

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): September 8, 2022

Motorsport Games Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-39868
(Commission
File Number)

86-1791356
(I.R.S. Employer
Identification No.)

5972 NE 4th Avenue
Miami, FL
(Address of principal executive offices)

33137
(Zip Code)

Registrant's telephone number, including area code: **(305) 507-8799**

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, \$0.0001 par value per share	MSGM	The Nasdaq Stock Market LLC (The Nasdaq Capital Market)

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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 standards provided pursuant to Section 13(a) of the Exchange Act.

Item 1.01 Entry into a Material Definitive Agreement.

On September 8, 2022, Motorsport Games Inc., a Delaware corporation (the “**Company**” or “**Motorsport Games**”), entered into a Support Agreement with Motorsport Network, LLC (“**Motorsport Network**”), which beneficially owns 7 million shares of the Company’s Class A common stock and all 7 million shares of the Company’s Class B common stock (with 10 votes per share), representing approximately 94% of the combined voting power of the Company’s Class A and Class B common stock (the “**Support Agreement**”). Pursuant to the Support Agreement, Motorsport Network agreed to promptly issue a \$3 million cash advance to Motorsport Games under the parties’ previously-disclosed \$12 million Line of Credit, the proceeds of which the Company plans to use for general corporate purposes and working capital.

Motorsport Network also agreed to vote all of its shares at a special meeting of the Company’s Class A and Class B common stock in favor of a 1-for-10 reverse stock split of the Company’s Class A and Class B common stock and in favor of any required actions related to such reverse stock split. With Motorsport Network’s agreement to provide its approval of the reverse stock split, the Company will have adequate shareholder support to approve the reverse stock split at the special meeting, which is currently expected to take place in the fourth quarter of 2022.

Under the Support Agreement, Motorsport Games agreed to promptly commence preparation for the aforesaid reverse stock split and proceed with its organizational restructuring described under Item 2.05 of this Form 8-K.

The foregoing description of the Support Agreement does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Support Agreement, a copy of which is attached hereto as Exhibit 10.1 and incorporated herein by reference.

Item 2.05. Costs Associated with Exit or Disposal Activities.

On September 8, 2022, promptly following Board approval, the Company announced that it is implementing an organizational restructuring (the “**2022 Restructuring Program**”) designed to reduce the Company’s marketing, general and administrative expenses, improve the Company’s profit and Adjusted EBITDA and maximize efficiency, cash flow and liquidity. The 2022 Restructuring Program includes right-sizing the organization and operating with more efficient workflows and processes. The primary components of the organizational restructuring involve consolidating certain functions; reducing layers of management, where appropriate, to increase accountability and effectiveness; and streamlining support functions to reflect the new organizational structure. The leaner organizational structure is also expected to improve communication flow and cross-functional collaboration, leveraging the more efficient business processes. In addition, given the ongoing uncertain economic environment and the potential effect that it could have on the Company’s net sales, these actions will also provide the Company with additional flexibility.

In connection with implementing the 2022 Restructuring Program, the Company expects to recognize during 2022 approximately \$0.1 million to \$0.3 million of total pre-tax restructuring and related charges, consisting primarily of employee-related costs, such as severance, retention and other contractual termination benefits. The Company expects that substantially all of these restructuring charges will be paid in cash during 2022, with the balance, if any, expected to be paid in 2023.

As a result of the 2022 Restructuring Program, the Company expects to eliminate approximately 20% of its overhead costs worldwide, including budgeted open positions, and deliver approximately \$4 million of total annualized cost reductions by the end of 2023. While the timing of certain employee reductions may vary by country, based on local legal requirements, the Company currently expects to substantially complete the employee-related actions by the end of September 2022. The immediate headcount cost reductions are expected to deliver annualized cost reductions of approximately \$2.5 million by the end of 2022, with additional actions to be taken during 2022 expected to generate an additional \$1.5 million of annualized cost reductions by the end of 2023.

The amounts and timing of all estimates are subject to change until finalized and may vary materially based on various factors. See “Cautionary Note Regarding Forward-Looking Statements” below.

Item 7.01. Regulation FD Disclosure.

