15) DAYS, IF THE PERSON, PERSONS OR ENTITY MAKING THE DETERMINATION WITH RESPECT TO ENTITLEMENT TO INDEMNIFICATION IN GOOD FAITH REQUIRES SUCH ADDITIONAL TIME FOR THE OBTAINING OR EVALUATING DOCUMENTATION AND/OR INFORMATION RELATING THERETO; AND PROVIDED, FURTHER, THAT THE FOREGOING PROVISION OF THIS SECTION 6(G) SHALL NOT APPLY IF THE DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION IS TO BE MADE BY THE STOCKHOLDER PURSUANT TO SECTION 6(B) OF THIS AGREEMENT AND IF (A) WITHIN FIFTEEN (15) DAYS AFTER RECEIPT BY THE COMPANY OF THE REQUEST FOR SUCH DETERMINATION THE BOARD OF DIRECTORS OR THE DISINTERESTED DIRECTORS, IF APPROPRIATE, RESOLVE TO SUBMIT SUCH DETERMINATION TO THE STOCKHOLDERS FOR THEIR CONSIDERATION AT AN ANNUAL MEETING THEREOF TO BE HELD WITHIN SEVENTY FIVE (75) DAYS AFTER SUCH RECEIPT AND SUCH DETERMINATION IS MADE THEREAT, OR (B) A SPECIAL MEETING OF STOCKHOLDERS IS CALLED WITHIN FIFTEEN (15) DAYS AFTER SUCH RECEIPT FOR THE PURPOSE OF MAKING SUCH DETERMINATION, SUCH MEETING IS HELD FOR SUCH PURPOSE WITHIN SIXTY (60) DAYS AFTER HAVING been so called and such determination is made thereat.

**(h)** INDEMNITEE SHALL COOPERATE WITH THE PERSON, PERSONS OR ENTITY MAKING SUCH DETERMINATION WITH RESPECT TO INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION, INCLUDING PROVIDING TO SUCH PERSON, PERSONS OR ENTITY UPON REASONABLE ADVANCE REQUEST ANY DOCUMENTATION OR INFORMATION WHICH IS NOT PRIVILEGED OR OTHERWISE PROTECTED FROM DISCLOSURE AND WHICH IS REASONABLY AVAILABLE TO INDEMNITEE AND REASONABLY NECESSARY TO SUCH DETERMINATION. ANY INDEPENDENT COUNSEL, MEMBER OF THE BOARD OF DIRECTORS, OR STOCKHOLDER OF THE COMPANY SHALL ACT REASONABLY AND IN GOOD FAITH IN MAKING A DETERMINATION UNDER THIS AGREEMENT OF THE INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION. ANY COSTS OR EXPENSES (INCLUDING ATTORNEYS' FEES AND DISBURSEMENTS) INCURRED BY INDEMNITEE IN SO COOPERATING WITH THE PERSON, PERSONS OR ENTITY MAKING SUCH DETERMINATION SHALL BE BORNE BY THE COMPANY (IRRESPECTIVE OF THE DETERMINATION AS TO INDEMNITEE'S ENTITLEMENT TO INDEMNIFICATION) AND THE COMPANY hereby indemnifies and agrees to hold Indemnatee harmless therefrom.

## **7. Remedies of Indemnatee.**

(a) In the event that (i) a determination is made pursuant to Section 6 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of expenses is not timely made pursuant to Section 5 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 6(b) of this Agreement within 90 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to this Agreement within ten (10) days after receipt by the Company of a written request therefor, or (v) payment of indemnification is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification or such determination is deemed to have been made pursuant to Section 6 of this Agreement, Indemnitee shall be entitled to an adjudication in an appropriate court of the State of the Company's incorporation, or in any other court of competent jurisdiction, of his entitlement to such indemnification. Indemnitee shall commence such proceeding seeking an adjudication within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 7(a). The Company shall not oppose Indemnitee's right to seek any such adjudication.

(b) In the event that a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 7 shall be conducted in all respects as *de novo* trial, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination.

(c) If a determination shall have been made pursuant to Section 6(b) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 7, absent a prohibition of such indemnification under applicable law.

(d) In the event that Indemnitee, pursuant to this Section 7, seeks a judicial adjudication of his rights under, or to recover damages for breach of, this Agreement, or to recover under any directors' and officers' liability insurance policies maintained by the Company, the Company shall pay on his behalf, in advance, any and all expenses (of the types described in the definition of expenses in Section 13 of this Agreement) actually and reasonably incurred by him in such judicial adjudication, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, advancement of expenses or insurance recovery.

