Galaxy Gaming, Inc.
Form 10-Q
May 15, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number: 000-30653

Galaxy Gaming, Inc.

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

Nevada	20-8143439
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

(702) 939-3254

(Issuer's telephone number)

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

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, a smaller reporting company or an emerging growth company.

Large accelerated filer		Accelerated filer
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company
Emerging growth company		

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period

for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act.

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 39,804,591 common shares as of May 10, 2018.

GALAXY GAMING, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 2018

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

GALAXY GAMING, INC.

CONDENSED BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash, cash equivalents and restricted cash	$3,395,590	$3,581,209
Accounts receivable, net of allowance of $37,993 and $32,993, respectively	2,557,016	2,301,752
Inventory, net	573,138	524,126
Prepaid expense and other	305,677	363,102
Total current assets	6,831,421	6,770,189
Property and equipment, net	263,050	263,867
Assets deployed at client locations, net	371,871	373,650
Goodwill and other intangible assets, net	11,077,077	11,452,809
Deferred tax assets, net	230,648	230,648
Other assets, net	23,000	23,000
Total assets	$18,797,067	$19,114,163
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$412,734	$1,035,383
Accrued expenses	582,700	887,796
Income taxes payable	640,766	519,610
Revenue contract liability	1,109,553	1,083,639
Deferred rent, current portion	25,865	23,679
Current portion of long-term debt and capital lease obligations	1,169,217	1,195,787
Other current liabilities	126,905	123,441
Total current liabilities	4,067,740	4,869,335
Deferred rent, net	7,012	14,025
Capital lease obligations, net	5,734	14,217
Common stock warrant liability	1,333,333	1,333,333
Long-term debt, net	7,217,104	7,420,385
Total liabilities	12,630,923	13,651,295
Commitments and Contingencies (See Note 11)		
Stockholders' equity		
Preferred stock, 10,000,000 shares authorized, $0.001 par value; 0 shares issued and outstanding, respectively	—	—
Common stock, 65,000,000 shares authorized; $0.001 par value; 39,804,591 and 39,565,591 shares issued and outstanding, respectively	39,805	39,566
Additional paid-in capital	4,123,942	3,957,703
Accumulated earnings	2,002,397	1,465,599
Total stockholders' equity	6,166,144	5,462,868
Total liabilities and stockholders' equity	$18,797,067	$19,114,163

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

GALAXY GAMING, INC.

CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended March 31, 2018	March 31, 2017
Revenue:		
Product leases and royalties	$4,360,356	$3,473,841
Product sales and service	339	1,455
Total revenue	4,360,695	3,475,296
Costs and expenses:		
Cost of ancillary products and assembled components	22,758	20,882
Selling, general and administrative	2,585,070	2,086,169
Research and development	193,402	138,047
Depreciation and amortization	451,560	436,085
Share-based compensation	166,478	49,837
Total costs and expenses	3,419,268	2,731,020
Income from operations	941,427	744,276
Other income (expense):		
Interest expense	(366,093)	(445,332)
Foreign currency exchange gains	105,801	7,797
Change in estimated fair value of warrant liability	—	(66,500)
Interest income	442	—
Total other expense	(259,850)	(504,035)
Income before provision for income taxes	681,577	240,241
Provision for income taxes	(144,779)	(77,974)
Net income	$536,798	$162,267
Net income per share, basic and diluted	$0.01	$0.00
Weighted-average shares outstanding:		
Basic	39,763,802	39,305,591
Diluted	42,153,901	40,817,678

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

GALAXY GAMING, INC.

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Cash flows from operating activities:		
Net income	$536,798	$162,267
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	451,560	436,085
Amortization of debt issuance costs and debt discount	72,590	73,729
Bad debt expense	5,000	—
Change in estimated fair value of warrant liability	—	66,500
Share-based compensation	166,478	49,837
Unrealized foreign exchange gains on cash, cash equivalents and restricted cash	(88,240)	(3,159)
Changes in operating assets and liabilities:		
Accounts receivable	(260,264)	140,704
Inventory	(90,786)	(63,017)
Prepaid expenses and other current assets	57,425	33,665
Accounts payable	(622,649)	(67,905)
Income tax payable	121,156	77,975
Accrued expenses	(305,096)	99,629
Revenue contract liability	25,914	(59,808)
Other current liabilities	3,464	34,042
Deferred rent	(4,827)	(2,641)
Net cash provided by operating activities	68,523	977,903
Cash flows from investing activities:		
Investment in intangible assets	—	(27,470)
Acquisition of property and equipment	(31,458)	(13,997)
Net cash used in investing activities	(31,458)	(41,467)
Cash flows from financing activities:		
Proceeds from stock option exercises	—	35,000
Debt issuance costs	—	(17,091)
Principal payments on capital lease obligations	(8,034)	(7,611)
Principal payments on long-term debt	(302,891)	(303,564)
Net cash used in financing activities	(310,925)	(293,266)
Effect of exchange rate changes on cash	88,241	3,159
Net (decrease) increase in cash, cash equivalents and restricted cash	(185,619)	646,329
Cash, cash equivalents and restricted cash – beginning of period	3,581,209	2,389,338
Cash, cash equivalents and restricted cash – end of period	$3,395,590	$3,035,667
Supplemental cash flow information:		
Cash paid for interest	$293,503	$445,352
Inventory transferred to assets deployed at client locations	$41,774	$24,132
Cash paid for income taxes	$23,664	$—

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

GALAXY GAMING, INC.

