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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2024

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: **001-39868**

Motorsport Games Inc.
(Exact name of registrant as specified in its charter)

Delaware	**86-1791356**
State or other jurisdiction of incorporation or organization	I.R.S. Employer Identification No.
5972 NE 4th Avenue Miami, FL	**33137**
Address of principal executive offices	Zip Code

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

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)**

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has 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 registrant 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 registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
	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. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☒

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of the registrant's Class A common stock as reported on The Nasdaq Capital Market on June 30, 2024, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $2,969,200.

As of March 20, 2025, the registrant had 3,183,558 shares of Class A common stock, with 1 vote per share, and 700,000 shares of Class B common stock, with 10 votes per share, issued and outstanding. At such date, Driven Lifestyle Group LLC ("Driven Lifestyle") owned (i) 1,480,385 shares of the registrant's issued and outstanding Class A common stock and (ii) all 700,000 shares of the registrant's issued and outstanding Class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2025 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

Form 10-K
For the Fiscal Year Ended December 31, 2024

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Report") of Motorsport Games Inc. (the "Company," "Motorsport Games," "we," "us" or "our") contains certain statements, which are not historical facts and are "forward-looking statements" within the meaning of federal securities laws. These forward-looking statements are subject to certain risks, trends and uncertainties. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. We use words, such as "could," "would," "may," "might," "will," "expect," "likely," "believe," "continue," "anticipate," "estimate," "intend," "plan," "project" and other similar expressions to identify some forward-looking statements, but not all forward-looking statements include these words. For example, forward-looking statements include, but are not limited to, statements we make relating to:

- our liquidity and capital requirements, including, without limitation, as to our ability to continue as a going concern; our belief that we will not have sufficient cash on hand to fund our operations over the next year based on the cash and cash equivalents available and our average cash burn; our belief

that additional funding will be required in order to continue operations; our expectation that we will continue to have a net cash outflow from operations for the foreseeable future as we continue to develop our product portfolio and invest in developing new video game titles; our expectation that we will continue to incur losses for the foreseeable future as we continue to incur significant expenses; our plans to address our liquidity short fall, including our exploration of several options, including, but not limited to: additional funding in the form of potential equity and/or debt financing arrangements or similar transactions, strategic alternatives for our business, including, but not limited to, the sale or licensing of our assets or merger, and further cost reduction and restructuring initiatives; our expectation that if any strategic alternative is executed, this would help to reduce certain working capital requirements and reduce overhead expenditures, thereby reducing our expected future cash-burn, and provide some short-term liquidity relief, but that we will continue to require additional funding and/or further cost reduction measures in order to continue operations, which includes further restructuring of our business and operations; our plan to continue to seek to reduce our monthly net cash-burn by reducing our cost base through maintaining and enhancing cost control initiatives, and plans to continue to evaluate the structure of our business for additional changes in order to improve both our near-term and long-term liquidity position; statements regarding potential alternatives we may be required to adopt if we are unable to satisfy our capital requirements, and our belief that if we are ultimately unable to satisfy our capital requirements, we would likely need to dissolve and liquidate our assets under the bankruptcy laws or otherwise; our belief that there is a substantial likelihood that Driven Lifestyle Group LLC ("Driven Lifestyle"), formerly known as Motorsport Network, LLC, will not fulfill our future borrowing requests under the $12 million Line of Credit (as defined in this Report); and statements regarding our cash flows and anticipated uses of cash;

- the sale of our NASCAR License (as defined in this Report), including our belief that our existing business model will need to be modified, our risk profile relating to our operations will be significantly altered, we may encounter difficulties or challenges in continuing operations due to the sale of the license, and that our cash flows and results of operations will likely be materially adversely impacted as we anticipate no more revenues to be generated by our existing NASCAR products subsequent to December 31, 2024;

- our intended corporate purpose to make the thrill of motorsports accessible to everyone by creating the highest quality, most sophisticated and most innovative experiences for racers, gamers and fans of all ages;

- new or planned products or offerings, including the anticipated timing of any new product or offering launches, such as our current plans to organize the 2025/26 Le Mans Virtual Series to commence this year, as well as the possibility of further adjustments to our product roadmap due to the continuing impact of our liquidity position;

- our plans to strive to become a leader in organizing and facilitating esports tournaments, competitions, and events for our licensed racing games as well as on behalf of third-party racing game developers and publishers;

- our intention to continue exploring opportunities to expand the recurring portion of our Esports segment outside of Le Mans;

- our belief that connecting virtual racing gamers and esports fans on a digital entertainment and social platform represents the greatest opportunity to enhance the way that people learn, watch, play, and experience racing video games and racing esports;

- our beliefs regarding the growing importance and business viability of esports, especially within the racing and motorsport genres;

- our belief that our esports business has the potential to generate incremental revenues through the further sale of media rights to our esports events and competitions, as well as, among other things, merchandising, if the esports audience pattern continues to grow;

- our plans to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through in-game purchases and extra content;

- our expectation that we will continue to derive significant revenues from sales of our products to a very limited number of distribution partners;

- our intention to continue to look for opportunities to expand the recurring portion of our business, including through the planned introduction of new annualized sports franchise games, such as with Le Mans;

- our intended use of proceeds from the sales of our equity securities;

- our statements and assumptions relating to the impairment of assets;

- our plans and intentions with respect to our remediation efforts to address the material weaknesses in our internal control over financial reporting;

- our belief that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on our business, prospects, results of operations, financial condition and/or cash flows, except as otherwise disclosed in this Report, and that in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period; our beliefs regarding the merit of any plaintiff's allegations and the impact of any claims and litigation that we are subject to; and our plans and intentions with respect to defending our position in any legal proceeding;

- our intention to not declare dividends in the foreseeable future;

- our ability to utilize net operating loss carryforwards;

- our expectations regarding the future impact of implementing management strategies, potential acquisitions, mergers and industry trends;

- our plans and intentions to regain compliance with the listing requirements of The Nasdaq Stock Market LLC ("NASDAQ"), including our plan to implement equity financing transactions;

- our belief that we may decide in the future to avail ourselves of certain corporate governance requirements of NASDAQ as a result of being a "controlled company" within the meaning of the NASDAQ rules;

- our expectations relating to any cost reduction and restructuring initiatives, including expected savings and any restructuring charges to be incurred; and

- our expectations that our current development operations will not have significant exposure to changes in circumstances arising from the Ukraine-Russia and Middle East conflicts.

The forward-looking statements contained in this Report are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read and consider this Report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control) and assumptions that are difficult to predict. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance anticipated in the forward-looking statements. Important factors that could cause our actual results to differ materially from those projected in any forward-looking statements are

discussed in "Risk Factors" in Part I, Item 1A of this Report, as updated in our subsequent filings with the Securities and Exchange Commission (the "SEC"). In addition to factors that may be described in our filings with the SEC, including this Report, the following factors, among others, could cause our actual results to differ materially from those expressed in any forward-looking statements made by us:

(i) difficulties and/or delays in accessing available liquidity, and other unanticipated difficulties in resolving our continuing financial condition and ability to obtain additional capital to meet our financial obligations, including, without limitation, difficulties in securing funding that is on commercially acceptable terms to us or at all, such as our inability to complete in whole or in part any potential debt and/or equity financing transactions or similar transactions, any inability to achieve cost reductions, including, without limitation, those which we expect to achieve through any cost reduction and restructuring initiatives, as well as any inability to consummate additional strategic alternatives for our business, including, but not limited to, the sale or licensing of our assets, and/or less than expected benefits resulting from any such strategic alternative; difficulties, delays or our inability to efficiently manage our cash and working capital; higher than expected operating expenses; adverse impacts to our liquidity position resulting from the higher interest rate and higher inflationary environment; the unavailability of funds from anticipated borrowing sources; the unavailability of funds from our inability to reduce or control costs, including, without limitation, those which we expect to achieve through any cost reduction and restructuring initiatives; lower than expected operating revenues, cash on hand and/or funds available from anticipated borrowings or funds expected to be generated from cost reductions resulting from the implementation of cost control initiatives, such as through any cost reduction and restructuring initiatives; and/or less than anticipated cash generated by our operations; and/or adverse effects on our liquidity resulting from changes in economic conditions (such as continued volatility in the financial markets, whether attributable to COVID-19, the ongoing wars between Russia and Ukraine and between Israel and Hamas or otherwise; significantly higher rates of inflation, significantly higher interest rates and higher labor costs; the impact of higher energy prices on consumer purchasing behavior, monetary conditions and foreign currency fluctuations, tariffs, foreign currency controls and/or government-mandated pricing controls, as well as in trade, monetary, fiscal and tax policies), political conditions (such as military actions and terrorist activities) and pandemics and natural disasters; and/or the unavailability of funds from (A) delaying the implementation of or revising certain aspects of our business strategy; (B) reducing or delaying the development and launch of new products and events; (C) reducing or delaying capital spending, product development spending and marketing and promotional spending; (D) selling assets or operations; (E) seeking additional capital contributions and/or loans from Driven Lifestyle, the Company's other affiliates and/or third parties; and/or (F) reducing other discretionary spending;

(ii) difficulties, delays or less than expected results in achieving our growth plans, objectives and expectations, such as due to a slower than anticipated economic recovery and/or our inability, in whole or in part, to continue to execute our business strategies and plans, such as due to less than anticipated customer acceptance of our new game titles, our experiencing difficulties or the inability to launch our games as planned, less than anticipated performance of the games impacting customer acceptance and sales and/or greater than anticipated costs and expenses to develop and launch our games, including, without limitation, higher than expected labor costs;

(iii) difficulties, delays in or unanticipated events that may impact the timing and scope of new product launches, such as due to difficulties and/or delays related to our transition from using development staff in Russia to using development staff in other countries and/or difficulties and/or delays arising out of any resurgence of the COVID-19 pandemic;

(iv) less than expected benefits from implementing our management strategies and/or adverse economic, market and geopolitical conditions that negatively impact industry trends, such as significant changes in the labor markets, an extended or higher than expected inflationary environment (such as the impact on consumer discretionary spending as a result of significant increases in energy and gas prices which have been increasing since early in 2020), a higher interest rate environment, tax increases impacting consumer discretionary spending and or

quantitative easing that results in higher interest rates that negatively impact consumers' discretionary spending, or adverse developments relating to the ongoing war between Russia and Ukraine and conflicts in the Middle East;

(v) difficulties and/or delays adversely impacting our ability (or inability) to maintain existing, and to secure additional, licenses and other agreements with various racing series;

(vi) difficulties and/or delays adversely impacting our ability to successfully manage and integrate any joint ventures, acquisitions of businesses, solutions or technologies;

(vii) unanticipated operating costs, transaction costs and actual or contingent liabilities;

(viii) difficulties and/or delays adversely impacting our ability to attract and retain qualified employees and key personnel;

(ix) adverse effects of increased competition;

(x) changes in consumer behavior, including as a result of general economic factors, such as increased inflation, recessionary factors, higher energy prices and higher interest rates;

(xi) difficulties and/or delays adversely impacting our ability to protect our intellectual property;

(xii) local, industry and general business and economic conditions;

(xiii) unanticipated adverse effects on our business, prospects, results of operations, financial condition, cash flows and/or liquidity as a result of unexpected developments with respect to our legal proceedings;

(xiv) difficulties, delays or our inability to successfully complete any cost reduction and restructuring initiatives, which could reduce the benefits realized from such activities;

(xv) higher than anticipated restructuring charges and/or payments and/or changes in the expected timing of such charges and/or payments as a result of, among other things, legal requirements in applicable foreign jurisdictions; and/or less than anticipated annualized cost reductions from our plans 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;

(xvi) difficulties, delays, less than expected results or our inability to successfully implement any strategic alternative or potential option for our business, including, but not limited to, the sale or licensing of certain of our assets, which could result in, among other things, less than expected financial benefits from such actions;

(xvii) difficulties and/or delays or unanticipated developments adversely impacting our ability to regain compliance with the NASDAQ's listing requirements, such as our inability to implement equity financing transactions; and

(xviii) unanticipated adverse effects arising from our inability to fully repay Luminis International B.V. and Technology In Business B.V., the sellers of Studio 397 B.V. ("Studio397"), relating to our acquisition of 100% of the share capital of Studio397 in April 2021.

Additionally, there are other risks and uncertainties described from time to time in the reports that we file with the SEC. Should one or more of these risks or uncertainties materialize or should any of these assumptions prove to be incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement contained in this Report to reflect events or circumstances after the date on which it is

made or to reflect the occurrence of anticipated or unanticipated events or circumstances, except as otherwise required by law. New factors that could cause our business not to develop as we expect emerge from time to time, and it is not possible for us to predict all of them. Further, we cannot assess the impact of each currently known or new factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

RISK FACTORS SUMMARY

We are subject to a variety of risks and uncertainties, including risks related to our financial condition and liquidity; risks related to our business and industry; risks related to our relationship with Driven Lifestyle Group LLC ("Driven Lifestyle"), formerly known as Motorsport Network, LLC, which controls more than a majority of our issued and outstanding voting shares; risks related to our Company; risks related to the ownership of our Class A common stock; and certain general risks, which could have a material adverse effect on our business, financial condition, liquidity, results of operations and cash flows. These risks include, but are not limited to, the following principal risks:

- We have incurred significant losses since our inception, and we expect to continue to incur losses for the foreseeable future. Accordingly, our financial condition raises substantial doubt regarding our ability to continue as a going concern.

- We will require additional capital to meet our financial obligations, and this capital might not be available on acceptable terms or at all.

- Limits on our borrowing capacity under the $12 million Line of Credit may affect our ability to finance our operations.

- If we do not consistently deliver popular products or if consumers prefer competing products, our business will be negatively impacted.

- Our business and products are highly concentrated in the racing game genre, and our operating results may suffer if consumer preferences shift away from this genre.

- If we do not provide high-quality products in a timely manner, our business operations, financial performance, financial condition, liquidity, cash flows and/or results of operations may be negatively impacted.

- We may not be successful in identifying and implementing one or more strategic alternatives for our business, and any strategic alternative that we may consummate could have material adverse consequences for us.

- Declines in consumer spending and other adverse changes in economic, market and geopolitical conditions could have a material adverse effect on our business, financial condition and operating results.

- We depend on a relatively small number of franchises for a significant portion of our revenues and profits.

- Our ability to acquire and maintain licenses to intellectual property, especially for racing series, affects our revenue and profitability. Competition for these licenses may make them more expensive and increase our costs.

- We plan to continue to generate a portion of our revenues from advertising and sponsorship during our esports events. If we fail to attract more advertisers and sponsors to our gaming platform, tournaments or competitions, our revenues will be adversely affected.

- We may not successfully manage the transitions associated with certain of our executive officers, which could have an adverse impact on us.

- We are reliant on the retention of certain key personnel and the hiring of strategically valuable personnel, and we may lose or be unable to hire one or more of such personnel.

- The success of our business relies on our marketing and branding efforts, and these efforts may not be accepted by consumers to the extent we planned.