(e) The Company shall be precluded from asserting in any judicial proceeding commenced pursuant to this Section 7 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

## **8. Non-Exclusivity; Survival of Rights; Insurance; Subrogation.**

(a) The rights of indemnification as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Articles of Incorporation of the Company, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his corporate status prior to such amendment, alteration or repeal. To the extent that a change in the NRS, whether by statute or judicial decision, permits greater indemnification than would be afforded currently under the Bylaws and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or

NOW OR HEREAFTER EXISTING AT LAW OR IN EQUITY OR OTHERWISE. THE ASSERTION OR EMPLOYMENT OF ANY RIGHT OR REMEDY HEREUNDER, OR OTHERWISE, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) TO THE EXTENT THAT THE COMPANY MAINTAINS AN INSURANCE POLICY OR POLICIES PROVIDING LIABILITY INSURANCE FOR DIRECTORS, OFFICERS, EMPLOYEES, OR AGENTS OR FIDUCIARIES OF THE COMPANY OR OF ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE WHICH SUCH PERSON SERVES AT THE REQUEST OF THE COMPANY INDEMNITEE SHALL BE COVERED BY SUCH POLICY OR POLICIES IN ACCORDANCE WITH ITS OR THEIR TERMS TO THE MAXIMUM EXTENT OF THE COVERAGE AVAILABLE FOR ANY SUCH DIRECTOR, OFFICER, EMPLOYEE OR AGENT UNDER SUCH POLICY OR POLICIES.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of SUCH PAYMENT TO ALL OF THE RIGHTS OF RECOVERY OF INDEMNITEE, WHO SHALL EXECUTE ALL PAPERS REQUIRED AND TAKE ALL ACTION NECESSARY TO SECURE SUCH RIGHTS, INCLUDING EXECUTION OF SUCH DOCUMENTS AS ARE NECESSARY TO ENABLE THE COMPANY TO BRING SUIT TO ENFORCE SUCH RIGHTS.

(d) THE COMPANY SHALL NOT BE LIABLE UNDER THIS AGREEMENT TO MAKE ANY PAYMENT OF AMOUNTS OTHERWISE INDEMNIFIABLE HEREUNDER IF AND TO THE EXTENT THAT INDEMNITEE HAS OTHERWISE ACTUALLY RECEIVED SUCH PAYMENT UNDER ANY INSURANCE POLICY, CONTRACT, AGREEMENT OR OTHERWISE.

9. **Exception to Right of Indemnification.** NOTWITHSTANDING ANY OTHER PROVISION OF THIS AGREEMENT, INDEMNITEE SHALL NOT BE ENTITLED TO INDEMNIFICATION UNDER THIS AGREEMENT WITH RESPECT TO ANY PROCEEDING BROUGHT BY INDEMNITEE, OR ANY CLAIM THEREIN, UNLESS (A) THE BRINGING OF SUCH PROCEEDING OR MAKING OF SUCH CLAIM SHALL HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS OR (B) SUCH PROCEEDING IS BEING BROUGHT BY THE INDEMNITEE TO ASSERT HIS RIGHTS UNDER THIS AGREEMENT.

10. **Duration of Agreement.** ALL AGREEMENTS AND OBLIGATIONS OF THE COMPANY CONTAINED HEREIN SHALL CONTINUE DURING THE PERIOD INDEMNITEE IS AN OFFICER OR DIRECTOR OF THE COMPANY (OR IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ANOTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST OR OTHER ENTERPRISE) AND SHALL CONTINUE THEREAFTER SO LONG AS INDEMNITEE SHALL BE SUBJECT TO ANY PROCEEDING (OR ANY PROCEEDING COMMENCED UNDER SECTION 7 HEREOF) BY REASON OF HIS CORPORATE STATUS, WHETHER OR NOT HE IS ACTING OR SERVING IN ANY SUCH CAPACITY AT THE TIME ANY LIABILITY OR EXPENSE IS INCURRED FOR WHICH INDEMNIFICATION CAN BE PROVIDED UNDER THIS AGREEMENT. THIS AGREEMENT SHALL BE BINDING UPON AND INURE TO THE BENEFIT OF AND BE ENFORCEABLE BY THE PARTIES HERETO AND THEIR RESPECTIVE SUCCESSORS (INCLUDING ANY DIRECT OR INDIRECT SUCCESSORS BY PURCHASE, MERGER, CONSOLIDATION OR OTHERWISE TO ALL OR SUBSTANTIALLY ALL OF THE BUSINESS OR ASSETS OF THE COMPANY), ASSIGNEES, SPOUSES, HEIRS, EXECUTORS AND PERSONAL AND LEGAL REPRESENTATIVES. THIS AGREEMENT SHALL CONTINUE IN EFFECT REGARDLESS OF WHETHER THE INDEMNITEE CONTINUES TO SERVE AS AN OFFICER OR DIRECTOR OF THE COMPANY OR ANY OTHER ENTERPRISE AT THE COMPANY'S REQUEST.