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1. NATURE OF OPERATIONS

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

Nature of operations. 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. Casinos use our proprietary products and services to enhance their gaming floor operations and improve their profitability, productivity and security, as well as to offer popular cutting-edge gaming entertainment content and technology to their players. We market our products and services to land-based, riverboat, cruise ship and internet gaming companies located in North America, the Caribbean, Central America, the British Isles, Europe and Africa and to cruise ships and internet gaming sites worldwide.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying condensed financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and the rules of the Securities and Exchange Commission (“SEC”). In the opinion of management, all adjustments necessary in order for the financial statements to be not misleading have been reflected herein. As permitted by the rules and regulations of the SEC, certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to those rules and regulations. 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.

In the opinion of management, the accompanying unaudited interim condensed financial statements contain all necessary adjustments, consisting only of those of a recurring nature, and disclosures to present fairly our financial position and the results of our operations and cash flows for the periods presented. These unaudited interim condensed financial statements should be read in conjunction with the financial statements and the related notes thereto included in our Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on April 2, 2018 (the “2017 10-K”).

Basis of accounting. The financial statements have been prepared on the accrual basis of accounting in conformity with U.S. GAAP. Revenues are recognized when earned and expenses (such as wages, consulting expenses, legal, regulatory and professional fees and rent) are recognized when they are incurred. We do not have significant categories of cost of revenue, as most of our revenue is derived from the licensing of intellectual property.

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 statement presentations, including the addition of restricted cash to cash and cash equivalents on the consolidated statements of cash flows as a result of the adoption of ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. See below for further detail.

Other Significant Accounting Policies. See Note 3 in Item 8. “Financial Statements and Supplementary Data” included in our 2017 10-K.

Recently adopted accounting standards

Revenue Recognition. Effective January 1, 2018, we adopted Accounting Standards Update (“ASU”) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASC 606”), which is a comprehensive new revenue recognition standard that supersedes virtually all existing revenue guidance, including industry-specific guidance. Under the new standard, revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. The standard creates a five-step model that generally requires companies to use more judgment and make more estimates than under the previous guidance when considering the terms of contracts along with all relevant facts and circumstances. These include the identification of customer contracts and separating performance obligations, the determination of transaction price that potentially includes an estimate of variable consideration, allocating the transaction price to each separate performance obligation, and recognizing revenue in line with the pattern of transfer. We adopted ASC 606 using the modified retrospective approach (reporting the cumulative effect as of the date of adoption). See Note 3 for further detail.

Restricted Cash. Effective January 1, 2018, we adopted ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This ASU requires amounts generally described as restricted cash and cash equivalents be included with cash and cash equivalents when reconciling the total beginning and ending amounts for the periods shown on the statement of cash flows. We adopted this guidance on a retrospective basis, which resulted in the inclusion of restricted cash within cash and cash equivalents on our balance sheets and statements of cash flows. Such restricted cash represents reserves set side in a restricted bank account in accordance with the requirements of gaming regulations to be used for the purpose of funding payments to winners of our jackpots and was $108,363 and $95,062 at March 31, 2018 and December 31, 2017, respectively. Cash flows from operating activities for the three months ended March 31, 2017 increased by $30,936 as a result of the adoption of this guidance.

Compensation - Stock Compensation. Effective January 1, 2018, we adopted ASU No. 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting, which provides clarification on when modification accounting should be used for changes to the terms or conditions of a share-based payment award. The adoption did not have a material impact on our financial statements.

New accounting standards not yet adopted

Leases. In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, Leases (Topic 842). The amended guidance is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of this guidance is expected to result in a significant portion of our operating leases being recognized on our balance sheets. The guidance requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years with earlier adoption permitted. We are currently evaluating the impact of adopting this guidance.

Goodwill Impairment. In January 2017, the FASB issued ASU No. 2017-04, Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, which simplifies the current two-step goodwill impairment test by eliminating Step 2 of the test. This guidance requires a one-step impairment test in which an entity compares the fair value of a reporting unit with its carrying amount and recognizes an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value, if any. This guidance is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years, and should be applied on a prospective basis. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We are currently evaluating the impact of adopting this guidance and will adopt this guidance for the annual test to be performed for the year ended December 31, 2018.

NOTE 3. REVENUE RECOGNITION

Adoption of ASC 606, Revenue from Contracts with Customers

On January 1, 2018, we adopted ASC 606 and applied it to all contracts using the modified retrospective method. Results for reporting periods beginning after January 1, 2018 are presented under ASC 606, while prior period amounts have not and will not be adjusted and continue to be reported in accordance with our historical accounting treatment under Topic 605, Revenue Recognition.

The adoption of ASC 606 had the following impact on our balance sheet and statement of income: (i) we reported higher product leases and royalty revenue and selling, general and administrative expense for the three months ended March 31, 2018 as a result of the assessment of our distributor relationships. We have entered into agreements with certain distributors in Europe, which sublicense our intellectual property to gaming establishments in Europe. We have historically recorded net revenues (gross revenue generated minus distributor fees paid) as product leases and royalty revenue. However, after applying principal vs. agent considerations to these distributor relationships in accordance with ASC 606, we have determined that revenues earned from gaming establishments in Europe should now be recorded as gross revenue and fees earned by such distributors should be recorded as selling, general and administrative expenses as we had control of the sub-licensed intellectual property prior to the licensing of such intellectual property to the gaming establishments; and (ii) prepayments from customers in advance of the period that the revenue is recognized were historically recorded under the caption “deferred revenue” in the accompanying balance sheet. This caption has now been renamed “revenue contract liability” in accordance with the requirements of ASC 606.