On September 8, 2022, the Company issued a press release announcing, among other things, that it plans to effect a 1-for-10 reverse stock split of the Company’s Class A and Class B common stock. Pursuant to the Support Agreement, Motorsport Network agreed to vote all of its shares of Class A and Class B common stock, representing approximately 94% of the combined voting power of the Company’s Class A and Class B common stock, in favor of the reverse stock split and in favor of any required actions related to such reverse stock split. With Motorsport Network’s agreement to provide its approval of the reverse stock split, the Company will have adequate shareholder support to approve the reverse stock split at the special meeting.

The reverse stock split would be intended to increase the per share trading price of the Company’s Class A common stock, which the Company believes may make it more attractive to a broader range of institutional and other investors. The reverse stock split would also reduce some of the Company’s compliance costs, such as NASDAQ’s listing fees, and would be intended to satisfy the Company’s compliance with the NASDAQ’s minimum closing bid price requirement for continued listing. The same split ratio will be used to effect the reverse stock split of both the Company’s Class A and Class B common stock; accordingly, all stockholders will be affected proportionately.

The Company plans to file shortly with the Securities and Exchange Commission (“SEC”) and furnish to its stockholders a proxy statement which will include additional information about the reverse stock split and request that stockholder vote for the reverse stock split at a special meeting of stockholders. STOCKHOLDERS OF THE COMPANY ARE URGED TO READ THESE MATERIALS (INCLUDING ANY AMENDMENTS OR SUPPLEMENTS THERETO) AND ANY OTHER RELEVANT DOCUMENTS THAT THE COMPANY WILL FILE WITH THE SEC WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT THE COMPANY AND REVERSE STOCK SPLIT PROPOSAL AND OTHER MATTERS. Stockholders will be able to obtain free copies of these documents and other documents filed with the SEC by the Company through the website maintained by the SEC at www.sec.gov. In addition, stockholders will be able to obtain free copies of these documents from the company by contacting the Company’s Investor Relations by email at investors@motorsportgames.com, or by going to the Company’s Investor Relations page on its website at ir.motorsportgames.com.

Participants in the Solicitation

The directors and executive officers of the Company may be deemed to be participants in the solicitation of proxies from the stockholders of the Company in connection with the reverse stock split proposal and other matters. The following directors and executive officers of the Company are participants in the Company’s solicitation: Neil Anderson, Director, Francesco Piovanetti, Director, James Allen, Director, Peter Moore, Director, Dmitry Kozko, Chief Executive Officer and Executive Chairman, and Jonathan New, Chief Financial Officer. None of such participants owns in excess of 1% of the Company’s common stock except for Dmitry Kozko. Mr. Kozko beneficially owns 2.48% of the Company’s outstanding Class A common stock. Additional information regarding the interests of participants in the solicitation of proxies in respect of the special meeting will be included in the proxy statement.

The Company's Board of Directors will announce a record date for stockholders of record entitled to receive the proxy statement. It is expected that the reverse stock split will be consummated in the fourth quarter of 2022. While the Company intends to effect the reverse stock split as soon as practicable, subject to market and other customary conditions, there can be no assurances that the reverse stock split will be consummated or that it will achieve its intended effects, including those described above in this Form 8-K. The Company reserves the right, in its discretion, to abandon and/or change the terms of the reverse stock split at any time prior to filing the applicable charter amendment with the Delaware Secretary of State.

A copy of the press release is attached to this Form 8-K as Exhibit 99.1 and is incorporated by reference into this Item 7.01. The information contained in this Item 7.01, as well as in Exhibit 99.1, is furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), or otherwise subject to the liabilities of that section, and such information shall not be deemed to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

10.1 [Support Agreement, dated September 8, 2022](#)

99.1 [Motorsport Games Inc. Press Release](#)

104 Cover Page Interactive Data File (formatted as Inline XBRL)

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements in this Form 8-K which are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are provided pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements in this Form 8-K that are not statements of historical fact may be deemed forward-looking statements. Words such as “continue,” “will,” “may,” “could,” “should,” “expect,” “expected,” “plans,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” and similar expressions are intended to identify such forward-looking statements. The forward-looking statements in this Form 8-K include, without limitation, the Company’s beliefs, expectations and/or estimates about:

- (i) the Company’s plans to secure the \$3 million cash advance as contemplated by the Support Agreement, to use the proceeds thereof for general corporate purposes and working capital and to reinforce its liquidity for the long-term and managing its business in these volatile markets;
- (ii) the Company’s plans to implement the 2022 Restructuring Program and the expected benefits therefrom;
- (iii) the Company’s expectation that it will substantially complete the employee-related actions by the end of September 2022;
- (iv) the Company’s expectations regarding the amount and timing of the charges and payments related to the 2022 Restructuring Program;
- (v) the Company’s expectations that as a result of the 2022 Restructuring Program, the Company will deliver approximately \$4 million of total annualized cost reductions by the end of 2023, with the immediate headcount cost reductions expected to deliver annualized cost reductions of approximately \$2.5 million by the end of 2022 and additional actions to be taken during 2022 expected to generate an additional \$1.5 million of annualized cost reductions by the end of 2023; and

(vi) the Company's plans to consummate the reverse stock split, its expected terms, conditions and timing, as well as the intended benefits of the reverse stock split.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, many of which are generally outside the control of Motorsport Games and are difficult to predict. Examples of such risks and uncertainties include, but are not limited to:

(i) difficulties, delays or the inability of the Company to use the proceeds thereof as intended and/or in reinforcing its liquidity for the long-term and managing its business in these volatile markets, such as due to tightening credit and equity markets, less than anticipated consumer acceptance of the Company's games and events and/or recessionary factors in the broader economy that causes consumers to alter their purchasing habits in ways that the Company did not predict;

(ii) difficulties, delays or the inability of the Company to successfully complete the 2022 Restructuring Program, in whole or in part, which could result in less than expected operating and financial benefits from such actions;

(iii) delays in completing the 2022 Restructuring Program, which could reduce the benefits realized from such activities;

(iv) higher than anticipated restructuring charges and/or payments and/or changes in the expected timing of such charges and/or payments;

(v) less than anticipated annualized cost reductions from the 2022 Restructuring Program and/or changes in the timing of realizing such cost reductions, such as due to less than anticipated liquidity to fund such activities and/or more than expected costs to achieve the expected cost reductions; and/or

(vi) difficulties, delays, unanticipated costs or the Company's inability to consummate the reverse stock split on the expected terms and conditions or timeline, as well as future decreases in the price of the Company's Class A common stock whether due to, among other things, the announcement of the reverse stock split, the Company's inability to make its Class A common stock more attractive to a broader range of institutional or other investors or an inability to increase the stock price in an amount sufficient to satisfy compliance with the NASDAQ's minimum closing bid price requirement for continued listing.

Additional factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements can be found in Motorsport Games' filings with the Securities and Exchange Commission (the "SEC"), including its Annual Report on Form 10-K for the fiscal year ended December 31, 2021, its Quarterly Reports on Form 10-Q filed with the SEC during 2022, as well as in its subsequent filings with the SEC. Motorsport Games anticipates that subsequent events and developments may cause its plans, intentions and expectations to change. Motorsport Games assumes no obligation, and it specifically disclaims any intention or obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law. Forward-looking statements speak only as of the date they are made and should not be relied upon as representing Motorsport Games' plans and expectations as of any subsequent date. Additionally, the business and financial materials and any other statement or disclosure on, or made available through, Motorsport Games' website or other websites referenced or linked to this press release shall not be incorporated by reference into this press release.

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 hereunto duly authorized.

MOTORSPORT GAMES INC.

Date: September 8, 2022

By: /s/ Dmitry Kozko

Dmitry Kozko
Chief Executive Officer

EXHIBIT INDEX

Exhibit No.	Description
10.1	Support Agreement, dated September 8, 2022
99.1	Motorsport Games Inc. Press Release
104	Cover Page Interactive Data File (formatted as Inline XBRL)



Motorsport Games Inc.
5972 NE 4th Avenue
Miami, FL 33137
Attention: Board of Directors

September 8, 2022

Re: **Support Agreement**

Dear Motorsport Games Board Members:

This Support Agreement ("**Support Agreement**") is to confirm the following:

- (1) At Motorsport Games' written request, Motorsport Network will promptly issue a \$3 million cash advance (the "**Cash Advance**") to Motorsport Games under the \$12 million Line of Credit between the parties, initially dated as of April 1, 2020, and as amended as of September 4, 2020 and September 15, 2020 (the "**\$12 million Line of Credit**"), the proceeds of which Motorsport Games will use for general corporate purposes and working capital;
- (2) Motorsport Network and Motorsport Games hereby agree that the Cash Advance and any and all future advances (collectively, the "**Advances**") under the \$12 million Line of Credit shall be, in terms of payment priority, senior indebtedness of Motorsport Games and, unless Motorsport Network otherwise agrees in writing, any other indebtedness hereafter incurred, issued, assumed or permitted to exist by Motorsport Games shall be unsecured and subordinated and otherwise junior in right of payment to the Advances on terms acceptable to Motorsport Network, except as may be required by applicable law (such as in the case of claims in favor of employees, landlords, warehousemen, carriers, mechanics, materialmen, laborers, or suppliers or for taxes); and
- (3) Motorsport Network and Motorsport Games agree that the Side Letter Agreement dated September 4, 2020 is hereby terminated. Notwithstanding the foregoing, until June 30, 2024, Motorsport Network agrees not to demand repayment of the Cash Advance or other Advances under the \$12 million Line of Credit unless and until such time that any of the following shall occur or exist: (i) Motorsport Games enters into a new financing arrangement (whether debt, equity or otherwise) after the date hereof under which Motorsport Games is then able to draw or provides Motorsport Games with available cash in excess of amounts required in Motorsport Games' reasonable judgment to run its operations in the ordinary course of business; (ii) Motorsport Games generates from operations available cash in excess of amounts required in Motorsport Games' reasonable judgment to run its operations in the ordinary course of business; or (iii) Motorsport Games' independent auditors issue an unqualified opinion on its financial statements and Motorsport Games' repayment of the advances, in whole or in part, would not otherwise cause the independent auditor to issue a going concern qualified opinion. Upon the occurrence of any of the foregoing events, Motorsport Games shall prepay on such date principal amount of the Cash Advance and other Advances under the \$12 million Line of Credit then outstanding in an amount equal to such available excess cash or, in the case of (iii) above, the amount that would not cause the independent auditor to issue a going concern qualified opinion, together with interest accrued but unpaid on the unpaid Cash Advance and other Advances, which repayment obligation shall continue until all such advances are paid in full. The entire aggregate principal amount of the Cash Advance and the other Advances, together with interest accrued but unpaid thereon, shall also become immediately and automatically due and payable, and the \$12 million Line of Credit shall immediately and automatically terminate, in each case without any action required by Motorsport Network, if (i) Motorsport Games experience an event of default under any other debt instrument, agreement or arrangement; or (ii) any final judgment or final judgments for the payment of money in excess (net of amounts covered by third-party insurance with insurance carriers who have not disclaimed liability with respect to such judgment or judgments) of \$500,000 or its foreign currency equivalent is entered against Motorsport Games or any subsidiary and is not discharged and either (a) an enforcement proceeding has been commenced by any creditor upon such judgment or decree or (b) there is a period of 60 days following the entry of such judgment or decree during which such judgment or decree is not discharged, waived or the execution thereof stayed and, in the case of (b), such default continues for 60 consecutive days; and
- (4) Motorsport Network will vote all of its shares of Motorsport Games Class A and Class B common stock in favor of a reverse stock split of the Company's Class A and Class B common stock at a ratio recommended by Motorsport Games' Board of Directors and in favor of any required actions related to such reverse stock split, subject to customary conditions.

Motorsport Games will promptly commence preparation for the aforesaid reverse stock split and proceed with its organizational restructuring as approved by Motorsport Games' Board of Directors.

This Support Agreement: (i) is intended to bind and inure to the benefit of the parties and their respective successors, assigns, heirs, executors, administrators and representatives; (ii) constitutes the entire agreement of the parties with respect to the subject matter of this Support Agreement, and supersedes all other prior negotiations, agreements, and understandings, whether written or oral, among the parties with respect to the subject matter of this Support Agreement; (iii) may be executed in one or more counterparts (which may be by electronic means), each of which shall be deemed an original and all of which shall constitute one and the same agreement; (iv) may be amended or waived, if, and only if, such amendment or waiver is in writing and signed by each of the parties hereto; and (v) shall be governed by, and construed in accordance with, the laws of the State of Florida, regardless of any conflicts of law principles that would require the application of the law of another jurisdiction and the parties (a) irrevocably submit to the exclusive jurisdiction of any court located in Miami-Dade County, Florida for the purposes of any suit, action or other proceeding arising hereunder, (b) unconditionally waive any objection to the laying of venue of any action, suit or proceeding arising hereunder in any such court, (c) waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum, and (d) **IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT AND/OR THE TRANSACTIONS CONTEMPLATED HEREBY.**