11. **Security.** TO THE EXTENT REQUESTED BY THE INDEMNITEE AND APPROVED BY THE BOARD OF DIRECTORS, THE COMPANY MAY AT ANY TIME AND FROM TIME TO TIME PROVIDE SECURITY TO THE INDEMNITEE FOR THE COMPANY'S OBLIGATIONS HEREUNDER THROUGH AN IRREVOCABLE BANK LINE OF CREDIT, FUNDED TRUST OR OTHER COLLATERAL. ANY SUCH SECURITY, ONCE PROVIDED TO THE INDEMNITEE, MAY NOT BE REVOKED OR RELEASED WITHOUT THE PRIOR WRITTEN CONSENT OF THE INDEMNITEE.

12. **Enforcement.**

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the OBLIGATIONS IMPOSED ON IT HEREBY IN ORDER TO INDUCE INDEMNITEE TO SERVE AS AN OFFICER OR DIRECTOR OF THE COMPANY, AND THE COMPANY ACKNOWLEDGES THAT INDEMNITEE IS RELYING UPON THIS AGREEMENT IN SERVING AS AN OFFICER OR DIRECTOR OF THE COMPANY.

(b) THIS AGREEMENT CONSTITUTES THE ENTIRE AGREEMENT BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF AND SUPERSEDES ALL PRIOR AGREEMENTS AND UNDERSTANDINGS, ORAL, WRITTEN AND IMPLIED, BETWEEN THE PARTIES HERETO WITH RESPECT TO THE SUBJECT MATTER HEREOF.

13. **Definitions.** For purposes of this Agreement:

(a) “*Corporate Status*” DESCRIBES THE STATUS OF A PERSON WHO IS OR WAS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OR FIDUCIARY OF THE COMPANY OR OF ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE WHICH SUCH PERSON IS OR WAS SERVING AT THE EXPRESS WRITTEN REQUEST OF THE COMPANY.

(b) “*Disinterested Director*” MEANS A DIRECTOR OF THE COMPANY WHO IS NOT AND WAS NOT A PARTY TO THE PROCEEDING IN RESPECT OF WHICH INDEMNIFICATION IS SOUGHT BY INDEMNITEE.

(c) “*Enterprise*” SHALL MEAN THE COMPANY AND ANY OTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST, EMPLOYEE BENEFIT PLAN OR OTHER ENTERPRISE OF WHICH INDEMNITEE IS OR WAS SERVING AT THE EXPRESS WRITTEN REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE, AGENT OR FIDUCIARY.

(d) “*Expenses*” SHALL INCLUDE ALL REASONABLE ATTORNEYS’ FEES, RETAINERS, COURT COSTS, TRANSCRIPT COSTS, FEES OF EXPERTS, WITNESS FEES, TRAVEL EXPENSES, DUPLICATING COSTS, PRINTING AND BINDING COSTS, TELEPHONE CHARGES, POSTAGE, DELIVERY SERVICE FEES, AND ALL OTHER DISBURSEMENTS OR EXPENSES OF THE TYPES CUSTOMARILY INCURRED IN CONNECTION WITH PROSECUTING, DEFENDING, PREPARING TO PROSECUTE OR DEFEND, INVESTIGATING, PARTICIPATING, OR BEING OR PREPARING TO BE A WITNESS IN A PROCEEDING.