For the three months ended March 31, 2018, the adoption of ASC 606 had the following impact on our statement of income:

	Three Months Ended March 31, 2018		
	As reported	Balance without the adoption of ASC 606	Impact of the adoption
Product leases and royalties	$4,360,356	$4,153,659	$206,697
Selling, general and administrative expense	$2,585,070	$2,378,373	$206,697

Revenue Recognition

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

License Fees. We derive product lease and royalty revenue from negotiated recurring fee license agreements and the performance of our products. We account for these agreements as month-to-month contracts for the purposes of ASC 606 and recognize revenue each month as we satisfy our performance obligations by granting access to intellectual property to our clients. In addition, revenue associated with performance-based agreements is recognized during the month that the usage of the product or intellectual property occurs. We believe it is inappropriate to use the input method as the inputs do not correlate to the satisfaction of our performance obligations. Intellectual property requires significant upfront investment in the form of human resources required for their development and/or capital resources for acquisition from third parties. However, limited maintenance is required once the games have been placed on casino floors. The output method, on the other hand, recognizes revenue based on direct measurements of the value to our customers of the licensed intellectual property, which we believe is more appropriate. We have further applied the “as invoiced” practical expedient under the output method by recognizing product lease and royalty revenue in proportion to the amount for which we have the right to invoice.

Some of our intellectual property requires the installation of certain equipment and both the intellectual property and the related equipment are licensed in one bundled package. We have determined that the equipment is not distinct from the intellectual property and, therefore, we have only one performance obligation and, as a result, the allocation of the transaction price to different performance obligations is not necessary.

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

Disaggregation of Revenue. The following table disaggregates our revenue by major source for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
Table games	$3,792,387	$3,193,094
Internet-based gaming	400,771	159,838
E-tables	158,828	113,529
Other	8,709	8,835
Total revenue	$4,360,695	$3,475,296

The following table disaggregates our revenue by geographic location for the three months ended March 31, 2018 and 2017:

	Three Months Ended March 31,	
	2018	2017
North America and Caribbean	$3,502,810	$2,800,905
Europe	857,885	674,391
Total revenue	$4,360,695	$3,475,296

Revenue Contract Asset and Liability. Upon the adoption of ASC 606, we have applied the practical expedient of expensing incremental commissions paid to sales representatives directly related to the acquisition and fulfilment of new contracts, when the amortization period of the contract asset that we otherwise would have recognized is one year or less.

We invoice our clients monthly in advance for unlimited use of our intellectual property licenses. Upon the adoption of ASC 606, we recognized a revenue contract liability that represents such advanced billing to our clients for unsatisfied performance. We derecognize the revenue contract liability and recognize revenue when we transfer those goods or services and, therefore, satisfy our performance obligation.

The table below summarizes changes in the revenue contract liability during the three months ended March 31, 2018:

	Revenue Contract liability
Beginning balance – January 1, 2018	$1,083,639
Increase (advanced billings)	3,260,177
Decrease (revenue recognition)	(3,234,263)
Ending balance – March 31. 2018	$1,109,553

Revenue recognized during the three months ended March 31, 2018 that was included in the beginning balance of revenue contract liability above was $1,083,639.

NOTE 4. INVENTORY

Inventory, net consisted of the following at March 31, 2018 and December 31, 2017:

	2018	2017
Raw materials and component parts	$322,908	$235,673
Work-in-process	187,998	214,895
Finished goods	92,232	103,558
Inventory, gross	603,138	554,126
Less: inventory reserve	(30,000)	(30,000)
Inventory, net	$573,138	$524,126

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following at March 31, 2018 and December 31, 2017:

	2018	2017
Furniture and fixtures	$291,948	$280,694
Automotive vehicles	215,127	215,127
Leasehold improvements	156,843	156,843
Computer equipment	142,195	121,992
Office equipment	53,484	53,483
Property and equipment, gross	859,597	828,139
Less: accumulated depreciation	(596,547)	(564,272)
Property and equipment, net	$263,050	$263,867

Property and equipment, net included $156,843 of leasehold improvements acquired under capital leases as of March 31, 2018 and December 31, 2017. Accumulated depreciation of leasehold improvements totaled $120,748 and $113,035 as of March 31, 2018 and December 31, 2017, respectively (Note 9).

For the three months ended March 31, 2018 and 2017, depreciation expense related to property and equipment was $32,275 and $42,650, respectively.

NOTE 6. ASSETS DEPLOYED AT CLIENT LOCATIONS

Assets deployed at client locations, net consisted of the following at March 31, 2018 and December 31, 2017:

	2018	2017
Enhanced table systems	$672,508	$638,981
Less: accumulated depreciation	(300,637)	(265,331)
Assets deployed at client locations, net	$371,871	$373,650

For the three months ended March 31, 2018 and 2017, depreciation expense related to assets deployed at client locations was $43,553 and $20,469, respectively.