In the event that any of the provisions of this Support Agreement shall be held by a court or other tribunal of competent jurisdiction to be illegal, invalid or unenforceable, such provisions shall be limited or eliminated to the minimum extent necessary so that this Support Agreement shall otherwise remain in full force and effect. Nothing expressed or referred to in this Support Agreement will be construed to give any person, entity or body, other than the parties to this Support Agreement, any legal or equitable right, remedy, or claim under or with respect to this Support Agreement or any provision of this Support Agreement. This Support Agreement and all of its provisions and conditions are for the sole and exclusive benefit of the parties to this Support Agreement. No failure or delay by any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege, except as may be set forth in a writing by the party charged with any such waiver. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

The parties agree that the text of any press release issued by Motorsport Games describing this Support Agreement and transactions contemplated hereby shall be reasonably satisfactory to Motorsport Network, except as required by applicable laws, rules, regulations and listing standards.

Best regards,

MOTORSPORT NETWORK, LLC

By: /s/ Mike Zoi

Mike Zoi
Manager

ACKNOWLEDGED AND AGREED:

MOTORSPORT GAMES INC.

By: /s/ Dmitry Kozko

Dmitry Kozko
Chief Executive Officer

Motorsport Games Announces Transformative 2022 Restructuring Program, Financing Commitment and Plans for Reverse Stock Split

2022 Restructuring Program designed to improve Profitability and Cash Flow – Expected to generate approximately \$4 million in Annualized Cost Reductions by the end of 2023

Financing Commitment will Improve Capital Structure and Deliver New Funding for the Business

Planned Reverse Stock Split Expected to Allow Motorsport Games to Re-gain Compliance with NASDAQ’s Continued Listing Standards

MIAMI, September 8, 2022 — Motorsport Games Inc. (NASDAQ: MSGM) (“Motorsport Games” or the “Company”) today announced several important steps forward in strengthening the Company’s business, capital structure and foundation for achieving future growth.

First, the Company executed a Support Agreement with its majority stockholder, Motorsport Network, LLC (“Motorsport Network”), pursuant to which Motorsport Network recently paid a \$3 million cash advance to Motorsport Games under the terms of the parties’ pre-existing line of credit.

Second, the Company announced a new organizational restructuring program (the “2022 Restructuring Program”) that is expected to generate material annualized cost reductions of approximately \$4 million by the end of 2023. The goal of the 2022 Restructuring Program is to build a stronger global business operation, enhance the Company’s cost efficiency and improve the Company’s operating margins.

In an effort to re-gain compliance with NASDAQ’s continued listing standards, the Company also announced its plans to effect a 1-for-10 reverse stock split during the fourth quarter of 2022, following stockholder approval. Motorsport Network agreed to exercise its combined 94% voting power to support the reverse stock split at a special meeting expected to be held shortly.

Dmitry Kozko, the Company’s CEO, stated, “Today’s announcement represents an important, necessary, and logical next step forward for Motorsport Games. The financing commitment and the launch of the new restructuring program represent our plans to optimize our business for the future and create a more optimal business structure that is designed to achieve success in terms of long-term profitability. The 2022 Restructuring Program, which we are implementing immediately, is expected to create a stronger global business operating model, enhance cost efficiency and improve profit margins to drive growth in operating income and Adjusted EBITDA. With the increased liquidity, and a more efficient and streamlined business, we are taking steps to becoming a stronger, more financially sound organization, while being in a better position to take on opportunities within the gaming industry and continuing to deliver for our key stakeholders and, most importantly, our deeply dedicated racing fans. That said, we recognize that we have additional work to do in terms of reinforcing our liquidity for the long-term and managing our business in these volatile markets.”

Oliver Ciesla, CEO of Motorsport Network, said, “At Motorsport Network, we are proud of the recent progress the Motorsport Games team has been making, especially on the game development side, thus, we decided to provide additional working capital to Motorsport Games. In addition, Motorsport Games has an exclusive promotion agreement with Motorsport Network under which Motorsport Games can exclusively advertise its products on our Motorsport Network channels in front of up to 62 million monthly unique users. To all motorsport series that are partners of Motorsport Games, this offers a unique marketing advantage. Also, our recent Global fan surveys with Formula 1, INDYCAR and MotoGP show the significant crossover of young gamers with motorsport fans, who desire interactive entertainment such as Motorsport Games strives to provide. With this, Motorsport Network is a strong believer in Motorsport Games’ future to successfully produce and market great interactive entertainment for the global motorsport fans and beyond.”