- Failure to adequately protect our intellectual property, technology and confidential information could harm our business and operating results.

- Driven Lifestyle controls a significant portion of our Class A common stock and all of our Class B common stock and therefore has the ability to exert significant control over the direction of our business, which could prevent other stockholders from influencing significant decisions regarding our business plans and other matters.

- If we are no longer controlled by or affiliated with Driven Lifestyle, we may be unable to continue to benefit from that relationship, which may adversely affect our operations and have a material adverse effect on us and our business, results of operations and financial condition.

- Our limited operating history makes it difficult to evaluate our current business and future prospects, and we may not be able to effectively grow our business or implement our business strategies.

- We are an emerging growth company and a smaller reporting company, and we cannot be certain if the reduced disclosure requirements applicable to us will make our Class A common stock less attractive to investors.

- Our Class A common stock may be delisted from NASDAQ, which could affect the market price and liquidity of our Class A common stock.

- The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

For a more complete discussion of the material risk factors applicable to us, see "Risk Factors" in Part I, Item 1A of this Report.

PART I

Item 1. Business

Company Overview

Motorsport Games is a racing game developer, publisher and esports ecosystem provider of official motorsport racing series, including games based on the iconic 24 Hours of Le Mans endurance race ("Le Mans") and the associated FIA World Endurance Championship (the "WEC"). Our portfolio also includes the KartKraft karting simulation game, as well as Studio 397 B.V. ("Studio397") and their rFactor 2 realistic racing simulator technology and platform. rFactor 2 also powers F1® Arcade through a partnership with Kindred Concepts.

Our purpose is to make the thrill of motorsports accessible to everyone by creating the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. Our products and services target a large global motorsport audience. The latest figures reported from 2024 show Le Mans, which includes the WEC, having a cumulative global audience of 255 million, while the global fanbase for Formula 1 was estimated to be 750 million in 2024.

We develop and publish multi-platform racing video games including for game consoles, personal computers (PCs) and mobile platforms through various retail and digital channels, including full-game and downloadable content ("DLC"). We have obtained the official licenses to develop multi-platform games for the 24 Hours of Le Mans race and the WEC. Additionally, we had a limited non-exclusive right and license to, among

other things, sell our NASCAR games and DLCs that were in our product portfolio through December 31, 2024. For fiscal years 2024 and 2023, 52% and 72% of our total revenue, respectively, was generated from sales of our NASCAR racing video games.

We are striving to become a leader in organizing and facilitating esports tournaments, competitions, and events for our licensed racing games. In 2023, we organized the grand finale of the Le Mans Virtual Series 2022/23, the 24 Hours of Le Mans Virtual event, which had a cumulative total of approximately 8.8 million video views with approximately 27 million minutes watched. The 24 Hours of Le Mans Virtual event had a global audience of 5 million across television (TV)/over-the-top (OTT) channels. We continue to leverage esports competitions to bring wider awareness and engagement to our gaming products, while creating inspiring event spectacles for our viewers.

Company Background

Motorsport Games was formed in 2018 by Driven Lifestyle as a wholly-owned subsidiary in connection with the acquisition by Motorsport Games of a controlling interest in 704Games Company, which previously held the exclusive license to be the official video game developer and publisher for the NASCAR video game racing franchise, subject to certain limited exceptions. On October 3, 2023, we sold our NASCAR licensed rights under that certain Second Amended and Restated Distribution and License Agreement with NASCAR Team Properties ("NTP") (the "NASCAR License") to iRacing.com Motorsport Simulations, LLC ("iRacing"). Prior to the sale of our NASCAR License, we had been the official video game developer and publisher for the NASCAR video game racing franchise and had the exclusive right to create and organize esports leagues and events for NASCAR using our NASCAR racing video games, in each case, subject to certain limited exceptions. Concurrently with the sale of our NASCAR License, we entered into an agreement with NTP pursuant to which we had a limited non-exclusive right and license to, among other things, sell our NASCAR games and DLCs that were in our product portfolio through December 31, 2024 (the "NASCAR New Limited License").

Due to the uncertainty surrounding our ability to raise funding, and in light of our liquidity position and anticipated future funding requirements, we continue to explore other strategic alternatives and potential options for our business, including, but not limited to, the sale or licensing of certain of our assets and/or a merger in addition to the past sales of our NASCAR License and Traxion, which was our motorsport and racing games community content platform. If any such additional strategic alternative is executed, it is expected it would help to improve our working capital position and reduce overhead expenditures, thereby lowering our expected future cash-burn, and provide some short-term liquidity relief. Nonetheless, even if we are successful in implementing one or more additional strategic alternatives, we will continue to require additional funding and/or further cost reduction measures in order to continue operations, which includes further restructuring of our business and operations. There are no assurances that we will be successful in implementing any additional strategic plans for the sale or licensing of our assets, or any other strategic alternative, which may be subject to the satisfaction of conditions beyond our control.

We entered into an agreement to facilitate the Le Mans Esports Series as part of a joint venture with Automobile Club de l'Ouest ("ACO"), the organizer of the 24 Hours of Le Mans endurance race in 2019. Through our ownership interest in this joint venture, which was increased to 51% from 45% in January 2021, we secured the rights to be the exclusive video game developer and publisher for the 24 Hours of Le Mans race and the WEC, which the 24 Hours of Le Mans race is a part of, for a ten-year period. In addition, through this joint venture with ACO, we have the right to create and organize esports leagues and events for the Le Mans Esports Series.

In May 2020, we entered into a multi-year licensing agreement to use certain licensed intellectual property for motorsports and/or racing video gaming products related to, themed as, or containing the British Touring Car Championship (the "BTCC"), on consoles and mobile applications, esports series and esports events. In October 2023, BARC (TOCA) Limited, the exclusive promoter of the BTCC, delivered notice to the Company terminating the BTCC license agreement, effective as of November 3, 2023. As a result, we no longer have the right to develop and publish the video games for the BTCC racing series or to create and organize its esports leagues and events.

In January 2021, we completed our initial public offering ("IPO"). Prior to our IPO, Motorsport Games was a wholly-owned subsidiary of Driven Lifestyle and, following the completion of our IPO, Driven Lifestyle continues to be our controlling stockholder.

In March 2021, we acquired all assets comprising the KartKraft computer video game from Black Delta Holdings PTY, Black Delta Trading Pty Ltd and Black Delta IP Pty Ltd.

In April 2021, we acquired the remaining equity interests in 704Games Company whereby 704Games Company merged with 704Games LLC, a newly formed Delaware limited liability company and our wholly-owned subsidiary, with 704Games LLC being the surviving entity in such merger (collectively referred to as "704Games" herein).

In April 2021, we also acquired Studio397, the company behind the industry leading rFactor 2 racing simulation platform, from Luminis International BV. Following this acquisition, Studio397 continues its work on the rFactor 2 platform while also developing the physics and handling models for our other official games. We continue to utilize our resources and expertise to enhance the rFactor 2 platform, especially in areas highlighted by the racing community.

In July 2021, we entered into certain license agreements to use certain licensed intellectual property for motorsports and/or racing video gaming products and esports events related to, themed as, or containing the INDYCAR racings series. In November 2023, INDYCAR, LLC delivered notice to the Company terminating the INDYCAR license agreements, effective immediately. As a result, we no longer have the right to develop and publish the video games for the INDYCAR racing series or to create and organize its esports leagues and events.

Our Products

Game Products Portfolio

We develop and publish multi-platform racing video games including for game consoles, PCs and mobile platforms through various retail and digital channels, including full-game and DLCs.

Our current video game catalog includes the following titles:

Game	Image	Overview	Platforms	Release Date
rFactor 2		rFactor 2 is a realistic racing simulation game. It features mixed class road racing with realistic dynamics, an immersive sound environment, and stunning graphics, that are perfect for top-level esports and a rich single-player experience. Content updates were released in 2022 and 2023, as well as the rFactor 2: RaceControl multiplayer update in October 2023.	Microsoft Windows via Steam	March 28, 2013

KartKraft		KartKraft is a kart racing simulator, which was released in January 2022.	Microsoft Windows via Steam	January 26, 2022 (full release)
Le Mans Ultimate		Le Mans Ultimate is the official game of the FIA World Endurance Championship and 24 Hours of Le Mans. DLC updates were released in July 2024, September 2024, December 2024 and February 2025.	Microsoft Windows via Steam	February 20, 2024

We continually evaluate our planned product release schedule and modify the timing of upcoming products based on developments in our business, or if we believe it will result in a better consumer experience. The sale of our NASCAR License and the termination of our BTCC License and INDYCAR License has impacted our long-term product release schedule as we will no longer be producing NASCAR, BTCC and INDYCAR titles moving forward.

As we continue to evaluate the cost saving initiatives and explore other strategic alternatives and potential options for our business, including, but not limited to, the sale or licensing of certain of our assets, further adjustments to our product roadmap may be required.

Esports Partnerships and Franchises

We recognize the growing importance and business viability of esports, especially within the racing and motorsport genres. In recognition of this importance, we manage and operate the esports platforms for numerous racing series and organizations. We also continue to leverage esports competitions to bring wider awareness and engagement to our gaming products, while creating inspiring event spectacles for our viewers. In 2023, we organized the grand finale of the Le Mans Virtual Series 2022/23, the 24 Hours of Le Mans Virtual event, which had a cumulative total of approximately 8.8 million video views with approximately 27 million minutes watched. The 24 Hours of Le Mans Virtual event had a global audience of 5 million across television (TV)/over-the-top (OTT) channels. Although we did not organize the Le Mans Virtual Series for the 2023/24 or 2024/25 seasons, we currently plan on organizing the 2025/26 Le Mans Virtual Series to commence this year. We also intend to continue exploring opportunities to expand the recurring portion of our esports segment outside of Le Mans.

Revenues

We currently generate revenue primarily by selling our racing video game products for video game consoles, PC, and mobile platforms through various retail and digital channels, including full-game and downloadable content. In addition, we began providing product development services to third parties for the first time in 2022 that included the ongoing support and maintenance of developed software.

Our esports business generates revenues from sponsorships, advertising and media rights for events and competitions. In addition, should audience patterns continue to grow, we believe the esports business has the potential to generate incremental revenues through the further sale of media rights to the Company’s esports events and competitions, as well as, among other things, merchandising.

Marketing, Sales, and Distribution

Many of our products contain software that enables us to connect with our gamers directly, including through customized advertising and in-game messaging based on customer preferences and trends. This provides a significant marketing tool that allows us to communicate and market directly to our customers.

Other direct marketing efforts include activities on Facebook, Twitter, Twitch, YouTube and other online social networks, online advertising, public relations activity, print and broadcast advertising, coordinated in-store and industry promotions (including merchandising and point of purchase displays), participation in cooperative advertising programs, direct response vehicles, and product sampling through demonstration software distributed through the Internet or the digital online services provided by our partners.

We also are able to sell directly to consumers through various digital platforms. Our products and content are available for consumers to purchase and download at their convenience directly to their video game console, PC, or mobile device through our platform partners, including Microsoft Corporation ("Microsoft"), Sony Interactive Entertainment Inc. ("Sony"), Apple Inc. ("Apple"), Nintendo Co., Ltd. ("Nintendo"), Google and Steam.

Our physical gaming products have historically been sold through a distribution network with an exclusive partner who specializes in the distribution of games through mass-market retailers (e.g., Target, Wal-Mart), consumer electronics stores (e.g., Best Buy), discount warehouses, game specialty stores (e.g., GameStop), and other online retail stores (e.g., Amazon). Due to our modified product release schedule, we recognized minimal revenue from sales of physical gaming products for the years ended December 31, 2024 and 2023.

Customer Concentration

For the years ended December 31, 2024 and 2023, sales through our three main distribution channels accounted for approximately 86% and 83% of our consolidated revenues, respectively. No other distributor accounted for 10% or more of our revenues in those periods. For the years ended December 31, 2024 and 2023, sales through these three distribution channels accounted for approximately 77% and 89% of our accounts receivable, respectively. No other distributor accounted for 10% or more of our accounts receivable in those periods. A reduction in sales from or loss of these distribution channels would have a material adverse effect on the Company's results of operations and financial condition.

Strategic Licenses and Partnerships

24 Hours of Le Mans

On March 15, 2019, we formed Le Mans Esports Series Limited as a joint venture between Motorsport Games and ACO with the primary purpose of carrying on the promotion of and running of an esports event business replicating races of the WEC and the 24 Hours of Le Mans race on an electronic gaming platform. Through our ownership interest in this joint venture, which was increased to 51% from 45% in January 2021, we secured the rights to be the exclusive video game developer and publisher for the 24 Hours of Le Mans race and the WEC through a separate license agreement. This license expires 10 years beginning from the date of our first release of a WEC or Le Mans race video gaming product with the term automatically renewing for an additional ten-year term unless ACO provides written notice of its intent not to renew. In exchange for such license, we agreed to fund up to €8,000,000 (approximately $8,330,000 as of December 31, 2024) as needed for development of the video game products, to be contributed on an as-needed basis during the term of the license. As of December 31, 2024, we have funded approximately $6.1 million to such development. Additionally, we are obligated to pay ACO an annual payment beginning from the time of the launch of the first video game product and continuing on each anniversary thereof for the term of the license. In addition, through this joint venture, we have the right to create and organize esports leagues and events for the 24 Hours of Le Mans race, the WEC and the 24 Hours of Le Mans Virtual event through certain additional license agreements. These additional license agreements, which were granted on a royalty-free basis, each expire January 25, 2031 with the term automatically renewing for an additional ten-year term unless ACO provides written notice of its intent not to renew. This joint venture shall continue until the earlier of the date on which the parties cease to be beneficially entitled in the aggregate to 25% or more of the equity share capital of the joint venture, the parties otherwise cease to control the affairs of the joint venture or the date of the commencement of the winding-up of the joint venture. If certain events of defaults occur,

the non-defaulting party has a call option pursuant to which it can force the defaulting party to sell all (but not part) of its ownership in the joint venture in accordance with the joint venture agreement.

Epic Games

On August 11, 2020, through our wholly owned subsidiary, MS Gaming Development LLC, we entered into a licensing agreement with Epic Games International ("Epic") for worldwide licensing rights to Epic's proprietary computer program known as the Unreal Engine 4. This Agreement was assigned from MS Gaming Development LLC to Motorsport Games Inc. on September 3, 2021.

Pursuant to the agreement, we were granted a nonexclusive, non-transferable and terminable license to develop, market and sublicense (under limited circumstances and subject to conditions of the agreement) certain products using the Unreal Engine 4 for our next generation of games. In exchange for the license, the agreement requires us to pay Epic an initial license fee, royalties, support fees and supplemental license fees for additional platforms. During a two-year support period, Epic will use commercially reasonable efforts to provide us with updates to the Unreal Engine 4 and technical support via a licensee forum. After the expiration of the support period, Epic has no further obligation to provide or to offer to provide any support services. The agreement is effective until terminated under the provisions of the agreement; however, pursuant to the terms of the agreement, we can only actively develop new or existing authorized products during a five-year active development period, which terminates on August 11, 2025.