NOTE 7. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and finite-lived intangible assets, net consisted of the following at March 31, 2018 and December 31, 2017:

	2018	2017
Goodwill	$1,091,000	$1,091,000
Finite-lived intangible assets:		
Patents	13,475,000	13,475,000
Customer relationships	3,400,000	3,400,000
Trademarks	2,880,967	2,880,967
Non-compete agreements	660,000	660,000
Internally-developed software	102,968	102,968
Other intangible assets, gross	20,518,935	20,518,935
Less: accumulated amortization	(10,532,858)	(10,157,126)
Other intangible assets, net	9,986,077	10,361,809
Goodwill and other intangible assets, net	$11,077,077	$11,452,809

For the three months ended March 31, 2018 and 2017, amortization expense related to the finite-lived intangible assets was $375,732 and $372,966, respectively.

Estimated future amortization expense is as follows:

Twelve months Ending March 31,	Total
2019	$1,498,873
2020	1,498,873
2021	1,427,884
2022	1,391,218
2023	821,532
Thereafter	3,347,697
Total amortization	$9,986,077

NOTE 8. ACCRUED EXPENSES

Accrued expenses consisted of the following at March 31, 2018 and December 31, 2017:

	2018	2017
Payroll and related	$457,663	$712,584
Commissions and royalties	58,069	65,380
Professional fees	39,108	63,488
Other	27,860	46,344
Total accrued expenses	$582,700	$887,796

NOTE 9. CAPITAL LEASE OBLIGATIONS

Capital lease obligations consisted of the following at March 31, 2018 and December 31, 2017:

	2018	2017
Capital lease obligation	$38,967	$47,002
Less: Current portion	(33,233)	(32,785)
Total capital lease obligations – long-term	$5,734	$14,217

The capital leases cover leasehold improvements located at our corporate headquarters in Las Vegas, Nevada. As of March 31, future annual payments for capital leases obligations are as follows:

Twelve months Ending March 31,	Total
2019	$33,233
2020	5,734
Total minimum lease payments	$38,967

NOTE 10. LONG-TERM DEBT

Long-term debt consisted of the following at March 31, 2018 and December 31, 2017:

	2018	2017
Breakaway Term Loan	$9,187,500	$9,450,000
Equipment notes payable	111,361	124,311
Insurance notes payable	46,294	73,734
Notes payable, gross	9,345,155	9,648,045
Less:		
Unamortized debt issuance costs	(447,643)	(480,397)
Warrants issued	(544,425)	(584,261)
Notes payable, net	8,353,087	8,583,387
Less: Current portion	(1,135,983)	(1,163,002)
Long-term debt, net	$7,217,104	$7,420,385

Breakaway Term loan. In August 2016, we entered into a term loan agreement (the “Breakaway Term Loan Agreement”) for an aggregate principal amount of $10,500,000 (the "Breakaway Term Loan"). Proceeds of the Breakaway Term Loan were primarily used to prepay in full the outstanding notes payable to unrelated parties. The Breakaway Term Loan was secured by a senior lien on substantially all of our assets. In conjunction with the Breakaway Term Loan, we also entered into a warrant agreement (the “Warrant Agreement”), pursuant to which we issued the lenders a six-year warrant to purchase 1,965,780 shares of our common stock (the “Warrants”). The estimated fair value of the Warrants (Note 14) on the grant date was determined to be $809,632 using the Black-Scholes option pricing model, and was recorded as a reduction of the related debt. The estimated fair value of the Warrants on the grant date was amortized ratably over the term of the Warrants to interest expense.

Under the Breakaway Term Loan, we were subject to quarterly financial covenants that, among other things, limited our annual capital expenditures (as defined in the Breakaway Term Loan Agreement), and required us to maintain a specified leverage ratio and minimum EBITDA amounts, each of which were defined in the Breakaway Term Loan Agreement.

The outstanding principal initially accrued interest at the rate of 14.0% per annum, which decreased to 12.5% per annum for any quarterly period in which we achieved a specified leverage ratio. Beginning October 1, 2017, the interest rate per annum decreased to 12.5% due to the achievement of such ratio.

The foregoing summary of the Breakaway Term Loan Agreement and the Warrant Agreement is qualified in its entirety by reference to the respective agreements, which are found as Exhibits 99.1 and 99.2, respectively, to our Form 8-K filed with the SEC on August 29, 2016.

Nevada State Bank Credit Agreement. On April 24, 2018, we entered into a credit agreement with ZB, N.A. dba Nevada State Bank ("NSB" and the "NSB Credit Agreement"), which provides for a $11.0 million five-year term loan (the "NSB Term Loan") and a $1.0 million one-year revolving credit facility (the "NSB Revolver"). Upon execution of the NSB Credit Agreement, we borrowed $11.0 million under the NSB Term Loan and $0.1 million under the NSB Revolver and used the proceeds to pay off in full the outstanding balance under the Breakaway Term Loan, redeem the Warrants and pay interest, fees and an early redemption premium associated with these transactions (Note 16).

As of March 31, 2018, future maturities of our long-term debt obligations are as follows, without giving effect to the NSB Credit Agreement:

Twelve Months ending March 31,	Total
2019	$1,135,983
2020	1,084,480
2021	1,070,309
2022	6,054,383
Total notes payable	9,345,155
Less:	
Unamortized debt issuance costs	(447,643)
Warrants issued	(544,425)
Notes payable, net	$8,353,087

NOTE 11. COMMITMENTS AND CONTINGENCIES

Concentration of risk. We are exposed to risks associated with a client who represent a significant portion of total revenues. For the three months ended March 31, 2018 and 2017, respectively, we had the following client revenue concentration:

		2018	2017
	Location	Revenue	Revenue
Client A	North America	11.3%	14.6%

We are also exposed to risks associated with the expiration of our patents. In 2015, domestic and international patents for two of our products expired, which accounted for approximately $2,044,883 or 46.9% of our revenue for the three months ended March 31, 2018, as compared to $1,767,437 or 50.9% of our revenue for the three months ended March 31, 2017. We continue to generate higher revenue from these products despite the expiration of the underlying patents and, accordingly, we do not expect the expiration of these patents to have a significant adverse impact on our future financial statements.