(e) “*Independent Counsel*” MEANS A LAW FIRM, OR A MEMBER OF A LAW FIRM, THAT IS EXPERIENCED IN MATTERS OF CORPORATION LAW AND NEITHER PRESENTLY IS, NOR IN THE PAST FIVE YEARS HAS BEEN, RETAINED TO REPRESENT: (i) THE COMPANY OR INDEMNITEE IN ANY MATTER MATERIAL TO EITHER SUCH PARTY (OTHER THAN WITH RESPECT TO MATTERS CONCERNING THE INDEMNITEE UNDER THIS AGREEMENT, OR OF OTHER INDEMNITEES UNDER SIMILAR INDEMNIFICATION AGREEMENTS), OR (ii) ANY OTHER PARTY TO THE PROCEEDING GIVING RISE TO A CLAIM FOR INDEMNIFICATION HEREUNDER. NOTWITHSTANDING THE FOREGOING, THE TERM “INDEPENDENT COUNSEL” SHALL NOT INCLUDE ANY PERSON WHO, UNDER THE APPLICABLE STANDARDS OF PROFESSIONAL CONDUCT THEN PREVAILING, WOULD HAVE A CONFLICT OF INTEREST REPRESENTING EITHER THE COMPANY OR INDEMNITEE IN AN ACTION TO DETERMINE INDEMNITEE’S RIGHTS UNDER THIS AGREEMENT. THE COMPANY AGREES TO PAY THE REASONABLE FEES OF THE INDEPENDENT COUNSEL REFERRED TO ABOVE AND TO FULLY INDEMNIFY SUCH COUNSEL AGAINST ANY AND ALL EXPENSES, CLAIMS, LIABILITIES AND DAMAGES ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ITS ENGAGEMENTS PURSUANT HERETO.

(f) “*Proceeding*” INCLUDES ANY THREATENED, PENDING OR COMPLETED ACTION, SUIT, ARBITRATION, ALTERNATIVE DISPUTE RESOLUTION MECHANISM, INVESTIGATION, INQUIRY, ADMINISTRATIVE HEARING OR ANY OTHER ACTUAL, THREATENED OR COMPLETE PROCEEDING, WHETHER BROUGHT BY OR IN THE RIGHT OF THE COMPANY OR OTHERWISE AND WHETHER CIVIL, CRIMINAL, ADMINISTRATIVE OR INVESTIGATIVE, IN WHICH INDEMNITEE WAS, IS OR WILL BE INVOLVED AS A PARTY OR OTHERWISE, BY REASON OF THE FACT THAT INDEMNITEE IS OR WAS A DIRECTOR OF THE COMPANY, BY REASON OF ANY ACTION TAKEN BY HIM OR OF ANY INACTION ON HIS PART WHILE ACTING AS AN OFFICER OR DIRECTOR OF THE COMPANY, OR BY REASON OF THE FACT THAT HE IS OR WAS SERVING AT THE REQUEST OF THE COMPANY AS A DIRECTOR, OFFICER, EMPLOYEE OR AGENT OF ANOTHER CORPORATION, PARTNERSHIP, JOINT VENTURE, TRUST OR OTHER ENTERPRISE; IN EACH CASE WHETHER OR NOT HE IS ACTING OR SERVING IN ANY SUCH CAPACITY AT THE TIME ANY LIABILITY OR EXPENSE IS INCURRED FOR WHICH INDEMNIFICATION CAN BE PROVIDED UNDER THIS AGREEMENT; INCLUDING ONE PENDING ON OR BEFORE THE DATE OF THIS AGREEMENT; AND EXCLUDING ONE INITIATED BY AN INDEMNITEE PURSUANT TO SECTION 7 OF THIS AGREEMENT TO ENFORCE HIS RIGHTS UNDER THIS AGREEMENT.

**14. Severability.** IF ANY PROVISION OR PROVISIONS OF THIS AGREEMENT SHALL BE HELD BY A COURT OF COMPETENT JURISDICTION TO BE INVALID, VOID, ILLEGAL OR OTHERWISE UNENFORCEABLE FOR ANY REASON WHATSOEVER: (A) THE VALIDITY, LEGALITY AND ENFORCEABILITY OF THE REMAINING PROVISIONS OF THIS AGREEMENT (INCLUDING WITHOUT LIMITATION, EACH PORTION OF ANY SECTION OF THIS AGREEMENT CONTAINING ANY SUCH PROVISION HELD TO BE INVALID, ILLEGAL OR UNENFORCEABLE, THAT IS NOT ITSELF INVALID, ILLEGAL OR UNENFORCEABLE) SHALL NOT IN ANY WAY BE AFFECTED OR IMPAIRED THEREBY AND SHALL REMAIN ENFORCEABLE TO THE FULLEST EXTENT PERMITTED BY LAW; AND (B) TO THE FULLEST EXTENT POSSIBLE, THE PROVISIONS OF THIS AGREEMENT (INCLUDING, WITHOUT LIMITATION, EACH PORTION OF ANY SECTION OF THIS AGREEMENT CONTAINING ANY SUCH PROVISION HELD TO BE INVALID, ILLEGAL OR UNENFORCEABLE, THAT IS NOT ITSELF INVALID, ILLEGAL OR UNENFORCEABLE) shall be construed so as to give effect to the intent manifested thereby.