Arrangements with Console Manufacturers

Under the terms of agreements entered into separately with Sony, Microsoft, Nintendo and their affiliates, we are authorized to develop and distribute disc-based and digitally-delivered software products and services compatible with PlayStation, Xbox and Switch consoles, respectively. Under these agreements with Sony, Microsoft and Nintendo, we have the non-exclusive right to use, for the specified term and in a designated territory, technology that is owned or licensed by them to publish our games on their respective consoles. With respect to our digitally delivered products and services, the console manufacturers pay us either a wholesale price or a royalty percentage on the revenue they derive from their sales of our products and services. Our transactions for packaged goods products are made pursuant to individual purchase orders, which are accepted on a case-by-case basis by Sony, Microsoft and Nintendo (or their designated replicators), as the case may be. For packaged goods products, we pay the console manufacturers a per-unit royalty for each unit manufactured. Many key commercial terms of our relationships with Sony, Microsoft and Nintendo, such as manufacturing terms, delivery times, policies and approval conditions, are determined unilaterally, and are subject to change by the console manufacturers.

The license agreements also require us to indemnify the console manufacturers for any loss, liability and expense resulting from any claim against the console manufacturer regarding our games and services, including any claims for patent, copyright or trademark infringement brought against the console manufacturer. Each license may be terminated by the console manufacturer or shall terminate if a breach or default by us is not cured after we receive written notice from the console manufacturer, or if we become insolvent. The console manufacturers are not obligated to enter into license agreements with us for any future consoles, products or services.

Product Development and Support

We develop and produce our titles using a model in which a group of creative, technical, and production professionals, including among others, designers, producers, programmers, artists, and sound engineers, in coordination with our marketing, finance, analytics, sales, and other professionals, has responsibility for the entire development and production process, including the supervision and coordination of, where appropriate, external resources. We believe this model allows us to deploy the best resources for a given task, by supplementing our internal expertise with top-quality external resources on an as-needed basis.

In addition to our experienced development team, we also rely, in part, on third-party software developers for the partial development of our titles. From time to time, we also acquire the license rights to publish and/or distribute software products.

We also provide various forms of product support. Central technology and development teams review, assess, and provide support to products throughout the development process. Quality assurance personnel are also involved throughout the development and production of published content. We subject all such content to extensive testing before public release to ensure compatibility with appropriate hardware systems and configurations and to minimize the number of bugs and other defects found in the products. To support our content, we generally provide rapid game support to players through various means, primarily online through our social media channels.

Competition

The interactive entertainment industry is intensely competitive and new interactive entertainment software products and platforms are regularly introduced. We believe that the main competitive factors in the interactive entertainment industry include: product features, game quality, and playability; brand name recognition; compatibility of products with popular platforms; access to distribution channels; online capability and functionality; ease of use; price; marketing support; and quality of customer service.

We compete with other publishers of virtual racing video games for console, PC, and mobile entertainment, including Codemasters, iRacing and other major video game publishers and esports companies, such as Electronic Arts. In addition to third-party software competitors, integrated video game console hardware and software companies, such as Microsoft, Sony, and Nintendo, compete directly with us in the development of game titles for their respective platforms, including titles in the motorsport racing genre, even though they generally cannot create branded Le Mans games for which we hold an exclusive license. A number of software publishers have developed and commercialized, or are currently developing, online games for use by consumers, and we must compete with them for our audience base.

Furthermore, as there are relatively low barriers to entry to developing mobile or online free-to-play or other casual games, we expect new competitors to enter the market and existing competitors to allocate more resources to developing and marketing competing games and applications. We compete, or may compete, with a vast number of small companies and individuals who are able to create and launch casual games and other content using relatively limited resources and with relatively limited start-up time or expertise. Competition for the attention of consumers on mobile devices is intense, as the number of applications on mobile devices has been increasing dramatically, which, in turn, has required increased marketing to garner consumer awareness and attention. This increased competition could negatively impact our business. In addition, a continuing industry shift to free-to-play games could result in a reprioritization of our other products by traditional retailers and distributors.

In a broad sense, we compete for the leisure time and discretionary spending of consumers with other interactive entertainment companies, as well as with providers of different forms of entertainment, such as film, television, social networking, music and other consumer products.

Seasonality in Our Business

Historically, we have seen a high degree of seasonality in our business and financial results due to the introduction of seasonal video game updates. We generally aim to synchronize these yearly video game updates with the start of the new racing season and race calendars. Overall, our sales volumes are strongest around the time we launch our new products. We expect similar patterns for new racing series we are or may be in the process of developing and publishing in the future. We have also historically experienced a higher demand for our games during our fourth calendar quarter due to seasonal holiday demand.

Human Capital

Our business relies on our ability to attract and retain the right team to enable us to be a game developer, publisher and esports ecosystem provider of official motorsport racing series. Our headcount as of December 31, 2024 was 39, made up of 22 full-time employees and 17 contractors, with 30 people in total dedicated to game development, located primarily in the United States of America and Europe. None of our employees were covered by collective bargaining agreements, and we believe that relations with our employees are generally good.

Government Regulation

We are subject to various federal, state and international laws and regulations that affect companies conducting business on the Internet and mobile platforms, including those relating to privacy, use and protection of player and employee personal information and data (including the collection of data from minors), the Internet, behavioral tracking, mobile applications, content, advertising and marketing activities (including sweepstakes, contests and giveaways), and anti-corruption. In addition, laws and regulations relating to user privacy, electronic contracts and communications, mobile communications, data collection, retention, consumer protection, and publishing activities, including production and delivery of content, advertising, localization, and information security have been adopted or are being considered for adoption by many jurisdictions and countries throughout the world. These laws, including the General Data Protection Regulation and the California Consumer Privacy Act, which have restricted our ability to gather and use data about our users, could harm our business by limiting the products and services we can offer consumers or the manner in which we offer them. Data privacy, data protection, localization, security and consumer-protection laws are evolving, and the interpretation and application of these laws in the United States (including compliance with the California Consumer Privacy Act), Europe (including compliance with the General Data Protection Regulation), and elsewhere often are uncertain, contradictory and changing. It is possible that these laws may be interpreted or applied in a manner that is adverse to us or otherwise inconsistent with our practices, which could result in litigation, regulatory investigations and potential legal liability or require us to change our practices in a manner adverse to our business. As a result, our reputation and brand may be harmed, we could incur substantial costs, and we could lose both gamers and revenue. Furthermore, the costs of compliance with these laws may increase in the future as a result of changes in interpretation. Any failure on our part to comply with these laws or the application of these laws in an unanticipated manner may harm our business and result in penalties or significant legal liability.

Many of these laws and regulations are continuously evolving and developing, and the application to, and ultimate impact on, us is uncertain. Additional laws in all of these areas are likely to be passed in the future, which could result in significant limitations on or changes to the ways in which we can collect, use, host, store or transmit the personal information and data of our customers or employees, communicate with our players, and deliver products and services, and may significantly increase our compliance costs. As our business expands to include new uses or collection of data that are subject to privacy or security regulations, our compliance requirements and costs will increase, and we may be subject to increased regulatory scrutiny. See Part I, Item 1A, “Risk Factors—Risks Related to Our Business and Industry—Government regulations applicable to us may negatively impact our business” of this Report for additional information.

Intellectual Property

Our business is based on the creation, acquisition, use and protection of intellectual property. Some of this intellectual property is in the form of software code, trademarks and copyrights, and trade secrets that we use to develop our games and to enable them to run properly on multiple platforms. Other intellectual property we integrate includes audio-visual elements, including graphics, music and interface design.

While most of the intellectual property we use has been created or acquired by us, we have licensed rights to certain significant proprietary intellectual property. We have also licensed rights from third parties to use certain significant marquee racing brands and related intellectual property (See, “Strategic Licenses and Partnerships”). These agreements typically limit our use of the third party’s respective intellectual property to specific uses and for specific time periods, in consideration for up-front and recurring royalty payments that are typically based upon our sales of the respective products.

We protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors, and nondisclosure agreements with third parties. We also engage in monitoring and enforcement activities with respect to infringing uses of our intellectual property by third parties.

In addition to these contractual arrangements, we also rely on a combination of trade secret, copyright, trademark, trade dress and domain names to protect our games and other intellectual property. We typically own the copyright to the software code to our content, as well as the brand or title name trademark under which our

games are marketed. We pursue the registration of our domain names, trademarks, and service marks in the United States and in certain locations outside the United States.

Corporate History and Available Information

Motorsport Gaming US LLC was organized as a limited liability company on August 2, 2018 under the laws of the State of Florida. On January 8, 2021, Motorsport Gaming US LLC converted into a Delaware corporation pursuant to a statutory conversion and changed its name to Motorsport Games Inc. in connection with our IPO. Effective as of January 8, 2021, 100% of the membership interests held by the sole member of Motorsport Gaming US LLC, Driven Lifestyle, converted into an aggregate of (i) 700,000 shares of Class A common stock of Motorsport Games Inc., which have 1 vote per share (the "DL Initial Class A Shares") and (ii) 700,000 shares of Class B common stock, which have 10 votes per share, of Motorsport Games Inc., which represented all of the outstanding shares of Class A and Class B common stock immediately following the corporate conversion. Driven Lifestyle is the only holder of shares of the Company's Class B common stock and does not have any transfer, conversion, registration, or economic rights with respect to such shares of Class B common stock.

In November 2022, the Company amended its certificate of incorporation to effectuate a reverse split of the issued and outstanding shares of Class A common stock and Class B common stock at a ratio of 1-for-10. Shares underlying outstanding equity-based awards were proportionately decreased and the respective per share exercise prices, if applicable, were proportionately increased in accordance with the terms of the agreements governing such securities. There was no change in the par value of the Class A common stock and Class B common stock as a result of the reverse stock split.

Our Internet address is *www.motorsportgames.com*. We regularly file reports with the SEC, including our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). We make available free of charge through our website copies of these reports as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the SEC. The SEC also maintains a website, *www.sec.gov* that contains the reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The information contained on our website is not included as a part of, or incorporated by reference into, this Report.

Item 1A. Risk Factors

The following discussion of risk factors contains forward-looking statements. These risk factors may be important to understanding other statements in this Report. The following information should be read in conjunction with Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Report.

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company's actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company's business, financial condition, operating results and stock price. Because of the following factors, as well as other factors affecting the Company's financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Financial Condition and Liquidity

We have incurred significant losses since our inception, and we expect to continue to incur losses for the foreseeable future. Accordingly, our financial condition raises substantial doubt regarding our ability to continue as a going concern.

We incurred a net loss of $3.0 million and negative cash flows from operations of $2.8 million for the year ended December 31, 2024. As of December 31, 2024, we had an accumulated deficit of $91.8 million and cash and cash equivalents of $0.9 million. For the year ended December 31, 2024, we experienced an average net cash burn from operations of approximately $0.2 million per month. We expect to continue to have a net cash outflow from operations for the foreseeable future as we continue to develop our product portfolio and invest in developing new video game titles.

As a result of our financial condition, management has concluded that there is substantial doubt in our ability to continue as a going concern. The reports of our independent registered public accountants on our financial statements as of and for the years ended December 31, 2024 and 2023 also include explanatory language describing the existence of substantial doubt about our ability to continue as a going concern. There have been no adjustments to the accompanying financial statements to reflect this uncertainty. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" of this Report and Note 1 – *Business Organization, Nature of Operations and Risks and Uncertainties* in our consolidated financial statements for additional information.

If we are unable to satisfy our capital requirements, we could be required to adopt one or more of the following alternatives:

- delaying the implementation of or revising certain aspects of our business strategy;
- further reducing or delaying the development and launch of new products and events;
- further reducing or delaying capital spending, product development spending and marketing and promotional spending;
- selling additional assets or operations;
- seeking additional loans from third parties;
- further reducing other discretionary spending;
- entering into financing agreements on unattractive terms;
- entering into other strategic alternatives such as collaborations or mergers; and/or
- significantly curtailing or discontinuing operations or dissolving and liquidating our assets under the bankruptcy laws or otherwise.

There can be no assurance that we would be able to take any of the actions referred to above because of a variety of commercial or market factors, including, without limitation, market conditions being unfavorable for an equity or debt issuance or similar transactions, additional capital contributions and/or loans not being available from Driven Lifestyle or affiliates and/or third parties, or that the transactions may not be permitted under the terms of our various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and related party transactions. In addition, such actions, if taken, may not enable us to satisfy our capital requirements if the actions that we are able to consummate do not generate a sufficient amount of additional capital. If we are ultimately unable to satisfy our capital requirements, we would likely need to dissolve and liquidate our assets under the bankruptcy laws or otherwise.

We will require additional capital to meet our financial obligations, and this capital might not be available on acceptable terms or at all.

We expect to continue to incur losses for the foreseeable future as we continue to incur significant expenses. Accordingly, as a result of our financial condition, we will need to engage in equity and/or debt financing arrangements or similar transactions (collectively, "Capital Financing") to secure additional funds to continue our existing business operations and to fund our obligations. There are currently no commitments in place for future financing and there can be no assurance that we will be able to obtain funds on commercially acceptable terms, if at all.

If we raise additional funds through future issuances of equity (including preferred stock) or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock, including, without limitation, in respect of the payment of dividends and the payment of liquidating distributions. Because our decision to issue debt or preferred securities in any future offering, or to borrow money from lenders, will

depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any such future offerings or borrowings.

Holders of our Class A common stock will bear the risk of any such future offerings or borrowings. Further, any future debt financing could require compliance with restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. Debt financing must be repaid regardless of whether we generate revenues or cash flows from operations and may be secured by substantially all of our assets.

Even if we do secure additional Capital Financing, our liquidity position may continue to be insufficient to satisfy our future capital requirements if our anticipated level of revenues is not achieved because of, for example, decreased sales of our products due to the disposition of key assets, such as the sale of our NASCAR License, further changes in our product roadmap and/or our inability to deliver new products for our various other licenses; less than anticipated consumer acceptance of our offering of products and events; less than effective marketing and promotion campaigns, decreased consumer spending in response to weak economic conditions or weakness in the overall electronic games category; adverse changes in foreign currency exchange rates; decreased sales of our products and events as a result of increased competitive activities by our competitors; changes in consumer purchasing habits, such as the impact of higher energy prices on consumer purchasing behavior; retailer inventory management or reductions in retailer display space; less than anticipated results from our existing or new products or from its advertising and/or marketing plans; or if our expenses, including, without limitation, for marketing, advertising and promotions, product returns or price protection expenditures, exceed the anticipated level of expenses.

Limits on our borrowing capacity under the $12 million Line of Credit may affect our ability to finance our operations.