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

The initial term of the Spencer Lease commenced on April 1, 2014 and expires on June 30, 2019. We were obligated to pay approximately $153,000 in annual base rent in the first year, and the annual base rent is scheduled to increase 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 agreed to finance tenant improvements of $150,000 ("TI Allowance"). The base rent is increased by an amount sufficient to fully amortize the TI Allowance through the initial 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 condensed balance sheet (Note 9).

Total rent expense was $71,300 and $70,570 for the three months ended March 31, 2018 and 2017, respectively.

The following table reflects our estimates of future minimum operating lease payment obligations, which are based upon our current operating leases:

Twelve Months Ending March 31,	Annual Obligation
2019	$ 236,736
2020	59,730
Total obligations	$ 296,466

Legal proceedings. In the ordinary course of conducting our business, we are, from time to time, involved in various legal and administrative proceedings, regulatory government investigations and other matters, including those in which we are a plaintiff or defendant, that are complex in nature and have outcomes that are difficult to predict. We record accruals for such contingencies to the extent 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 U.S. GAAP, applicable law, statue or regulation. For a complete description of the facts and circumstances surrounding material litigation to which we are a party, see Note 11 in Item 8. "Financial Statements and Supplementary Data" included in our 2017 10-K.

NOTE 12. STOCKHOLDERS' EQUITY

On March 31, 2018, we issued 13,000 restricted shares of our common stock valued at $13,520, to each of Messrs. Norm DesRosiers, Bryan Waters and William Zender, who are members of our Board of Directors (the "Board"), in consideration of their service on the Board during the three months ended March 31, 2018. These shares vested immediately on grant date.

In February 2017, a former employee forfeited 100,000 shares of unvested restricted stock and paid us $35,000 in connection with the exercise of 150,000 fully-vested stock options.

NOTE 13. INCOME TAXES

Our forecasted annual effective tax rate at March 31, 2018 was 21.2%, as compared to 35.0% at March 31, 2017. For the three months ended March 31, 2018 and 2017, our effective tax rate was 21.2% and 32.4%, respectively. The decrease in both rates was primarily due to a reduction in the federal statutory rate as a result of the Tax Cuts and Jobs Act signed in December 2017 (the "Tax Act"). As of March 31, 2018, we had completed our preliminary assessment for the tax effects resulting from the enactment of the Tax Act and made a reasonable estimate of the effect on our annual effective tax rate and existing deferred tax balances. We will continue to make and refine our calculations as additional analysis is completed. In addition, our estimates may also be affected as we gain a more thorough understanding of the Tax Act.

NOTE 14. STOCK WARRANTS, OPTIONS AND GRANTS

Stock options. During the three months ended March 31, 2018 and 2017, we issued 145,000 and 112,500 options to purchase our common stock, respectively, to members of our Board, independent contractors, executive officers and employees.

The fair value of all stock options granted for the three months ended March 31, 2018 and 2017 was determined to be $98,333 and $47,635, respectively, using the Black-Scholes option pricing model with the following assumptions:

	Options issued three months ended March 31, 2018	Options issued three months ended March 31, 2017
Dividend yield	0%	0%
Expected volatility	78%	85%
Risk free interest rate	2.46% - 2.56%	1.93%
Expected life (years)	5.00	5.00

A summary of stock option activity is as follows:

	Common stock options	Weighted-average exercise price	Aggregate intrinsic value	Weighted-average remaining contractual term (years)
Outstanding – December 31, 2017	2,811,250	0.54	$1,849,517	3.65
Issued	145,000	1.06	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding – March 31, 2018	2,956,250	$ 0.57	$1,397,117	3.49
Exercisable – March 31, 2018	2,057,916	$ 0.50	$1,102,116	3.16

A summary of unvested stock option activity is as follows:

	Common stock options	Weighted-average exercise price	Aggregate intrinsic value	Weighted-average remaining contractual term (years)
Unvested – December 31, 2017	825,557	$ 0.63	$467,379	4.27
Granted	145,000	1.06	—	—
Vested	(72,223)	0.52	—	—
Forfeited or expired	—	—	—	—
Unvested – March 31, 2018	898,334	$ 0.71	$295,001	4.13

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Liquidity and Capital Resources

In October 2013, SMLP filed a shelf registration statement on Form S-3 with the SEC to register up to $1.2 billion of equity and debt securities in primary offerings as well as all of the 14,691,397 common units held by Summit Investments in accordance with our obligations under a registration rights agreement that was executed in connection with our IPO.

In January 2014, we filed a registration statement on Form S-4 with the SEC to offer to exchange all of the unregistered senior notes and guarantees for registered senior notes and guarantees with substantially identical terms. On March 7, 2014, the SEC declared our registration statement effective and we began the notice process to properly effect the exchange. The exchange period ended on April 7, 2014, with 100% of the unregistered senior notes being exchanged for registered notes.

In March 2014, we completed an underwritten public offering of 10,350,000 common units at a price of $38.75 per unit (the "March 2014 Offering"), of which 5,300,000 common units were offered by the Partnership and 5,050,000 common units were offered by Summit Investments, pursuant to our shelf registration statement on Form S-3. We used the proceeds from the primary offering to fund a portion of the purchase of Red Rock Gathering.