**15. Modification and Waiver.** NO SUPPLEMENT, MODIFICATION, TERMINATION OR AMENDMENT OF THIS AGREEMENT SHALL BE BINDING UNLESS EXECUTED IN WRITING BY BOTH OF THE PARTIES HERETO. NO WAIVER OF ANY OF THE PROVISIONS OF THIS AGREEMENT SHALL BE DEEMED OR SHALL CONSTITUTE A WAIVER OF ANY OTHER PROVISIONS HEREOF (WHETHER OR NOT SIMILAR) NOR SHALL SUCH WAIVER constitute a continuing waiver.

**16. Notice by Indemnitee.** INDEMNITEE AGREES PROMPTLY TO NOTIFY THE COMPANY IN WRITING UPON BEING SERVED WITH ANY SUMMONS, CITATION, SUBPOENA, COMPLAINT, INDICTMENT, INFORMATION OR OTHER DOCUMENT RELATING TO ANY PROCEEDING OR MATTER WHICH MAY BE SUBJECT TO INDEMNIFICATION COVERED HEREUNDER. THE FAILURE TO SO NOTIFY THE COMPANY SHALL NOT RELIEVE THE Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

**17. Notices.** ALL NOTICES, REQUESTS, DEMANDS AND OTHER COMMUNICATIONS HEREUNDER SHALL BE IN WRITING AND SHALL BE DEEMED TO HAVE BEEN DULY GIVEN IF (I) DELIVERED BY HAND AND RECEIPTED FOR BY THE PARTY TO WHOM SAID NOTICE OR OTHER COMMUNICATION SHALL HAVE BEEN DIRECTED, OR (II) MAILED BY CERTIFIED OR REGISTERED MAIL WITH POSTAGE PREPAID, ON THE THIRD BUSINESS day after the date on which it is so mailed:

- (a) If to Indemnitee, to the address set forth below Indemnitee signature hereto.
- (b) If to the Company, to:

Galaxy Gaming, Inc.  
6767 Spencer Street  
Las Vegas, Nevada 89119  
Attention: Board of Directors

With a copy to:

Alexander N. Pearson, Esq.  
Kirton McConkie, PC  
60 E. South Temple, Suite 1800  
Salt Lake City, Utah 84111

OR TO SUCH OTHER ADDRESS AS MAY HAVE BEEN FURNISHED TO INDEMNITEE BY THE COMPANY OR TO THE COMPANY BY INDEMNITEE, AS THE case may be.

**18. Identical Counterparts.** THIS AGREEMENT MAY BE EXECUTED IN ONE OR MORE COUNTERPARTS, EACH OF WHICH SHALL FOR ALL PURPOSES BE DEEMED TO BE AN ORIGINAL BUT ALL OF WHICH TOGETHER SHALL CONSTITUTE ONE AND THE SAME AGREEMENT. ON one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

**19. Headings.** THE HEADINGS OF THE PARAGRAPHS OF THIS AGREEMENT ARE INSERTED FOR CONVENIENCE ONLY AND SHALL NOT BE DEEMED TO CONSTITUTE PART OF THIS AGREEMENT OR TO AFFECT THE CONSTRUCTION THEREOF.

**20. Governing Law.** THE PARTIES AGREE THAT THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEVADA, WITHOUT APPLICATION OF THE CONFLICT OF LAWS PRINCIPLES THEREOF.

**21. Gender.** USE OF THE MASCULINE PRONOUN SHALL BE DEEMED TO INCLUDE USAGE OF THE FEMININE PRONOUN WHERE APPROPRIATE.

*[Signature page follows]*



**In Witness Whereof**, THE PARTIES HERETO HAVE EXECUTED THIS INDEMNIFICATION AGREEMENT ON AND AS OF THE DAY AND YEAR first above written.

**COMPANY:**

GALAXY GAMING, INC.  
a Nevada corporation

By Gary A. Vecchiarelli  
Its: Chief Financial Officer

/s/ GARY A. VECCHIARELLI  
Signature

**INDEMNITEE:**

/s/ BRYAN WATERS  
Signature

Bryan Waters

Address:

6767 Spencer Street  
Las Vegas, NV 89119