Our ability to borrow additional funds under the $12 million Line of Credit is limited by Driven Lifestyle's ability to fund such borrowing requests. If and to the extent that Driven Lifestyle were to be unable to fund any such requests, we will not have complete access to some or all of the commitment available under the $12 million Line of Credit, but rather would have access to a lesser amount as determined by Driven Lifestyle's ability to fund our borrowing requests. Given the state of the financial markets, we have recently assessed our exposure to any potential non-performance by Driven Lifestyle and believe that there is a substantial likelihood that Driven Lifestyle may not fulfill our future borrowing requests. Because of these limitations, we do not rely on being able to meet our cash requirements with any additional fundings under the $12 million Line of Credit. If Driven Lifestyle is unable to fulfill their commitment to advance funds to us under the $12 million Line of Credit, it would impact our potential sources of liquidity and, depending upon the amount involved and our liquidity requirements, it could have an adverse effect on our ability to fund our operations, which could have a material adverse effect on our business, prospects, results of operations, financial condition and/or cash flows.

Risks Related to Our Business and Industry

If we do not consistently deliver popular products or if consumers prefer competing products, our business may be negatively impacted.

In order to remain competitive, we must continuously develop new products or enhancements to our existing products. Consumer preferences for games are usually cyclical and difficult to predict, and even the most successful content remains popular for only a limited period of time unless refreshed or otherwise enhanced. These products or enhancements may not be well-received by consumers, even if well-reviewed and of high quality. Further, competitors may develop content that imitates or competes with our best-selling games, potentially taking sales away from us or reducing our ability to charge the same prices we have historically charged for our products. These competing products may take a larger share of consumer spending than anticipated, which could cause product sales to fall below expectations. If we do not continue to develop consistently high-quality and well-received games, if our marketing fails to resonate with our consumers, if consumers lose interest in a genre of games we produce, if the use of cross-promotion within our mobile games to retain consumers becomes less effective, or if our competitors develop more successful products or offer competitive products at lower prices, our revenues and profit margins could decline. For example, our NASCAR 21: Ignition game released in October

2021 was generally not well-received and, as a result, our revenues for the years ended December 31, 2024 and 2023 were adversely affected due to lower game sales. Further, a failure by us to develop a high-quality product, or our development of a product that is otherwise not well-received, could potentially result in additional expenditures to respond to consumer demands, harm our reputation, and increase the likelihood that our future products will not be well- received. The increased importance of downloadable content to our business amplifies these risks, as downloadable content for poorly-received games typically generates lower-than-expected sales. In addition, our own best-selling products could compete with our other games, reducing sales for those other games.

Our business and products are highly concentrated in the racing game genre, and our operating results may suffer if consumer preferences shift away from this genre.

All of our revenue is currently generated, and is expected to continue to be substantially generated, from products in the racing game genre. Accordingly, our future success will depend on the popularity of games in the racing game genre with consumers. Consumer preferences are difficult to predict and subject to frequent changes, and if interest in the racing game genre declines, even if our share of the racing game genre is stable or expands, our operating results could suffer. Additionally, our concentration in the racing game genre could place us at a disadvantage against other gaming companies that offer a more diverse selection of games.

If we do not provide high-quality products in a timely manner, our business operations, financial performance, financial condition, liquidity, cash flows and/or results of operations may be negatively impacted.

Consumer expectations regarding the quality, performance and integrity of our products and services are high. Consumers may be critical of our brands, games, services and/or business practices for a wide variety of reasons, and such negative reactions may not be foreseeable or within our control to manage effectively. For example, if our games or services, such as our creation and organization of esports leagues and events, do not function as consumers expect, whether because they fail to function as advertised or otherwise, our sales may suffer, as was the case with our NASCAR 21: Ignition game as discussed above. If any of these issues occur, consumers may stop playing the game and may be less likely to return to the game as often in the future, which may negatively impact our business.

Additionally, delays in product releases or disruptions following the commercial release of one or more new products could negatively impact our business, our revenues and reputation and could cause our results of operations to be materially different from expectations. This is particularly the case where we seek to release certain products in conjunction with key events, such as the beginning of a racing season or a major racing event. If we fail to release our products in a timely manner, or if we are unable to continue to improve our existing games by adding features and functionality that will encourage continued engagement with these games, our business may be negatively impacted. Moreover, if we or our third-party developers experience unanticipated development delays, financial difficulties, or additional costs, for example as a result of the COVID-19 pandemic or the current labor supply constraints affecting many industries, we may not be able to release titles according to our schedule and at budgeted costs. There can be no assurance that our products will be sufficiently successful so that we can recoup these costs or make a profit on these products.

Additionally, the amount of lead time and cost involved in the development of high-quality products is increasing due to growing technical complexities and higher expectations from consumers. As a result, it is especially critical that we accurately predict consumer demand for such products. If our future products do not achieve expected consumer acceptance or generate sufficient revenues upon introduction, we may not be able to recover the substantial up-front development and marketing costs associated with those products.

We may not be successful in identifying and implementing one or more strategic alternatives for our business, and any strategic alternative that we may consummate could have material adverse consequences for us.

Due to the uncertainty surrounding our ability to raise funding in the form of potential Capital Financing, and in light of our liquidity position and anticipated future funding requirements, we continue to explore other strategic alternatives and potential options for our business (a "Strategic Transaction"), including, but not limited to, the sale or licensing of certain of our assets in addition to the sale of our NASCAR License to iRacing on October 3, 2023 or the sale of Traxion in April 2024 or entering into collaborations or a merger. Any Strategic

Transaction that we consummate could harm our business, brand, operating results and financial condition. There can be no assurances that any particular Strategic Transaction, or series of Strategic Transactions, will be pursued, successfully consummated, lead to increased shareholder value, or achieve the anticipated results.

Any Strategic Transaction could involve a number of other risks and uncertainties, including, but not limited to:

- the occurrence of significant costs related to the evaluation and consummation of any Strategic Transaction, such as legal and accounting fees and expenses and other related charges, as well as unanticipated expenses in connection with the process;
- disposing of an asset at a price or on terms that are less desirable than we had anticipated;
- uncertainties as to the timing of any Strategic Transaction and the risk that such transaction may not be completed in a timely manner or at all;
- the possibility that any or all of the conditions to the consummation of any Strategic Transaction may not be satisfied or waived;
- diversion of management's attention from our ongoing operations;
- greater disruption to our remaining business than expected;
- reputational harm with employees, suppliers, business partners and others, as well as the loss of brand recognition and customer loyalty; and
- exposure to litigation or other claims resulting from any Strategic Transaction.

Additionally, even if we are successful in implementing one or more Strategic Transactions, we will continue to require additional funding and/or further cost reduction measures in order to continue operations, which includes further restructuring of our business and operations.

Declines in consumer spending and other adverse changes in economic, market and geopolitical conditions could have a material adverse effect on our business, financial condition and operating results.

Our business is subject to economic, market and geopolitical conditions, which are beyond our control. In particular, our product purchases are predominately driven by discretionary spending by consumers. We believe that consumer spending is influenced by general economic conditions and the availability of discretionary income. This makes our products particularly sensitive to general economic conditions and economic cycles as consumers are generally more willing to make discretionary purchases, including purchases of products like ours, during periods in which favorable economic conditions prevail. Adverse economic, market and geopolitical conditions, such as a prolonged U.S. or international general economic downturn, whether or not caused by the COVID-19 pandemic or geopolitical issues, including the ongoing wars between Russia and Ukraine and between Israel and Hamas, could result in further periods of increased inflation, unemployment levels, tax rates, interest rates, energy prices, or declining consumer confidence, which would also reduce consumer spending. Reduced consumer spending may in the future result in reduced demand for our products and may also require increased selling and promotional expenses, which has had and may continue to have an adverse effect on our business, financial condition and operating results. In addition, during periods of relative economic weakness, our consolidated credit risk, reflecting our counterparty dealings with distributors, customers, capital providers and others may increase, perhaps materially so. Furthermore, uncertainty and adverse changes in the economy could also increase the risk of material losses on our investments, costs associated with developing and publishing our products, the cost and availability of sources of financing, and our exposure to material losses from bad debts, any of which could have a material adverse effect on our business, financial condition and operating results. If economic conditions worsen, our business, financial condition and operating results could be adversely affected.

We are particularly susceptible to market conditions and risks specific to the entertainment industry, which include the popularity, price, and timing of our products; changes in consumer demographics; the availability and popularity of other forms of entertainment and leisure; and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted.

We depend on a relatively small number of franchises for a significant portion of our revenues and profits.

We follow a franchise model and a significant portion of our revenues has historically been derived from products based on a relatively small number of popular franchises, including our NASCAR products, which have

historically accounted for the majority of our revenue. For the years ended December 31, 2024 and 2023, revenues associated with our NASCAR franchise accounted for approximately 52% and 72% of our total revenue, respectively. For the years ended December 31, 2024 and 2023, sales through our three main distribution channels accounted for approximately 86% and 83% of our consolidated revenues, respectively. No other distribution channel accounted for 10% or more of our revenues in those periods. For the years ended December 31, 2024 and 2023, sales through our three main distribution channels accounted for approximately 77% and 89% of our accounts receivable, respectively. No other distribution channel accounted for 10% or more of our accounts receivable in those periods. A reduction in sales from or loss of these distribution channels would have a material adverse effect on the Company's results of operations and financial condition.

Due to this dependence on a limited number of franchises, the failure to achieve anticipated results by one or more products based on these franchises, or the loss of any franchise, could negatively impact our business. For example, with the consummation of the sale of our NASCAR License to iRacing on October 3, 2023, we are no longer the official video game developer and publisher for the NASCAR video game racing franchise and no longer have the exclusive right to create and organize esports leagues and events for NASCAR using our NASCAR racing video games. Accordingly, during the year ended December 31, 2024 we no longer had the right to use the NASCAR brand for our products other than a limited non-exclusive right and license to, among other things, sell NASCAR games and DLCs that were in our product portfolio through December 31, 2024, and since that date we have no further right to use the NASCAR brand for our products. Similarly, our BTCC license agreement and INDYCAR license agreements were terminated by the respective licensors, effective November 2023. We believe this will require us to modify our existing business model and significantly alter the risk profile relating to our operations. As a result, we may encounter difficulties or challenges in continuing operations due to the sale of our NASCAR License and the termination of our BTCC license agreement and INDYCAR license agreements, and our cash flows and results of operations will likely be materially adversely impacted as we anticipate no more revenues to be generated from our NASCAR products.

Additionally, if the popularity of a franchise declines, we may have to write off the unrecovered portion of the underlying intellectual property assets, which could negatively impact our business. In the future, we expect this trend to continue with a relatively limited number of franchises producing a disproportionately high percentage of our revenues and profits.

Our ability to acquire and maintain licenses to intellectual property, especially for racing series, affects our revenue and profitability. Competition for these licenses may make them more expensive and increase our costs.

Most of our products and services are based on or incorporate intellectual property owned by others. For example, we have obtained exclusive licenses to develop multi-platform games, as well as to create and organize esports leagues and events, for the 24 Hours of Le Mans race and the WEC. Competition for these licenses and rights is intense and could result in increased minimum guarantees and royalty rates payable to licensors and developers, which would significantly increase our costs and reduce our profitability. Furthermore, if we are unable to maintain these licenses and rights or obtain additional licenses or rights with significant commercial value, our ability to develop successful and engaging games and services may be adversely affected and our revenue, profitability and cash flows may decline significantly. For example, as discussed elsewhere in this Report, we sold our NASCAR License to iRacing on October 3, 2023 and our cash flows and results of operations will likely be materially adversely impacted as we anticipate no more revenues to be generated by our existing NASCAR products subsequent to December 31, 2024. Additionally, our BTCC license agreement and INDYCAR license agreements were terminated by the respective licensors, effective November 2023.

We could be subject to unanticipated adverse effects arising from our inability to fully repay Luminis International B.V. and Technology In Business B.V., the sellers of Studio397, relating to our acquisition of 100% of the share capital of Studio397 in April 2021.

On April 20, 2021 we acquired 100% of the share capital of Studio397 from Luminis International B.V. and Technology In Business B.V. (collectively, the "Sellers"). The purchase price originally consisted of a cash payment at closing and payments due at a later date. To date, we have not paid all of the payments due subsequent to the closing. Pursuant to the terms of agreements that we entered into, we are required to pay interest on the amounts owed but unpaid. The remaining balance owed as of December 31, 2024, was $0.6 million with unpaid

accrued interest of $0.3 million. As security for payment of the amounts owed, we pledged 20% of the share capital of Studio397 (the "Pledged Shares") to the Sellers. The terms of the sale provide that, in the event we fail to make any payment due subsequent to the closing, the Sellers would become entitled to exercise the voting rights and receive any dividends or distributions associated with the Pledged Shares. On February 20, 2025, we entered into a Settlement Agreement with the Sellers, pursuant to which and subject to the satisfaction of certain payment conditions, we will pay the Sellers in full satisfaction of all amounts due, the sum of $750,000 payable in five (5) equal installment payments of $150,000, commencing on March 5, 2025 and thereafter continuing on April 2, 2025, May 5, 2025, June 4, 2025 and July 3, 2025. We made the first installment payment of $150,000 by March 5, 2025. If we default on any payment, the Sellers could exercise their rights with respect to the Pledged Shares, including the right to claim a share of Studio397's profits, which represented approximately 11% of our revenue for the year ended December 31, 2024. As shareholders of Studio397, the Sellers would have the right to compel us to call a meeting of the shareholders of Studio397 for the purpose of discussing a proposal to effect the public sale of all assets owned by Studio397, including software. In addition to such rights, the Sellers would further be entitled to retain any payments that we make pursuant to the Settlement Agreement.

Our business is partly dependent on our ability to enter into successful software development arrangements with third parties.

We currently rely on third-party software developers for the partial development of all of our titles, and in the future, we expect to continue to rely on third-party software developers for the partial development of some of our titles. Accordingly, our success depends in part on our ability to enter into successful software development arrangements with such third-party developers. Generally, quality third-party developers are continually in high demand. Software developers who have helped develop titles for us in the past may not be available to develop software for us in the future for various reasons, including their engagement on other projects. Due to the limited number of quality third-party software developers and the limited control that we exercise over them, these developers may not be able to complete titles for us on a timely basis, within acceptable quality standards, or at all. Additionally, we have entered into agreements with certain third parties to use licensed intellectual property in our titles. These agreements typically require us to make development payments, pay license fees and satisfy other conditions. Our development payments may not be sufficient to permit developers to develop new software successfully, which could result in material delays and significantly increase our costs in bringing particular products to market. Future sales of our titles may not be sufficient to recover development payments and advances to software developers and licensors, and we may not have adequate financial and other resources to satisfy our contractual commitments to such developers. If we fail to satisfy our obligations under agreements with third-party developers and licensors, the agreements may be terminated or modified in ways that are burdensome to us, and have a material adverse effect on our business, financial condition and operating results.

Our business depends in part on the success and availability of platforms and mass media channels developed by third parties and our ability to develop commercially successful content, products, and services for those platforms.