In future periods, we expect our sources of liquidity to include:

- cash generated from operations;
- borrowings under the revolving credit facility; and
- additional issuances of debt and equity securities.

For additional information, see Notes 5 and 6 to the unaudited condensed consolidated financial statements.

Long-Term Debt

Revolving Credit Facility. We have a $700.0 million senior secured revolving credit facility. The revolving credit facility is secured by the membership interests of Summit Holdings and those of its subsidiaries. Substantially all of Summit Holdings' and its subsidiaries' assets are pledged as collateral under the revolving credit facility. The facility, and Summit Holdings' obligations, are guaranteed by SMLP and each of its subsidiaries. At our option, borrowings under the revolving credit facility bear interest at a variable rate per annum equal to either (i) the London InterBank Offered Rate plus the applicable margin ranging from 1.75% to 2.75% or (ii) a base rate plus the applicable margin ranging from 0.75% to 1.75%. As of March 31, 2014, the outstanding balance of the revolving credit facility was $391.0 million and the unused portion totaled $309.0 million.

As of March 31, 2014, we were in compliance with the covenants in the revolving credit facility. There were no defaults or events of default during the three months ended March 31, 2014. See Note 5 to the unaudited condensed consolidated financial statements for additional information.

Senior Notes. In June 2013, Summit Holdings and its 100% owned finance subsidiary, Finance Corp. (together with Summit Holdings, the "Co-Issuers"), issued $300.0 million of 7.50% senior unsecured notes maturing July 1, 2021 (the "senior notes"). The senior notes were initially sold in reliance on Rule 144A and Regulation S under the Securities Act. Effective as of April 7, 2014, all of the holders of our senior notes exchanged their unregistered senior notes and the guarantees of those notes for registered notes and guarantees. The terms of the registered senior notes are substantially identical to the terms of the unregistered senior notes, except that the transfer restrictions, registration rights and provisions for additional interest relating to the unregistered senior notes do not apply to the registered senior notes.

The senior notes are senior, unsecured obligations, rank equally in right of payment with all of our existing and future senior obligations and are effectively subordinated in right of payment to all of our secured indebtedness, to the extent of the collateral securing such indebtedness. SMLP and all of its subsidiaries other than the Co-Issuers (the "Guarantors") have fully and unconditionally and jointly and severally guaranteed the senior notes. SMLP has no independent assets or operations. Summit Holdings has no assets or operations other than its ownership of its wholly owned subsidiaries and activities associated with its borrowings under the revolving credit facility and the senior notes. Finance Corp. has no independent assets or operations and was formed for the sole purpose of being a co-issuer of certain of Summit Holdings' indebtedness, including the senior notes. There are no significant restrictions on the ability of SMLP or Summit Holdings to obtain funds from its subsidiaries by dividend or loan.

There were no defaults or events of default during the three months ended March 31, 2014. For additional information, see Note 5 to the unaudited condensed consolidated financial statements.

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Cash Flows

The components of the change in cash and cash equivalents were as follows:

	Three months ended March 31,	
	2014	2013
	(In thousands)	
Net cash provided by operating activities	$48,509	$25,613
Net cash used in investing activities	(345,100)	(28,297)
Net cash provided by financing activities	286,638	5,847
Change in cash and cash equivalents	$(9,953)	$3,163

Operating activities. Cash flows from operating activities increased by $22.9 million for the three months ended March 31, 2014 largely due to cash received as a result of MVCs and accelerated accounts receivable collections in comparison to prior year.

Investing activities. Cash flows used in investing activities for the three months ended March 31, 2014 largely reflect the Red Rock Drop Down. Additional expenditures in the first quarter of 2014 primarily reflect construction of a processing plant on the Grand River Gathering system, projects to expand compression capacity on the Bison Midstream system, adding pipeline on the Mountaineer Midstream system, and commissioning a new natural gas treating facility on the DFW Midstream system, which was commissioned in February 2014.

Cash flows used in investing activities in the first quarter of 2013 reflect the construction of new gathering pipeline across the DFW Midstream system and the acquisition of previously leased compression assets on the Grand River system. We also commissioned a new compressor unit on the DFW Midstream system in January 2013.

Financing activities. Details of cash flows provided by financing activities for the three months ended March 31, 2014 and 2013, were as follows:

	Three months ended March 31,	
	2014	2013
	(In thousands)	
Cash flows from financing activities:		
Distributions to unitholders	$(26,366)	$(20,425)
Borrowings under revolving credit facility	125,000	15,000
Repayments under revolving credit facility	(20,000)	—
Deferred loan costs	(65)	—
Tax withholdings on vested LTIP awards	(656)	—
Proceeds from issuance of common units	198,095	—
Contribution from general partner	4,235	—
Cash advance from Summit Investments to contributed subsidiaries	1,982	9,166
Expenses paid by Summit Investments on behalf of Red Rock Gathering	4,413	2,106
Net cash provided by financing activities	$286,638	$5,847

Net cash provided by financing activities for the three months ended March 31, 2014 was primarily composed of proceeds from the March 2014 Offering and net borrowings under our revolving credit facility both of which were used to fund the Red Rock Drop Down.

Net cash used in financing activities for the three months ended March 31, 2013 was primarily composed of distributions declared in respect of the fourth quarter of 2012 (paid in the first quarter of 2013) and repayments under our revolving credit facility.