2022 Restructuring Program and Cost Reductions

The 2022 Restructuring Program is designed to reduce the Company's marketing, general and administrative expenses, improve the Company's profit and Adjusted EBITDA and maximize efficiency, cash flow and liquidity.

Through the 2022 Restructuring Program, the Company expects to eliminate approximately 20% of its overhead costs worldwide, including budgeted open positions, and deliver approximately \$4 million of total annualized cost reductions by the end of 2023. The immediate headcount cost reductions are expected to deliver annualized cost reductions of approximately \$2.5 million by the end of 2022, with additional actions to be taken during 2022 expected to generate an additional \$1.5 million of annualized cost reductions by the end of 2023.

The 2022 Restructuring Program includes right-sizing the organization and operating with more efficient workflows and processes. The primary components of the organizational restructuring involve consolidating certain functions; reducing layers of management, where appropriate, to increase accountability and effectiveness; and streamlining support functions to reflect the new organizational structure. The leaner organizational structure is also expected to improve communication flow and cross-functional collaboration, leveraging the more efficient business processes. In addition, given the ongoing uncertain economic environment and the potential effect that it could have on net sales, this action will also provide the Company with additional flexibility.

In connection with implementing the 2022 Restructuring Program, the Company expects to recognize during 2022 approximately \$0.1 million to \$0.3 million of total pre-tax restructuring and related charges, consisting primarily of employee-related costs, such as severance, retention and other contractual termination benefits. The Company expects that substantially all of these restructuring charges will be paid in cash during 2022, with the balance, if any, expected to be paid in 2023. The amounts and timing of all estimates are subject to change until finalized and may vary materially based on various factors. See "Forward-Looking Statements" below.

Financing Commitment

The agreement reached with Motorsport Network will provide the Company with \$3 million in cash which the Company plans to use for general corporate purposes and working capital. As a result of such cash funding, the Company has on hand approximately \$4.5 million of cash. The Company continues to work with its financial advisors on longer-term solutions to its liquidity needs.

Reverse Stock Split

The Company also announced today that its Board of Directors approved a reverse split of its Class A and Class B common stock at a 1-for-10 split ratio. Pursuant to the Support Agreement, Motorsport Network agreed to vote all of its shares of Class A and Class B common stock, representing approximately 94% of the combined voting power of the Company's Class A and Class B common stock, in favor of the reverse stock split and in favor of any required actions related to such reverse stock split. With Motorsport Network's agreement to provide its approval, the Company will have adequate shareholder support to approve the split at the special meeting of stockholders.

The reverse stock split would be intended to increase the per share trading price of the Company's Class A common stock, which the Company believes may make it more attractive to a broader range of institutional and other investors. The reverse stock split would also reduce certain of the Company's compliance costs, such as NASDAQ's listing fees, and would be intended to satisfy the Company's compliance with the NASDAQ's minimum closing bid price requirement for continued listing. The same reverse split ratio will be used to effect the reverse stock split of both the Company's Class A and Class B common stock; accordingly all stockholders will be affected proportionately.

No fractional shares will be issued in connection with the reverse stock split. Shares that would otherwise have resulted in fractional shares from the reverse stock split will be collected and pooled by the Company's transfer agent and sold in the open market. The proceeds will be allocated to the stockholders' respective accounts who are entitled to receive cash in lieu of fractional shares. The number of common shares subject to the Company's outstanding employee and director stock options and restricted stock, as well as the relevant exercise price per share, will be proportionately adjusted to reflect the reverse stock split. The number of shares authorized for issuance under the Company's stock plan will also be reduced by the same reverse stock split ratio.

The Company plans to file shortly with the SEC a proxy statement which will include additional information about the reverse stock split and requesting stockholders to vote for the reverse stock split at an upcoming special meeting, which proxy statement will be available on the SEC's website at www.sec.gov. The Company expects the reverse stock split to be consummated during the fourth quarter of 2022.

FORWARD-LOOKING STATEMENTS

Certain statements in this press release which are not historical facts are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are provided pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Any statements in this press release that are not statements of historical fact may be deemed forward-looking statements. Words such as "continue," "will," "may," "could," "should," "expect," "expected," "plans," "intend," "anticipate," "believe," "estimate," "predict," "potential," and similar expressions are intended to identify such forward-looking statements.