The success of our business is driven in part by the commercial success and adequate supply of third-party platforms for which we develop our products and services or through which our products and services are distributed or marketed, including our league tournaments and competitions, such as through Twitch. Our success also depends on our ability to accurately predict which channels, platforms and distribution methods will be successful in the marketplace, our ability to develop commercially successful content, products and services for these platforms, our ability to simultaneously manage products and services on multiple platforms, our ability to effectively transition our products and services to new platforms, and our ability to effectively manage the transition of our gamers from one generation or demographic to the next. We must make product development decisions and commit significant resources well in advance of the commercial availability of new platforms and channels, and we may incur significant expense to adjust our product portfolio and development efforts in response to changing consumer preferences. Additionally, we may enter into certain exclusive licensing arrangements that affect our ability to deliver or market products or services on certain channels and platforms. A platform for which we are developing products and services may not succeed as expected or new platforms may take market share and interactive entertainment consumers away from platforms for which we have devoted significant resources. If consumer demand for the channels or platforms for which we are developing products and services is lower than our expectations, we may be unable to fully recover the investments we have made in developing our products and services, and our financial performance will be harmed. Alternatively, a channel or platform for which we

have not devoted significant resources could be more successful than we initially anticipated, causing us to not be able to take advantage of meaningful revenue opportunities.

Third-party platform providers may be able to influence our products and costs.

We plan to derive significant revenues from the distribution of certain of our future products on third-party mobile and web platforms, such as the Apple App Store, Steam, the Google Play Store, and Facebook. These platforms may also serve as significant online distribution platforms for, and/or provide other services critical for the operation of, a number of our games. If these platforms modify their current or future discovery mechanisms, communication channels available to developers, operating systems, terms of service or other policies (including fees), or they develop their own competitive offerings, our business could be negatively impacted. Additionally, if these platform providers are required to change how they label free-to-play games or take payment for in-app purchases or change how the personal information of consumers is made available to developers, our business could be negatively impacted.

Moreover, when we develop interactive entertainment software products for hardware platforms offered by companies such as Sony, Microsoft, or Nintendo, the physical products are replicated exclusively by that hardware manufacturer or their approved replicator. The agreements with these manufacturers typically include certain provisions, such as approval rights over all software products and related promotional materials and the ability to change the fee they charge for the manufacturing of products, which allow the hardware manufacturers substantial influence over the cost and the release schedule of such interactive entertainment software products. In addition, because each of the manufacturers is also a publisher of games for its own hardware platforms and may manufacture products for other licensees, a manufacturer may give priority to its own products or those of our competitors. Accordingly, console manufacturers like Sony, Microsoft, or Nintendo could cause unanticipated delays in the release of our products, as well as increases to projected development, manufacturing, marketing or distribution costs, any of which could negatively impact our business.

The platform providers also control the networks over which consumers purchase digital products and services for their platforms and through which we provide online game capabilities for our products. The control that the platform providers have over the fee structures and/or retail pricing for products and services for their platforms and online networks could impact the volume of purchases of our products made over their networks and our profitability. With respect to certain downloadable content and microtransactions, the networks provided by these platform providers are the exclusive means of selling and distributing this content. Further, increased competition for limited premium "digital shelf space" has placed the platform providers in an increasingly better position to negotiate favorable terms of sale. If the platform provider establishes terms that restrict our offerings on its platform, significantly changes the financial terms on which these products or services are offered, or does not approve the inclusion of online capabilities in our console products, our business could be negatively impacted.

The increasing importance of free-to-play games to our business exposes us to the risks of that business model, including the dependence on a relatively small number of consumers for a significant portion of revenues and profits from any given game.

The success of our business is partially dependent on our ability to develop, enhance and monetize additional free-to-play games. As such, we are increasingly exposed to the risks of the free-to-play business model. For example, we may invest in the development of new free-to- play interactive entertainment products that do not achieve significant commercial success, in which case our revenues from those products likely will be lower than anticipated and we may not recover our development costs. Further, if: (1) we are unable to continue to offer free-to-play games that encourage consumers to purchase our virtual currency and subsequently use it to buy our virtual items; (2) we fail to offer monetization features that appeal to these consumers; (3) these consumers do not continue to play our free-to-play games or purchase virtual items at the same rate; (4) our platform providers make it more difficult or expensive for players to purchase our virtual currency; or (5) we cannot encourage significant additional consumers to purchase virtual items in our free-to-play games, our business will be negatively impacted.

Furthermore, as there are relatively low barriers to entry to developing mobile or online free-to-play or other casual games, we expect new competitors to enter the market and existing competitors to allocate more resources to developing and marketing competing games and applications. We compete, or may compete, with a vast number of small companies and individuals who are able to create and launch casual games and other content using relatively limited resources and with relatively limited start-up time or expertise. Competition for the attention of consumers on mobile devices is intense, as the number of applications on mobile devices has been

increasing dramatically, which, in turn, has required increased marketing to garner consumer awareness and attention. This increased competition could negatively impact our business. In addition, a continuing industry shift to free-to-play games could result in a reprioritization of our other products by traditional retailers and distributors.

We are subject to risks associated with operating in a rapidly developing industry and a relatively new market.

Many elements of our business are unique, evolving and relatively unproven. In particular, our esports business and prospects depend on the continuing development of live streaming of competitive esports gaming. The market for esports and amateur online gaming competitions is relatively new and rapidly developing and is subject to significant challenges. Our business relies upon our ability to cultivate and grow an active gamer community, and our ability to successfully monetize such community, including, for example, through tournament fees, subscriptions for our esports gaming services, and advertising and sponsorship opportunities. In addition, our continued growth depends, in part, on our ability to respond to constant changes in the esports gaming industry, including rapid technological evolution, continued shifts in gamer trends and demands, frequent introductions of new games and titles and the constant emergence of new industry standards and practices. Developing and integrating new games, titles, content, products, services or infrastructure could be expensive and time-consuming, and these efforts may not yield the benefits we expect to achieve. We cannot assure you that we will succeed in any of these aspects or that the esports gaming industry will continue to grow as rapidly as it has in the past.

We plan to continue to generate a portion of our revenues from advertising and sponsorship during our esports events. If we fail to attract more advertisers and sponsors to our gaming platform, tournaments or competitions, our revenues may be adversely affected.

We plan to continue to generate a portion of our revenues from advertising and sponsorship during our esports events as online viewership of our esports gaming offerings expand. Our revenues from advertising and sponsorship partly depend on the continual development of the online advertising industry and advertisers' willingness to allocate budgets to online advertising in the esports gaming industry. In addition, companies that decide to advertise or promote online may utilize more established methods or channels, such as more established internet portals or search engines, over advertising on our gaming platform. If the online advertising and sponsorship market does not continue to grow, or if we are unable to capture and retain a sufficient share of that market, our ability to increase our current level of advertising and sponsorship revenue and our profitability and prospects may be materially and adversely affected.

We are reliant on the retention of certain key personnel and the hiring of strategically valuable personnel, and we may lose or be unable to hire one or more of such personnel.

Our success depends in part on the continued service of our senior management team, key technical employees and other highly skilled personnel and on our ability to identify, hire, develop, motivate, retain and integrate highly qualified personnel for all areas of our organization. Certain employees, such as game designers, product managers and engineers, are in high demand, and we devote significant resources to identifying, hiring, training, and successfully integrating and retaining these employees. We have historically hired a number of key personnel through acquisitions, and as competition with several other game companies increases, we may incur significant expenses in continuing this practice. If we are unable to attract and retain the necessary personnel, particularly in critical areas of our business, we may not achieve our strategic goals.

Competition in the interactive entertainment industry is intense, and our existing and potential users may be attracted to competing products or other forms of entertainment.

We compete with other publishers of interactive entertainment software, both within and outside the United States. Generally, some of our competitors include very large corporations with significantly greater financial, marketing and product development resources than we have. Our larger competitors may be able to leverage their greater financial, technical, personnel and other resources to provide larger budgets for development and marketing and make higher offers to licensors and developers for commercially desirable properties, as well as adopt more aggressive pricing policies to develop more commercially successful video game products than we do. In addition, competitors with large portfolios and popular games typically have greater influence with platform

providers, retailers, distributors and other customers who may, in turn, provide more favorable support to those competitors' games.

Further, the esports gaming industry generally is highly competitive. For our esports business, our competitors range from established leagues and championships owned directly, as well as leagues franchised by, well-known and capitalized game publishers and developers, interactive entertainment companies and diversified media companies to emerging start-ups, and we expect new competitors to continue to emerge throughout the amateur esports gaming ecosystem. If our competitors develop and launch competing amateur city leagues, tournaments or competitions, or develop a more successful amateur online gaming platform for games similar to ours, then our revenue, margins, and profitability will decline.

Additionally, we compete with other forms of entertainment and leisure activities. As our business continues to expand in complexity and scope, we have increased exposure to additional competitors, including those with access to large existing user bases and control over distribution channels. Further, it is difficult to predict and prepare for rapid changes in consumer demand that could materially alter public preferences for different forms of entertainment and leisure activities. Failure to adequately identify and adapt to these competitive pressures could negatively impact our business.

Our revenue may be harmed by the proliferation of "cheating" programs and scam offers that seek to exploit our games and players, which may negatively affect players' game-playing experiences and our ability to reliably validate our audience metric reporting and may lead players to stop playing our games.

Unrelated third parties have developed, and may continue to develop, "cheating" programs that enable players to exploit vulnerabilities in our games, play them in an automated way, collude to alter the intended game play or obtain unfair advantages over other players who do play fairly. These programs harm the experience of players who play fairly and may reduce the demand for virtual items, disrupting our in-game economy. If we are unable to discover and disable these programs quickly, our operations may be disrupted, our reputation may be damaged, players may stop playing our games and our ability to reliably validate our audience metrics may be negatively affected. These "cheating" programs and scam offers may result in lost revenue from paying players, disrupt our in-game economies, divert our personnel's time, increase costs of developing technological measures to combat these programs and activities, increase our customer service costs needed to respond to dissatisfied players, and lead to legal claims.

Some of our players may make sales or purchases of virtual items used in our games through unauthorized or fraudulent third-party websites, which may reduce our revenue.

Virtual items in our games have no monetary value outside of our games. Nonetheless, some of our players may make sales and/or purchases of our virtual items through unauthorized third-party sellers in exchange for real currency. These unauthorized or fraudulent transactions are usually arranged on third-party websites. The virtual items offered may have been obtained through unauthorized means such as exploiting vulnerabilities in our games, scamming our players with fake offers for virtual items or other game benefits, or credit card fraud. We do not generate any revenue from these transactions. These unauthorized purchases and sales from third-party sellers could impede our revenue and profit growth by, among other things:

- decreasing revenue from authorized transactions;
- creating downward pressure on the prices we charge players for our virtual currency and virtual items;
- increasing chargebacks from unauthorized credit card transactions;
- causing us to lose revenue from dissatisfied players who stop playing a particular game;
- increasing costs we incur to develop technological measures to curtail unauthorized transactions;
- resulting in negative publicity or harming our reputation with players and partners; and

- increasing customer support costs to respond to dissatisfied players.

There can be no assurance that our efforts to prevent or minimize these unauthorized or fraudulent transactions will be successful.

The success of our business relies on our marketing and branding efforts, and these efforts may not be accepted by consumers to the extent we planned.

Because we are a consumer brand, we rely on marketing and advertising to increase brand visibility with potential customers. We currently advertise through a blend of direct and indirect advertising channels, including through activities on Facebook, Twitter, Twitch, YouTube and other online social networks, online advertising, public relations activity, print and broadcast advertising, coordinated in-store and industry promotions (including merchandising and point of purchase displays), participation in cooperative advertising programs, direct response vehicles, and product sampling through demonstration software distributed through the Internet or the digital online services provided by our partners. If we are unable to recover our marketing costs, or if our broad marketing campaigns are not successful or are terminated, it could have a material adverse effect on our growth, results of operations and financial condition.

Our games are subject to scrutiny regarding the appropriateness of their content. If we fail to receive our target ratings for certain titles, or if our retailers refuse to sell such titles due to what they perceive to be objectionable content, it could have a negative impact on our business.

Certain of our gaming products are subject to ratings by the Entertainment Software Rating Board (the "ESRB"), a self-regulatory body based in the United States that provides U.S. and Canadian consumers of interactive entertainment software with ratings information, including information on the content in such software, such as violence, nudity, or sexual content, along with an assessment of the suitability of the content for certain age groups. Certain other countries have also established content rating systems as prerequisites for product sales in those countries. In addition, certain stores use other ratings systems, such as Apple's use of its proprietary "App Rating System" and Google Play's use of the International Age Rating Coalition (IARC) rating system. If we are unable to obtain the ratings we have targeted for our products, it could have a negative impact on our business. In some instances, we may be required to modify our products to meet the requirements of the rating systems, which could delay or disrupt the release of any given product, or may prevent its sale altogether in certain territories. Further, if one of our games is "re-rated" for any reason, a ratings organization could require corrective actions, which could include a recall, retailers could refuse to sell it and demand that we accept the return of any unsold or returned copies or consumers could demand a refund for copies previously purchased.

Additionally, although lawsuits seeking damages for injuries allegedly suffered by third parties as a result of video games have generally been unsuccessful in the courts, claims of this kind may be asserted and be successful in the future.

Government regulations applicable to us may negatively impact our business.

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet. In addition, laws and regulations relating to user privacy, electronic contracts and communications, mobile communications, data collection, retention, consumer protection, and publishing activities, including production and delivery of content, advertising, localization, and information security have been adopted or are being considered for adoption by many jurisdictions and countries throughout the world. These laws, including the General Data Protection Regulation and the California Consumer Privacy Act, which have restricted our ability to gather and use data about our users, could harm our business by limiting the products and services we can offer consumers or the manner in which we offer them. Data privacy, data protection, localization, security and consumer-protection laws are evolving, and the interpretation and application of these laws in the United States (including compliance with the California Consumer Privacy Act), Europe (including compliance with the General Data Protection Regulation), and elsewhere often are uncertain, contradictory and changing. It is possible that these laws may be interpreted or applied in a manner that is adverse to us or otherwise inconsistent with our practices, which could result in litigation, regulatory investigations and potential legal liability or require us to change our practices in a manner adverse to our business. As a result, our reputation and brand may be harmed, we could incur substantial costs, and we could lose both gamers and revenue. Furthermore,

the costs of compliance with these laws may increase in the future as a result of changes in interpretation. Any failure on our part to comply with these laws or the application of these laws in an unanticipated manner may harm our business and result in penalties or significant legal liability.

Certain of our business models could be subject to new laws or regulations or evolving interpretations of existing laws and regulations. For example, the growth and development of electronic commerce, virtual items and virtual currency has prompted calls for laws and regulations that could limit or restrict the sale of our products and services or otherwise impact our products and services. In addition, we include modes in our games that allow players to compete against each other and manage player competitions that are based on our products and services. New laws related to these business models, or changes in the interpretation of current laws that impact these business models, could subject us to additional regulation and oversight, lessen the engagement with, and growth of, profitable business models, and expose us to increased compliance costs, significant liability, penalties and harm to our reputation and brand.