Capital Requirements

Our business is capital-intensive, requiring significant investment for the maintenance of existing gathering systems and the acquisition or construction and development of new gathering systems and other midstream assets and facilities. Our partnership agreement requires that we categorize our capital expenditures as either:

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- maintenance capital expenditures, which are cash expenditures (including expenditures for the addition or improvement to, or the replacement of, our capital assets or for the acquisition of existing, or the construction or development of new, capital assets) made to maintain our long-term operating income or operating capacity; or
- expansion capital expenditures, which are cash expenditures incurred for acquisitions or capital improvements that we expect will increase our operating income or operating capacity over the long term.

We anticipate that we will continue to make significant expansion capital expenditures in the future. Consequently, our ability to develop and maintain sources of funds to meet our capital requirements is critical to our ability to meet our growth objectives. We expect that our future expansion capital expenditures will be funded by borrowings under the revolving credit facility and the issuance of debt and equity securities.

Distributions

Based on the terms of our partnership agreement, we expect to distribute to unitholders most of the cash generated by our operations. As a result, we expect to fund future capital expenditures primarily from borrowings under our revolving credit facility and future issuances of equity and debt securities. See Note 6 to the unaudited condensed consolidated financial statements for additional information.

Credit Risk and Customer Concentration

We examine the creditworthiness of counterparties to whom we extend credit and manage our exposure to credit risk through credit analysis, credit approval, credit limits and monitoring procedures, and for certain transactions, we may request letters of credit, prepayments or guarantees. A significant percentage of our revenue is attributable to two producer customers. For additional information, see Note 9 to the unaudited condensed consolidated financial statements.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements as of or during the three months ended March 31, 2014.

Critical Accounting Policies and Estimates

We prepare our financial statements in accordance with GAAP. These principles are established by the Financial Accounting Standards Board. We employ methods, estimates and assumptions based on currently available information when recording transactions resulting from business operations. Our significant accounting policies are described in Note 2 to the unaudited condensed consolidated financial statements.

The estimates that we deem to be most critical to an understanding of our financial position and results of operations are those related to determination of fair value and recognition of deferred revenue. The preparation and evaluation of these critical accounting estimates involve the use of various assumptions developed from management's analyses and judgments. Subsequent experience or use of other methods, estimates or assumptions could produce significantly different results.

There have been no changes in the accounting methodology for items that we have identified as critical accounting estimates during the three months ended March 31, 2014. For additional information regarding critical accounting estimates, see the Critical Accounting Policies and Estimates section of MD&A included in the 2013 Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

We have exposure to changes in interest rates on our indebtedness associated with the revolving credit facility. The credit markets have recently experienced historical lows in interest rates. As the overall economy strengthens, it is possible that monetary policy will tighten further, resulting in higher interest rates to counter possible inflation. Interest rates on floating rate credit facilities and future debt offerings could be higher than current levels, causing our financing costs to increase accordingly.

A hypothetical 1.0% increase (decrease) in interest rates would have increased (decreased) our interest expense by approximately $0.8 million for the three months ended March 31, 2014.

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Commodity Price Risk

We currently generate a substantial majority of our revenues pursuant to long-term, primarily fee-based gas gathering agreements, many of which include MVCs and areas of mutual interest. Our direct commodity price exposure relates to (i) our sale of physical natural gas we retain from our DFW Midstream customers, (ii) our procurement of electricity to operate our electric-drive compression assets on the DFW Midstream system, (iii) the sale of condensate volumes that we retain on the Grand River system and (iv) the sale of processed natural gas and natural gas liquids pursuant to our percent-of-proceeds and keep-whole contracts with certain of our customers on the Bison Midstream and Grand River Gathering systems. Our gas gathering agreements with our DFW Midstream customers permit us to retain a certain quantity of natural gas that we sell to offset the power costs we incur to operate our electric-drive compression assets. Our gas gathering agreements with our Grand River customers permit us to retain condensate volumes from the Grand River system gathering lines. We manage our direct exposure to natural gas and power prices through the use of forward power purchase contracts with wholesale power providers that require us to purchase a fixed quantity of power at a fixed heat rate based on prevailing natural gas prices on the Waha Hub Index. Because we also sell our retainage gas at prices that are based on the Waha Hub Index, we have effectively fixed the relationship between our compression electricity expense and natural gas sales. We do not enter into risk management contracts for speculative purposes.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit to the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified by the Commission’s rules and forms, and that information is accumulated and communicated to the management of our general partner, including our general partner’s principal executive and principal financial officers (whom we refer to as the Certifying Officers), as appropriate to allow timely decisions regarding required disclosure. SMLP’s management, with the participation of the Chief Executive Officer and Chief Financial Officer of SMLP's general partner, has evaluated the effectiveness of SMLP’s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this quarterly report (the "Evaluation Date"). Based on such evaluation, the Chief Executive Officer and Chief Financial Officer of SMLP's general partner have concluded that, as of the Evaluation Date, SMLP’s disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There have not been any changes in SMLP’s internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the first fiscal quarter of 2014 that have materially affected, or are reasonably likely to materially affect, SMLP's internal control over financial reporting.

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PART II
Item 1. Legal Proceedings.
Although we may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business, we are not currently a party to any significant legal or governmental proceedings. In addition, we are not aware of any significant legal or governmental proceedings contemplated to be brought against us, under the various environmental protection statutes to which we are subject.