These forward-looking statements include, but are not limited to, statements concerning:

- (i) the Company's plans to secure the \$3 million cash advance as contemplated by the Support Agreement, to use the proceeds thereof for general corporate purposes and working capital and to reinforce its liquidity for the long-term and managing its business in these volatile markets;
- (ii) the Company's plans to implement the 2022 Restructuring Program and the expected benefits therefrom;
- (iii) the Company's expectation that it will substantially complete the employee-related actions by the end of September 2022;
- (iv) the Company's expectations regarding the amount and timing of the charges and payments related to the 2022 Restructuring Program;
- (v) the Company's expectations that as a result of the 2022 Restructuring Program, the Company will deliver approximately \$4 million of total annualized cost reductions by the end of 2023, with the immediate headcount reductions expected to deliver annualized cost reductions of approximately \$2.5 million by the end of 2022 and additional actions to be taken during 2022 expected to generate an additional \$1.5 million of annualized cost reductions by the end of 2023; and

(vi) the Company's plans to consummate the reverse stock split, its expected terms, conditions and timing, as well as the intended benefits of the reverse stock split.

All forward-looking statements involve significant risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, many of which are generally outside the control of Motorsport Games and are difficult to predict. Examples of such risks and uncertainties include, but are not limited to:

(i) difficulties, delays or the inability of the Company to use the proceeds thereof as intended and/or in reinforcing its liquidity for the long-term and managing its business in these volatile markets, such as due to tightening credit and equity markets, less than anticipated consumer acceptance of the Company's games and events and/or recessionary factors in the broader economy that causes consumers to alter their purchasing habits in ways that the Company did not predict;

(ii) difficulties, delays or the inability of the Company to successfully complete the 2022 Restructuring Program, in whole or in part, which could result in less than expected operating and financial benefits from such actions;

(iii) delays in completing the 2022 Restructuring Program, which could reduce the benefits realized from such activities;

(iv) higher than anticipated restructuring charges and/or payments and/or changes in the expected timing of such charges and/or payments;

(v) less than anticipated annualized cost reductions from the 2022 Restructuring Program and/or changes in the timing of realizing such cost reductions, such as due to less than anticipated liquidity to fund such activities and/or more than expected costs to achieve the expected cost reductions; and/or

(vi) difficulties, delays, unanticipated costs or the Company's inability to consummate the reverse stock split on the expected terms and conditions or timeline, as well as future decreases in the price of the Company's Class A common stock whether due to, among other things, the announcement of the reverse stock split, the Company's inability to make its Class A common stock more attractive to a broader range of institutional or other investors or an inability to increase the stock price in an amount sufficient to satisfy compliance with the NASDAQ's minimum closing bid price requirement for continued listing.

Additional factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements can be found in Motorsport Games' filings with the Securities and Exchange Commission (the "SEC"), including its Annual Report on Form 10-K for the fiscal year ended December 31, 2021, its Quarterly Reports on Form 10-Q filed with the SEC during 2022, as well as in its subsequent filings with the SEC. Motorsport Games anticipates that subsequent events and developments may cause its plans, intentions and expectations to change. Motorsport Games assumes no obligation, and it specifically disclaims any intention or obligation, to update any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by law. Forward-looking statements speak only as of the date they are made and should not be relied upon as representing Motorsport Games' plans and expectations as of any subsequent date. Additionally, the business and financial materials and any other statement or disclosure on, or made available through, Motorsport Games' website or other websites referenced or linked to this press release shall not be incorporated by reference into this press release.

Website and Social Media Disclosure:

Investors and others should note that we announce material financial information to our investors using our investor relations website (ir.motorsportgames.com), SEC filings, press releases, public conference calls and webcasts. We use these channels, as well as social media and blogs, to communicate with our investors and the public about our company and our products. It is possible that the information we post on our websites, social media and blogs could be deemed to be material information. Therefore, we encourage investors, the media and others interested in our company to review the information we post on the websites, social media channels and blogs, including the following (which list we will update from time to time on our investor relations website):

Websites	Social Media
motorsportgames.com	Twitter: @msportgames & @traxiongg
traxion.gg	Instagram: msportgames & traxiongg
motorsport.com	Facebook: Motorsport Games & traxiongg
	LinkedIn: Motorsport Games
	Twitch: traxiongg
	Reddit: traxiongg

The contents of these websites and social media channels are not part of, nor will they be incorporated by reference into, this press release.

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