We are subject to laws in certain foreign countries, and adhere to industry standards in the United States, that mandate rating requirements or set other restrictions on the advertisement or distribution of interactive entertainment software based on content. In addition, certain foreign countries allow government censorship of interactive entertainment software products. Adoption of ratings systems, censorship or restrictions on distribution of interactive entertainment software based on content could harm our business by limiting the products we are able to offer to our customers. In addition, compliance with new and possibly inconsistent regulations for different territories could be costly, delay or prevent the release of our products in those territories.

We are exposed to seasonality in the sale of our retail products.

Historically, we have seen a high degree of seasonality in our business and financial results due to the introduction of seasonal video game updates. For example, we have typically experienced higher levels of consumer demand occurring during and around the launch of the seasonal annual update of a racing series product, the overall start of the racing season, and the calendar year-end holiday buying season. Receivables and credit risk are likewise higher during these periods, as retailers increase their purchases of our products in anticipation of increased demand. Delays in development, approvals or manufacturing could affect the timing of the release of products, causing us to miss key selling periods, which could negatively impact our business.

Our retail products, online gaming platform and games offered through our gaming platform may contain defects.

Our retail products, online gaming platform and the games offered through our gaming platform are extremely complex and are difficult to develop and distribute. We have quality controls in place to detect defects in our retail products and gaming platform before they are released. Nonetheless, these quality controls are subject to human error, overriding, and resource or technical constraints. Further, we have not undertaken independent third-party testing, verification or analysis of our gaming platform and associated systems and controls. Therefore, our products, gaming platform and quality controls and the preventative measures we have implemented have not, and in the future may not, be effective in detecting all defects in our products and gaming platform. In the event a significant defect in our retail products, gaming platform and associated systems and controls is realized, we could be required to offer refunds, suspend the availability of our esports events and other gameplay, or expend significant resources to cure the defect, each of which could significantly harm our business and operating results.

We may be held liable for information or content displayed on, retrieved from or linked to our gaming platform, or distributed to our users.

Our interactive live streaming platform enables gamers to exchange information and engage in various other online activities. Although we require our gamers to register under their real names, we do not require user identifications used and displayed during gameplay to contain any real-name information, and hence we are unable to verify the sources of all the information posted by our gamers. In addition, because a majority of the communications on our online and in- person gaming platform is conducted in real time, we are unable to examine the content generated by gamers before it is posted or streamed. Therefore, it is possible that gamers may engage in illegal, obscene or incendiary conversations or activities, including publishing of inappropriate or illegal content. If any content on our platform is deemed illegal, obscene or incendiary, or if appropriate licenses and

third-party consents have not been obtained, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the information delivered on or otherwise accessed through our platform. Moreover, the costs of compliance may continue to increase when more content is made available on our platform as a result of our growing base of gamers, which may adversely affect our results of operations.

Additionally, we currently generate, and intend to generate in the future, revenue through offering advertising within certain of our franchises. The content of in-game advertisements is generally created and delivered by third-party advertisers without our pre-approval, and, as such, objectionable content may be published in our games by these advertisers. This objectionable third party-created content may expose us to regulatory action or claims related to content, or otherwise negatively impact our business.

We may experience security breaches and cyber threats.

We continually face cyber risks and threats that seek to damage, disrupt or gain access to our networks and our gaming platform, supporting infrastructure, intellectual property and other assets. In addition, we rely on technological infrastructure, including third-party cloud hosting and broadband, provided by third-party business partners to support the in-person and online functionality of our gaming platform. These business partners are also subject to cyber risks and threats. Such cyber risks and threats may be difficult to detect, and the techniques that may be used to obtain unauthorized access or disable, degrade, exploit or sabotage our networks and gaming platform change frequently and often are not detected. Our systems and processes to guard against cyber risks and to help protect our data and systems, and the systems and processes of our third-party business partners, may not be adequate. Any failure to prevent or mitigate security breaches or cyber risks, or respond adequately to a security breach or cyber risk, could result in interruptions to our gaming platform, degrade the gamer experience, cause gamers to lose confidence in our gaming platform and cease utilizing it, as well as significant legal and financial exposure. This could harm our business and reputation, disrupt our relationships with partners and diminish our competitive position.

Our business could be adversely affected if our data privacy and security practices are inadequate, or are perceived as being inadequate, to prevent data breaches, or under the applicable data privacy and security laws generally.

In the course of our business, we may collect, process, store and use gamer and other information, including personally identifiable information, passwords and credit card information. Our security controls, policies and practices may not be able to prevent the improper or unauthorized access, acquisition or disclosure of such information. The unauthorized access, acquisition or disclosure of this information, or a perception that we do not adequately secure this information, could result in legal liability, costly remedial measures, governmental and regulatory investigations, harm our profitability and reputation and cause our financial results to be materially affected. In addition, third-party vendors and business partners receive access to information that we collect. These vendors and business partners may not prevent data security breaches with respect to the information we provide them or fully enforce our policies, contractual obligations and disclosures regarding the collection, use, storage, transfer and retention of personal data. A data security breach of one of our vendors or business partners could cause reputational harm to them and/or negatively impact our credibility to our gamer community.

We depend on servers and Internet bandwidth to operate our games and digital services with online features. If we were to lose server capacity or lack sufficient Internet bandwidth for any reason, our business could suffer.

We rely on data servers, including those owned or controlled by third parties, to enable our customers to download our games and other downloadable content, to access our online gaming platform, and to operate other products with online functionality. Events such as limited hardware failure, any broad-based catastrophic server malfunction, a significant intrusion by hackers that circumvents security measures, or a failure of disaster recovery services would likely interrupt the functionality of our games with online services and could result in a loss of sales for games and related services. An extended interruption of service could materially adversely affect our business, financial condition and operating results. See "—Risks Related to Our Business and Industry—A significant disruption in service on our website or platforms could damage our reputation and result in a loss of

traffic and visitors, which could harm our business, brand, operating results and financial condition" for additional information.

If we underestimate the amount of server capacity our business requires or if our business were to grow more quickly than expected, our consumers may experience service problems, such as slow or interrupted gaming access. Insufficient server capacity may result in decreased sales, a loss of our consumer base and adverse consequences to our reputation. Conversely, if we overestimate the amount of server capacity required by our business, we may incur additional operating costs.

Because of the importance of our online business to our revenues and results of operations, our ability to access adequate Internet bandwidth and online computational resources to support our business is critical. If the price of either such resource increases, we may not be able to increase our prices or subscriber levels to compensate for such costs, which could materially adversely affect our business, financial condition and operating results.

A significant disruption in service on our website or platforms could damage our reputation and result in a loss of traffic and visitors, which could harm our business, brand, operating results and financial condition.

Our brands, reputation, and ability to attract gamers or visitors depend on the reliable performance of our games, website and the supporting systems, technology and infrastructure. We may experience significant interruptions with our systems in the future. Interruptions in these systems, whether due to system failures, programming or configuration errors, computer viruses, or physical or electronic break-ins, could affect the availability of our inventory on our website and prevent or inhibit the ability of customers to access our website. Problems with the reliability or security of our systems could harm our reputation, result in a loss of customers and result in additional costs.

Substantially all of the communications, network and computer hardware used to operate our websites are located at co-location facilities. Although we have multiple locations, our systems are not fully redundant. In addition, we do not own or control the operation of these facilities. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes, and similar events. The occurrence of any of these events could damage our systems and hardware or could cause them to fail.

Problems faced by our third-party web hosting providers could adversely affect the experience of our customers. For example, our third-party web hosting providers could close their facilities without adequate notice. Any financial difficulties, up to and including bankruptcy, faced by our third-party web hosting providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party web hosting providers are unable to keep up with our growing capacity needs, our business could be harmed.

Our business partners may be unable to honor their obligations to us, or their actions may put us at risk.

We rely on various business partners, including third-party service providers, vendors, licensing partners, development partners, and licensees in many areas of our business. Their actions may put our business and our reputation and brand at risk. For example, we may have disputes with our business partners that may impact our business and/or financial results. In many cases, our business partners may be given access to sensitive and proprietary information in order to provide services and support to our teams, and they may misappropriate our information and engage in unauthorized use of it. In addition, the failure of these third parties to provide adequate services and technologies, or the failure of the third parties to adequately maintain or update their services and technologies, could result in a disruption to our business operations. Further, disruptions in the financial markets, economic downturns, poor business decisions, insolvency, or reputational harm may adversely affect our business partners, and they may not be able to continue honoring their obligations to us or we may cease our arrangements with them. Alternative arrangements and services may not be available to us on commercially reasonable terms, or we may experience business interruptions upon a transition to an alternative partner or vendor. If we lose one or more significant business partners, including due to their insolvency or business failure, our business could be harmed and our financial results could be materially affected.

Our efforts to expand into new products and services may subject us to additional risks.

We are exploring ways to capitalize on new trends to diversify our product mix, reduce our operating risks, and increase our revenue. There are risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. There is no assurance that we will be able to attract a sufficiently large number of customers or recover costs incurred in developing and marketing any of these new products or services. For example, we may offer games that do not attract sufficient purchases of subscriptions or DLCs, which may cause our investments to fail to realize the expected benefits. External factors, such as competitive alternatives and shifting market preferences, may also have an impact on the successful implementation of any new products or services. Failure to successfully manage these risks in the development and implementation of new products or services could have a material adverse effect on our business, financial condition and operating results.

Failure to adequately protect our intellectual property, technology and confidential information could harm our business and operating results.

Our business depends on our intellectual property, technology and confidential information, the protection of which is crucial to the success of our business. We rely on a combination of trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property, technology and confidential information. In addition, we attempt to protect our intellectual property, technology and confidential information by requiring certain of our employees and consultants to enter into confidentiality and assignment of inventions agreements and certain third parties to enter into nondisclosure agreements. These agreements may not effectively grant all necessary rights to any inventions that may have been developed by the employees and consultants. In addition, these agreements may not effectively prevent unauthorized use or disclosure of our confidential information, intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our confidential information, intellectual property, or technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our website features, software and functionality or obtain and use information that we consider to be proprietary. Changes in the law or adverse court rulings may also negatively affect our ability to prevent others from using our technology.

We currently lease or hold rights to certain domain names associated with our business. The regulation of domain names in the United States is subject to change. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain all domain names that are otherwise important for our business.

The costs involved in enforcement of our intellectual property rights could harm our business, financial condition and results of operations.

We pursue the registration of our copyrights, trademarks, service marks, and domain names in the U.S. and in certain locations outside the U.S. This process can be expensive and time-consuming, may not always be successful depending on local laws or other circumstances, and we also may choose not to pursue registrations in every location depending on the nature of the project to which the intellectual property rights pertain. We may, over time, increase our investments in protecting our creative works. Enforcement of our intellectual property rights to certain trademarks and service marks, such as Le Mans, will require reliance on enforcement efforts of third parties.

Litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of proprietary rights claimed by others. Any litigation of this nature, regardless of outcome or merit, could result in substantial costs, adverse publicity, and diversion of management and technical resources, any of which could adversely affect our business, financial condition and results of operations. If we fail to maintain, protect and enhance our intellectual property rights, our business, financial condition and results of operations may be harmed.

We may be subject to claims of infringement of third-party intellectual property rights.

From time to time, third parties may claim that we have infringed their intellectual property rights. For example, patent holding companies may assert patent claims against us in which they seek to monetize patents they have purchased or otherwise obtained. Although we take steps to avoid knowingly violating the intellectual property rights of others, it is possible that third parties still may claim infringement.

Existing or future infringement claims against us, whether valid or not, may be expensive to defend and divert the attention of our employees from business operations. Such claims or litigation could require us to pay damages, royalties, legal fees and other costs. We also could be required to stop offering, distributing or supporting our products, our gaming platform or other features or services, including esports events, which incorporate the affected intellectual property rights, redesign products, features or services to avoid infringement, or obtain a license, all of which could be costly and harm our business.

In addition, many patents have been issued that may apply to potential new modes of delivering, playing or monetizing interactive entertainment software products and services, such as those offered on our gaming platform or that we would like to offer in the future. We may discover that future opportunities to provide new and innovative modes of game play and game delivery to gamers may be precluded by existing patents that we are unable to license on reasonable terms, or at all.

Our technology, content, and brands are subject to the threat of piracy, unauthorized copying and other forms of intellectual property infringement.

We regard our technology, content, and brands as proprietary. Piracy and other forms of unauthorized copying and use of our technology, content, and brands are persistent, and policing is difficult. Further, the laws of some countries in which our products are or may be distributed either do not protect our intellectual property rights to the same extent as the laws of the United States or are poorly enforced. Legal protection of our rights may be ineffective in such countries. In addition, although we take steps to enforce and police our rights, factors such as the proliferation of technology designed to circumvent the protection measures used by our business partners or by us, the availability of broadband access to the Internet, the refusal of Internet service providers or platform holders to remove infringing content in certain instances, and the proliferation of online channels through which infringing product is distributed all may contribute to an expansion in unauthorized copying of our technology, content, and brands.

We use open source software in connection with certain of our games and services, which may pose particular risks to our proprietary software, products, and services in a manner that could have a negative impact on our business.

We use open source software in our platform and expect to use open source software in the future. The term of various open source licenses has not been interpreted by United States courts, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to market our software and services. By the terms of certain open source licenses, we could be required to release the source code of our proprietary software, and to make our proprietary software available under open source licenses, if we combine our proprietary software with open source software in a certain manner. In the event that portions of our proprietary software are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, or to re-engineer all or a portion of our technologies or otherwise be limited in the licensing of our technologies, each of which could reduce or eliminate the value of our technologies and services. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of the software. Many of the risks associated with usage of open source software cannot be eliminated and could negatively affect our business and operating results.

We rely on third-party technology to complete critical business functions. If that technology becomes unavailable or fails to adequately serve our needs and we cannot find alternatives, it may negatively impact our operating results.

We rely on third-party technology for certain of our critical business functions, including game engines such as Unreal, among others, as well as our back-office tools and technologies, such as enterprise resource planning, finance, development and analytics tracking systems. If these technologies fail, or otherwise become

unavailable, or we cannot maintain our relationships with the technology providers and we cannot find suitable alternatives, our financial condition and operating results may be adversely affected.

Our international operations are subject to increased challenges and risks.