Item 1A. Risk Factors.
The Risk Factors contained in the 2013 Annual Report are incorporated herein by reference and updated to include the additional risks discussed below.
The Red Rock Drop Down may not be beneficial to us.
As a result of the Red Rock Drop Down, we are subject to additional risks, in particular the risk that we fail to realized the expected profitability, growth or accretion from the transaction. The Red Rock Drop Down involves additional potential risks, including:
- environmental or regulatory compliance matters or liabilities;
- title issues or liabilities or accidents;
- construction cost overruns and delays resulting from numerous factors, many of which may be out of our control;
- the temporary diversion of management's attention from our existing business;
- an increase in our interest expense and financial leverage resulting from any additional debt incurred to finance the Red Rock Drop Down, which may offset the expected accretion from such acquisition;
- the incurrence of significant charges, such as asset devaluation or restructuring charges; and
- the incurrence of unanticipated liabilities and costs for which indemnification is unavailable or inadequate.

If these risks or other unanticipated liabilities were to materialize, the desired benefits of the Red Rock Drop Down may not be fully realized, and our future financial performance and results of operations could be negatively impacted.
Interruptions in operations at any of our facilities may adversely affect our operations and cash flows available for distribution to our unitholders.
Our operations depend upon the infrastructure that we have developed, including the recently completed Debeque Natural Gas Processing Plant owned by Grand River Gathering (the "Debeque Plant"). Any significant interruption at the Debeque Plant or our other midstream facilities, or in our ability to gather or process natural gas or NGLs, would adversely affect our operations and cash flows available for distribution to our unitholders.
Operations at our facilities could be partially or completely shut down, temporarily or permanently, as the result of circumstances not within our control, such as:
- unscheduled turnarounds or catastrophic events at our physical plants or pipeline facilities;
- restrictions imposed by governmental authorities or court proceedings;
- labor difficulties that result in a work stoppage or slowdown;
- a disruption in the supply of natural gas to the Debeque Plant or our other midstream facilities;
- disruption in our supply of resources necessary to operate our facilities;
- damage to our facilities resulting from gas or NGLs that do not comply with applicable specifications; and
- inadequate transportation or market access to support production volumes, including lack of availability of pipeline capacity.

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Item 6. Exhibits.

Exhibit number		Description
3.1		First Amended and Restated Agreement of Limited Partnership of Summit Midstream Partners, LP, dated as of October 3, 2012 (Incorporated herein by reference to Exhibit 3.1 to SMLP's Current Report on Form 8-K dated October 4, 2012 (Commission File No. 001-35666))
3.2		Amended and Restated Limited Liability Company Agreement of Summit Midstream GP, LLC, dated as of October 3, 2012 (Incorporated herein by reference to Exhibit 3.2 to SMLP's Current Report on Form 8-K dated October 4, 2012 (Commission File No. 001-35666))
3.3		Certificate of Limited Partnership of Summit Midstream Partners, LP (Incorporated herein by reference to Exhibit 3.1 to SMLP's Form S-1 Registration Statement dated August 21, 2012 (Commission File No. 333-183466))
3.4		Certificate of Formation of Summit Midstream GP, LLC (Incorporated herein by reference to Exhibit 3.4 to SMLP's Form S-1 Registration Statement dated August 21, 2012 (Commission File No. 333-183466))
10.1		Purchase and Sale Agreement among Summit Midstream Partners Holdings, LLC, Red Rock Gathering Company, LLC and Summit Midstream Partners, LP dated as of March 8, 2014 (Incorporated herein by reference to Exhibit 10.1 to SMLP's Current Report on Form 8-K dated March 8, 2014 (Commission File No. 001-35666))
10.2		Summit Midstream Partners, LP 2012 Long-Term Incentive Plan Phantom Unit Agreement (Incorporated herein by reference to Exhibit 10.1 to SMLP's Current Report on Form 8-K dated March 11, 2014 (Commission File No. 001-35666))
31.1		Rule 13a-14(a)/15d-14(a) Certification, executed by Steven J. Newby, President, Chief Executive Officer and Director
31.2		Rule 13a-14(a)/15d-14(a) Certification, executed by Matthew S. Harrison, Senior Vice President and Chief Financial Officer
32.1		Certifications required by Rule 13a-14(b) or Rule 15d-14(b) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350), executed by Steven J. Newby, President, Chief Executive Officer and Director, and Matthew S. Harrison, Senior Vice President and Chief Financial Officer
101.INS	**	XBRL Instance Document (1)
101.SCH	**	XBRL Taxonomy Extension Schema
101.CAL	**	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	**	XBRL Taxonomy Extension Definition Linkbase
101.LAB	**	XBRL Taxonomy Extension Label Linkbase
101.PRE	**	XBRL Taxonomy Extension Presentation Linkbase

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections. The financial information contained in the XBRL(eXtensible Business Reporting Language)-related documents is unaudited and unreviewed.

(1) Includes the following materials contained in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, formatted in XBRL: (i) Unaudited Condensed Consolidated Balance Sheets, (ii) Unaudited Condensed Consolidated Statements of Operations, (iii) Unaudited Condensed Consolidated Statements of Partners' Capital, (iv) Unaudited Condensed Consolidated Statements of Cash Flows, and (v) Notes to Unaudited Condensed Consolidated Financial Statements.

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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.

Summit Midstream Partners, LP
(Registrant)

By: Summit Midstream GP, LLC (its general partner)

May 8, 2014

/s/ Matthew S. Harrison
Matthew S. Harrison, Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)