Attracting players in international markets is a critical element of our business strategy. An important part of targeting international markets is developing offerings that are localized and customized for the players in those markets. Additionally, we currently have operations in the United Kingdom and the Netherlands. Our ability to expand our business and to attract talented employees and players in an increasing number of international markets requires considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal systems, alternative dispute systems, regulatory systems and commercial infrastructures. The success and profitability, as well as the expansion, of our international operations are subject to numerous risks and uncertainties, many of which are outside of our control, such as:

- the inability to offer certain games in certain foreign countries;
- recruiting and retaining talented and capable management and employees in foreign countries;
- challenges caused by distance, language and cultural differences;
- developing and customizing games and other offerings that appeal to the tastes and preferences of players in international markets;
- competition from local game makers with intellectual property rights and significant market share in those markets and with a better understanding of local player preferences;
- utilizing, protecting, defending and enforcing our intellectual property rights;
- negotiating agreements with local distribution platforms that are sufficiently economically beneficial to us and protective of our rights;
- the inability to extend proprietary rights in our brand, content or technology into new jurisdictions;
- implementing alternative payment methods for virtual items in a manner that complies with local laws and practices and protects us from fraud;
- compliance with applicable foreign laws and regulations, including privacy laws and laws relating to content and consumer protection, including, but not limited to, the United States Federal Trade Commission Act, various state consumer protection and video game control laws, and the United Kingdom's Office of Fair Trading's 2014 principles relating to in-app purchases in free-to-play games that are directed toward children 16 and under;
- compliance with anti-bribery laws, including the Foreign Corrupt Practices Act in the United States and the Bribery Act 2010 in the United Kingdom;
- credit risk and higher levels of payment fraud;
- currency exchange rate fluctuations;
- protectionist laws and business practices that favor local businesses in some countries;
- potentially adverse tax consequences due to changes in the tax laws of the U.S. or the foreign jurisdictions in which we operate;
- political, economic and social instability, including acts of war, such as the ongoing wars between Russia and Ukraine (as discussed further below) and between Israel and Hamas;

- public health crises, such as the COVID-19 pandemic, which can result in varying impacts to our employees, players, vendors and commercial partners internationally;

- work stoppages or other changes in labor conditions;
- higher costs associated with doing business internationally; and
- trade and tariff restrictions.

In February 2022, Russian forces launched significant military actions against Ukraine, and sustained conflict and disruption in the region remains ongoing. We have no way to predict the progress or outcome of the current situation in Ukraine, as the conflict and governmental reactions are rapidly developing and beyond our control. Potential impacts related to the conflict include further market disruptions, including significant volatility in commodity prices, credit and capital markets, supply chain and logistics disruptions, adverse global economic conditions resulting from escalating geopolitical tensions, volatility and fluctuations in foreign currency exchange rates and interest rates, inflationary pressures on raw materials and heightened cybersecurity threats. Additionally, in September 2022, we transitioned from using development staff in Russia to using development staff in other countries, including the Republic of Georgia, for game development. Any technical, operational or other difficulties related to the transition away from using Russian development staff could result in, among other things, increased costs, disruptions to our operations and delays in the release of our game titles. The termination of the employment arrangements with our Russian development staff could also cause us to incur certain liabilities and severance obligations under local labor regulations, which may include payment of up to three months' salary for each staff member terminated. Any of the foregoing could adversely impact our business, financial condition, liquidity and/or results of operations in various manners.

We have currency exposure arising from both sales and purchases denominated in foreign currencies, including intercompany transactions outside the United States. In addition, some currencies may be subject to limitations on conversion into other currencies, which can limit the ability to otherwise react to rapid foreign currency devaluations. We cannot predict with precision the effect of future exchange-rate fluctuations, and significant rate fluctuations could have a material adverse effect on our business, financial condition and results of operations.

If we are unable to manage the complexity of our global operations successfully, our business, financial condition and operating results could be adversely affected. Additionally, our ability to successfully gain market acceptance in any particular market is uncertain, and the distraction of our senior management team could harm our business, financial condition and results of operations.

Catastrophic events may disrupt our business.

Natural disasters, cyber-incidents, weather events, wildfires, power disruptions, telecommunications failures, public health outbreaks, such as the COVID-19 pandemic, failed upgrades of existing systems or migrations to new systems, acts of terrorism, acts of war, including the ongoing wars between Russia and Ukraine and between Israel and Hamas, geopolitical and social turmoil or other events could cause outages, disruptions and/or degradations of our infrastructure, including our or our partners' information technology and network systems, a failure in our ability to conduct normal business operations, or the closure of public spaces in which players engage with our games and services. The health and safety of our employees, suppliers, business partners and others could also be affected, which may prevent us from executing our business strategies or cause a decrease in consumer demand for our products and services. For example, several of our key locations experienced temporary closures as a result of the COVID-19 pandemic. Additionally, throughout the initial outbreak of the COVID-19 pandemic, several retailers experienced reduced operating hours and/or other restrictions as a result of the COVID-19 pandemic, which negatively impacted the sales of our products from such retailers primarily in 2020 and 2021. Further, system redundancy may be ineffective and our disaster recovery and business continuity planning may not be sufficient for all eventualities. Such failures, disruptions, closures, or an inability to conduct normal business operations could also prevent access to our products, services or online platforms selling our products and services, cause delays or interruptions in our product or live services offerings, allow breaches of data security or result in the loss of critical data. An event that results in the disruption or degradation of any of

our critical business functions or information technology systems and harms our ability to conduct normal business operations or causes a decrease in consumer demand for our products and services could materially impact our reputation and brand, financial condition and operating results.

Risks Related to Our Relationship with Driven Lifestyle

Driven Lifestyle controls a significant portion of our Class A common stock and all of our Class B common stock and therefore has the ability to exert significant control over the direction of our business, which could prevent other stockholders from influencing significant decisions regarding our business plans and other matters.

Driven Lifestyle currently owns all of the shares of our Class B common stock and 1,480,385 shares of our Class A common stock, which together represents approximately 83.28% of the combined voting power of both classes of our common stock as of March 20, 2025. Our Class B common stock has ten times the voting power per share of our Class A common stock. As long as Driven Lifestyle continues to control a majority of the voting power of our outstanding common stock, it will generally be able to determine the outcome of all corporate actions requiring stockholder approval, including the election and removal of directors. Even if Driven Lifestyle were to control less than a majority of the voting power of our outstanding common stock, it may be able to influence the outcome of such corporate actions so long as it owns a significant portion of our common stock. In the event Driven Lifestyle or its affiliates relinquish beneficial ownership of any of the DL Initial Class A Shares at any time, one share of Class B common stock held by Driven Lifestyle will be cancelled for each such DL Initial Class A Share no longer beneficially owned by Driven Lifestyle or its affiliates. If, however, Driven Lifestyle does not dispose of its DL Initial Class A Shares, it could remain our controlling stockholder for an extended period of time or indefinitely.

Driven Lifestyle's interests may not be the same as, or may conflict with, the interests of our other stockholders. Moreover, Mike Zoi, who is the manager of Driven Lifestyle and has sole voting and dispositive power with respect to the shares of our common stock held by Driven Lifestyle, may also have interests that are not the same as, or may conflict with, the interests of our other stockholders. Holders of our Class A common stock will not be able to affect the outcome of any stockholder vote while Driven Lifestyle controls the majority of the voting power of our outstanding common stock. As a result, Driven Lifestyle will be able to control, directly or indirectly and subject to applicable law, all matters affecting us, including:

- any determination with respect to our business direction and policies, including the appointment and removal of officers and directors;
- any determinations with respect to mergers, business combinations or the disposition of assets;
- compensation and benefit programs and other human resources policy decisions;
- the payment of dividends on our common stock;
- increases in the number of awards available for issuance under our equity incentive plans; and
- determinations with respect to tax matters.

Because Driven Lifestyle's interests may differ from ours or from those of our other stockholders, actions that Driven Lifestyle takes with respect to us, as our controlling stockholder, may not be favorable to us or our other stockholders, including holders of our Class A common stock.

If we are no longer controlled by or affiliated with Driven Lifestyle, we may be unable to continue to benefit from that relationship, which may adversely affect our operations and have a material adverse effect on us and our business, results of operations and financial condition.

Driven Lifestyle is one of the leading global motorsport and automotive data-driven digital platforms that owns and operates a unique collection of digital media motorsport and automotive brands. We have historically relied, in part, on Driven Lifestyle to provide digital access to its audience to market, communicate

and engage with users regarding our product offerings and services. In June 2023, Driven Lifestyle sold a portion of its media business and, as a result, we no longer have direct access to some of the digital audience of Driven Lifestyle prior to such sale, which could adversely affect our business, results of operations and financial condition. Additionally, we believe our relationship with Driven Lifestyle has historically helped us to secure our current and former joint ventures, game development and/or esports related rights for various racing series, including for NASCAR, Le Mans, BTCC and INDYCAR. In the event that we are no longer controlled by or affiliated with Driven Lifestyle, our ability to secure future joint ventures, game development and/or esports related rights for other racing series may be adversely impacted.

If Driven Lifestyle sells a controlling interest in our Company to a third party in a private transaction, you may not realize any change-of-control premium on shares of our Class A common stock. Further, we may become subject to the control of a presently unknown third party in such instance or in the event Driven Lifestyle pledges a controlling interest in our Company that is foreclosed upon.

Driven Lifestyle has the ability, should it choose to do so, to sell some or all of its shares of our Class A common stock in a privately negotiated transaction, which, if sufficient in size, could result in a change of control of our Company. The ability of Driven Lifestyle to privately sell its shares of our Class A common stock, with no requirement for a concurrent offer to be made to acquire all of the outstanding shares of our Class A common stock, could prevent you from realizing any change-of-control premium on your shares of our Class A common stock that may otherwise accrue to Driven Lifestyle on its private sale of our Class A common stock. Additionally, if Driven Lifestyle either privately sells a controlling interest in our Company, or pledges such shares in the future and secured parties foreclose on the shares, then we may become subject to the control of a presently unknown third party. Such third party may have conflicts of interest with those of other stockholders. In addition, if Driven Lifestyle sells a controlling interest in our Company to a third party, any outstanding indebtedness may be subject to acceleration and our commercial agreements and relationships could be impacted, all of which may adversely affect our ability to run our business as described herein and may have a material adverse effect on our results of operations and financial condition.

We are a "controlled company" within the meaning of the NASDAQ rules and, as a result, qualify for and may rely on exemptions from certain corporate governance requirements of NASDAQ. Our stockholders will not have the same protections afforded to stockholders of other companies that are subject to such requirements.

Driven Lifestyle currently controls a majority of the voting power of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the NASDAQ Listing Rules. Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including, but not limited to:

- the requirement that a majority of our board of directors consist of independent directors;
- the requirement that director nominees be selected, or recommended for our board of directors' selection, either by a majority of the independent directors or a nominating and corporate governance committee composed solely of independent directors; and
- the requirement that our compensation committee be composed of at least two members, each of whom must be independent directors with a written charter addressing the committee's purpose and responsibilities.

While Driven Lifestyle controls a majority of the voting power of our outstanding common stock, we may decide in the future to avail ourselves of these controlled company exemptions in accordance with the NASDAQ Listing Rules. Accordingly, our stockholders will not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of NASDAQ. Additionally, our status as a controlled company and our reliance on NASDAQ's controlled company exemptions could make our Class A common stock less attractive to some investors or otherwise harm our stock price.

Driven Lifestyle's competitive position in certain markets may constrain our ability to build and maintain certain partnerships or relationships in the motorsport industry.

We do and may in the future partner with companies that compete with Driven Lifestyle in certain markets relating to the motorsport industry. Driven Lifestyle's control over us may affect our ability to effectively build and maintain our relationships with these companies. For example, these companies may favor our competitors over us due to our relationship with Driven Lifestyle and to avoid indirectly supporting Driven Lifestyle.

Our inability to resolve in a manner favorable to us any potential conflicts or disputes that arise between us and Driven Lifestyle or its subsidiaries with respect to our past and ongoing relationships may adversely affect our business and prospects.

Potential conflicts or disputes may arise between Driven Lifestyle or its subsidiaries and us in a number of areas relating to our past or ongoing relationships, including:

- tax, employee benefit, indemnification and other matters arising from our relationship with Driven Lifestyle or its subsidiaries;
- business combinations involving us;
- business opportunities that may be attractive to us and Driven Lifestyle or its subsidiaries;
- intellectual property or other proprietary rights; and
- joint sales and marketing activities with Driven Lifestyle or its subsidiaries.

The resolution of any potential conflicts or disputes between us and Driven Lifestyle or its subsidiaries over these or other matters may be less favorable to us than the resolution we might achieve if we were dealing with an unaffiliated party.

Risks Related to Our Company

Our limited operating history makes it difficult to evaluate our current business and future prospects, and we may not be able to effectively grow our business or implement our business strategies.

Motorsports Games was formed and started operating in August 2018 in connection with the acquisition by Motorsport Games of a controlling interest in 704Games. As such, Motorsports Games does not have a long history operating as a commercial company. Due to this and other factors, our operating results are not predictable, and our historical results may not be indicative of our future results. We believe that our ability to grow our business will depend on many risks and uncertainties, including our ability to:

- increase the number of players of our games;
- continue developing innovative technologies, tournaments and competitions in response to shifting demand in esports and online gaming;
- develop new sources of revenues;
- expand our brand awareness; or
- further improve the quality of our product offerings, features and complementary products and services, and introduce high-quality new products, services and features.

There can be no assurance that we will meet these objectives. Addressing these risks and uncertainties will require significant capital expenditures and allocation of valuable management and employee resources. We will need to improve our operational, financial and management controls as well as our reporting systems and

procedures. Additionally, we will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture. If we cannot manage our growth effectively, our business could be harmed, and our results of operations and financial condition could be materially and adversely affected.

Impairment of our intangible assets has had, and in the future could have, a material adverse impact on our results of operations.

As of December 31, 2024, we had intangible assets, net of $3.4 million. We are required under accounting principles generally accepted in the United States of America ("U.S. GAAP") to review our intangible assets when events or changes in circumstances indicate the carrying value may not be recoverable. Some factors that may be considered events or changes in circumstances that would require our intangible assets to be reviewed for impairment include, among other, general economic conditions, industry and market considerations, cost factors, overall financial performance, entity-specific factors such as changes to our product road map and restructuring changes, and changes in our share price. We may be required to record non-cash impairment charges during any period in which we determine that our intangible assets are impaired, which has had, and in the future could have, a material adverse impact on our results of operations. For example, for the year ended December 31, 2023, we recorded impairment of intangible assets of $4.0 million.

We have identified material weaknesses in our internal control over financial reporting. If we are unable to remediate these material weaknesses, or if we identify additional material weaknesses in the future, we may not be able to accurately or timely report our financial condition or results of operations, which may adversely affect our business and the trading price of our Class A common stock.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. In connection with the audit of our consolidated financial statements for the year ended December 31, 2024, we identified certain material weaknesses in our internal control over financial reporting that continue to exist. The material weaknesses identified relate to (i) our failure to design and maintain effective monitoring procedures and controls to evaluate the effectiveness of our individual control activities and (ii) a lack of sufficient number of personnel with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely.

If we are unable to successfully remediate our existing or any future material weaknesses in our internal control over financial reporting, or identify any additional material weaknesses, the accuracy and timing of our financial reporting may be adversely affected, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports and applicable listing requirements, investors may lose confidence in our financial reporting, and the share price of our Class A common stock may decline as a result. In addition, we could become subject to investigations by NASDAQ, the SEC or other regulatory authorities, which could require additional financial and management resources. See Part II, Item 9A – "Controls and Procedures – Management's Annual Report on Internal Control over Financial Reporting" of this Report for further information on material weaknesses and our remediation plans.

We are an emerging growth company and a smaller reporting company, and we cannot be certain if the reduced disclosure requirements applicable to us will make our Class A common stock less attractive to investors.

We are an "emerging growth company", as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), and we have availed ourselves of certain exemptions and relief from various reporting requirements that are applicable to other public companies that are not emerging growth companies. In particular, while we are an emerging growth company, we are not required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"); we are exempt from any rules that could be adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotations or a supplement to the auditor's report on financial statements; we are subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and we are not be required to

hold nonbinding advisory votes on executive compensation or stockholder approval of any golden parachute payments not previously approved.

In addition, while we are an emerging growth company, we can take advantage of an extended transition period for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of this extended transition period and, as a result, our operating results and financial statements may not be comparable to the operating results and financial statements of companies that have adopted the new or revised accounting standards.

We may remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the completion of our IPO, though we may cease to be an emerging growth company earlier under certain circumstances, including if (i) we have $1.235 billion or more in annual revenue in any fiscal year, (ii) we become a "large accelerated filer," as defined in Rule 12b-2 under the Exchange Act; or (iii) we issue more than $1.0 billion of non- convertible debt over a three-year period.

We are also a "smaller reporting company" as defined in the Exchange Act. We may continue to be a smaller reporting company even after we are no longer an emerging growth company. We may take advantage of certain of the scaled disclosures available to smaller reporting companies and will be able to take advantage of these scaled disclosures for so long as our voting and non-voting common stock held by non-affiliates is less than $250 million measured on the last business day of our second fiscal quarter, or our annual revenue is less than $100 million during the most recently completed fiscal year and our voting and non-voting common stock held by non-affiliates is less than $700 million measured on the last business day of our second fiscal quarter. Similar to emerging growth companies, smaller reporting companies that are non-accelerated filers are exempt from the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act.

We cannot predict if investors will find our Class A common stock less attractive if we choose to rely on these exemptions. If some investors find our Class A common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our Class A common stock and our stock price may be more volatile.

We may acquire other companies, technologies, or assets, which could divert our management's attention, result in additional dilution to our stockholders and otherwise disrupt our operations and harm our operating results.

Our success will depend, in part, on our ability to grow our business in response to the demands of consumers and other constituents within the gaming industry and competitive pressures. In some circumstances, we may decide to grow through the acquisition of complementary businesses, technologies, and assets rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business;
- coordination of technology, research and development and sales and marketing functions;
- transition of the acquired company's users to our website and mobile applications;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company's accounting, management information, human resources and other administrative systems;

- the need to implement or improve controls, policies and procedures at a business that prior to the acquisition may have lacked effective controls, policies and procedures;

- potential write-offs of intangibles or other assets acquired in such transactions that may have an adverse effect on our operating results;

- known and unknown liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, and tax liabilities; and

- litigation or other claims resulting from the acquisition of the company, including claims from terminated employees, consumers, former stockholders, or other third parties.

Our failure to address these risks or other problems encountered in connection with our past or future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments and to incur unanticipated liabilities and otherwise harm our business. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, or the write-off of goodwill, any of which could harm our financial condition. Also, the anticipated benefits of any acquisitions may not materialize. Any of these risks, if realized, could materially and adversely affect our business and results of operations.

We may be subject to various legal proceedings, claims, litigation, governmental investigations or inquiries and other disputes from time to time. If the outcomes of any of these actions are adverse to us, it could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to various legal proceedings, claims, litigation, governmental investigations or inquiries and other disputes from time to time, which could have a material adverse effect on our business, results of operations and financial condition. Claims or disputes arising out of actual or alleged violations of law could be asserted against us by individuals, either individually or through class actions, by governmental entities in civil or criminal investigations and proceedings or by other parties, including holders of non-controlling interests in certain of our subsidiaries. Any claims made against us could be asserted under a variety of laws, including but not limited to, contract or corporate law, consumer finance laws, consumer protection laws, intellectual property laws, privacy laws, labor and employment laws, securities laws and employee benefit laws. These actions or disputes, whether meritorious or not, could expose us to adverse publicity through various media channels and to substantial monetary damages or other nonmonetary components and legal defense costs, injunctive relief or other equitable remedies and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business. For additional information, see “Legal Proceedings” in Part I, Item 3 of this Report.

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could adversely affect our operating results and financial condition.

We are currently subject to taxes in the United States and the United Kingdom. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;

- expected timing and amount of the release of any tax valuation allowances;

- expiration of, or detrimental changes in, research and development tax credit laws;

- changes in tax laws, regulations or interpretations thereof; or

- expansion into or future activities in additional jurisdictions.

In addition, we may be subject to audits of our income, sales and other transaction taxes in various jurisdictions. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

We may not successfully manage the transitions associated with certain of our executive officers, which could have an adverse impact on us.

On November 3, 2023, Jason Potter resigned as our Chief Financial Officer, effective as of November 8, 2023. Effective November 8, 2023, Stanley Beckley was appointed as our Interim Chief Financial Officer. Mr. Beckley was appointed as our permanent Chief Financial Officer on May 16, 2024. Additionally, on April 14, 2023, the Company's board of directors determined to terminate Dmitry Kozko's employment with the Company as its Chief Executive Officer without "Cause" (as such term is defined in Mr. Kozko's employment agreement) effective as of April 19, 2023. In connection with Mr. Kozko's termination, the Company's board of directors appointed Stephen Hood as the Company's new Chief Executive Officer and President. Leadership transitions may be inherently difficult to manage, and inadequate transitions to a new Chief Executive Officer and/or a permanent Chief Financial Officer may cause disruption within the Company. In addition, our financial performance and ability to meet operational goals and strategic plans may be adversely impacted, particularly if we are unable to attract and retain a qualified candidate for any vacant executive office in a timely manner. This may also impact our ability to retain and hire other key members of management.

Risks Related to Ownership of Our Class A Common Stock

Our Class A common stock may be delisted from NASDAQ, which could affect the market price and liquidity of our Class A common stock.

We are required to continually meet NASDAQ's listing requirements, including, among other things, a minimum stockholders' equity requirement of at least $2,500,000 for continued inclusion on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(b)(1) (the "Stockholders' Equity Requirement"). As described in a Current Report on Form 8-K filed with the SEC on November 22, 2024, we received a deficiency letter from NASDAQ's Listing Qualifications Department (the "NASDAQ Staff") on November 20, 2024 notifying us that we were not in compliance with the Stockholders' Equity Requirement. In our Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, we reported stockholders' equity of $2,170,911, which was below the Stockholders' Equity Requirement. Additionally, we did not meet either of the alternative Nasdaq continued listing standards under the Nasdaq Listing Rules, which include (i) a market value of listed securities of at least $35 million or (ii) net income of $500,000 from continuing operations in the most recently completed fiscal year or in two of the three most recently completed fiscal years. As of December 31, 2024, our stockholders' equity was $1,226,002.

In accordance with NASDAQ rules, we had until January 6, 2025 to submit a plan to the NASDAQ Staff to regain compliance with the Stockholders' Equity Requirement, which plan we submitted by such date. On March 3, 2025, NASDAQ notified us that based on NASDAQ's review of the materials we submitted to NASDAQ, the NASDAQ Staff has determined to grant us an extension to regain compliance with the Stockholders' Equity Requirement, until April 14, 2025, subject to us regaining and evidencing compliance with the Stockholders' Equity Requirement by such date. In the event we do not regain and evidence compliance with the Stockholders' Equity Requirement by April 14, 2025, Nasdaq's staff will provide written notification to us that our securities may be subject to delisting.

To regain compliance with the Stockholders' Equity Requirement, we plan to negotiate and implement equity financing transactions and negotiate a reduction or extinguishment of our purchase commitment liabilities; provided that there can be no assurances that such financing transactions and reductions of our purchase commitment liabilities will be consummated or that they will achieve their intended effects.

Any delisting of our Class A common stock from NASDAQ, including as a result of our inability to regain compliance with the Stockholders' Equity Requirement, could adversely affect our ability to attract new investors, reduce the liquidity of our outstanding shares of Class A common stock, reduce our ability to raise additional capital, reduce the price at which our Class A common stock trades, result in negative publicity and increase the transaction costs inherent in trading such shares with overall negative effects for our stockholders. We cannot assure you that our Class A common stock, if delisted from NASDAQ, will be listed on another national securities exchange or quoted on an over-the-counter quotation system. In addition, delisting of our Class A common stock could deter broker-dealers from making a market in or otherwise seeking or generating interest in our Class A common stock and might deter certain institutions and persons from investing in our securities at all. For these reasons and others, delisting could adversely affect our business, financial condition and liquidity.

Substantial future sales of our Class A common stock, or the perception that such sales may occur, could depress the price of our Class A common stock.

A substantial number of shares of our Class A common stock are freely tradable without restriction under the Securities Act of 1933, as amended (the "Securities Act"), except for any shares of our Class A common stock that may be held or acquired by our directors, executive officers and other affiliates (as that term is defined in the Securities Act), including Driven Lifestyle, which generally may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

Further, Driven Lifestyle has registration rights, subject to certain conditions, to require us to file registration statements to register the resale of certain shares of our Class A common stock it holds or to include such shares for resale in registration statements that we may file for ourselves or other stockholders. Accordingly, sales of substantial amounts of our Class A common stock in the public market, or the perception that these sales could occur, including sales by Driven Lifestyle, could adversely affect the price of our Class A common stock and could impair our ability to raise capital through the sale of additional shares.

We have also filed a registration statement registering under the Securities Act the shares of our Class A common stock reserved for issuance under the Motorsport Games Inc. 2021 Equity Incentive Plan for the grants of equity-based awards to employees, directors and consultants. If these award recipients cause a large number of shares to be sold in the public market, such sales could also reduce the trading price of our Class A common stock and impede our ability to raise future capital.

Our certificate of incorporation has limitations on the liability of our directors, and we may have to indemnify our officers and directors in certain instances.

Our certificate of incorporation limits the liability of directors to the maximum extent permitted by Delaware law. Delaware law provides that directors of a corporation will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except for liability for any:

- breach of their duty of loyalty to us or our stockholders;
- act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the Delaware General Corporation Law; or
- transactions for which the directors derived an improper personal benefit.

These limitations of liability will not apply to liabilities arising under the federal or state securities laws and will not affect the availability of equitable remedies such as injunctive relief or rescission. Our certificate of incorporation also provides that we are obligated to advance expenses incurred by a director or officer in advance of the final disposition of any action or proceeding. We believe that these provisions are necessary to attract and retain qualified persons as directors and officers. The limitation of liability in our certificate of incorporation may discourage stockholders from bringing a lawsuit against directors for a breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if

successful, might provide a benefit to us and our stockholders. Our results of operations and financial condition may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions.

Certain provisions in our charter documents and Delaware law could limit attempts by our stockholders to replace or remove our board of directors or current management and limit the market price of our Class A common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing changes in our board of directors or management including, but not limited to:

- establishing an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our board of directors;
- creating a classified board of directors;
- prohibiting cumulative voting in the election of directors;
- permitting our board of directors to issue preferred stock without stockholder approval; and
- reflecting two classes of common stock, as discussed above.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any "interested" stockholder for a period of three years following the date on which the stockholder became an "interested" stockholder.

Our certificate of incorporation and bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our certificate of incorporation and bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf; any action asserting a breach of fiduciary duty; any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our certificate of incorporation or our bylaws; or any action asserting a claim against us that is governed by the internal affairs doctrine; provided that, if and only if the Court of Chancery of the State of Delaware dismisses any such action for lack of subject matter jurisdiction, such action may be brought in another state or federal court sitting in the State of Delaware. Our certificate of incorporation and bylaws also provide that the federal district courts of the United States of America will be the exclusive forum for the resolution of any complaint asserting a cause of action against us or any of our directors, officers, employees or agents arising under the Securities Act. We believe these provisions may benefit us by providing increased consistency in the application of Delaware law and federal securities laws by chancellors and judges, as applicable, particularly experienced in resolving corporate disputes, efficient administration of cases on a more expedited schedule relative to other forums and protection against the burdens of multi-forum litigation. The choice of forum provision requiring that the Court of Chancery of the State of Delaware be the exclusive forum for certain actions would not apply to suits brought to enforce any liability or duty created by the Exchange Act. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees.

There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder

may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find these types of provisions to be inapplicable or unenforceable, and if a court were to find the exclusive forum provision in our certificate of incorporation and bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could materially adversely affect our business, financial condition, and results of operations.

We expect that the price of our Class A common stock will fluctuate substantially.

The trading price of our Class A common stock is likely to be volatile due several factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. Factors that could cause fluctuations in the trading price of our Class A common stock include:

- changes to our industry, including demand and regulations;
- our ability to compete successfully against current and future competitors;
- our ability to develop and launch consumer-preferred electronic racing games and esports events;
- competitive pricing pressures;
- our ability to obtain liquidity to fund our operations and other working capital financing as required;
- additions or departures of key personnel;
- sales of our Class A common stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- our loss of any strategic relationship, sponsor or licensor;
- any major change in our management;
- changes in accounting standards, procedures, guidelines, interpretations or principles; and
- economic, geopolitical and other external factors.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors, as well as general economic, political and market conditions, such as recessions, or interest rate changes and financial market instability or disruptions to the banking system due to bank failures may seriously affect the market price of our Class A common stock, regardless of our actual operating performance.

Historically, securities class action litigation has often been brought against a company following a decline in the market price of its securities. If we were to be sued, it could result in substantial costs and a diversion of management's attention and resources, which could harm our business.

If securities industry analysts cease to publish research reports on us, or publish unfavorable reports on us, then the market price and market trading volume of our Class A common stock could be negatively affected.

The trading market for our Class A common stock will be influenced in part by any research reports that securities industry analysts publish about us. We anticipate having limited analyst coverage and we may continue

to have inadequate analyst coverage in the future. If one or more of such analysts downgrade our securities, or otherwise report on us unfavorably, or discontinue coverage of us, the market price and market trading volume of our Class A common stock could be negatively affected.

The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

In July 2017, S&P Dow Jones and FTSE Russell announced changes to their eligibility criteria for the inclusion of shares of public companies on certain indices, including the Russell 2000, the S&P 500, the S&P MidCap 400 and the S&P SmallCap 600, to exclude companies with multiple classes of shares of common stock from being added to these indices. As a result, our dual class capital structure would make us ineligible for inclusion in any of these indices, and mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track these indices will not be investing in our common stock. Furthermore, we cannot assure you that other stock indices will not take a similar approach to S&P Dow Jones or FTSE Russell in the future. Exclusion from indices could make our Class A common stock less attractive to investors and, as a result, the market price of our Class A common stock could be adversely affected.

We do not intend to pay dividends for the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. Accordingly, investors must rely on sales of their Class A common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

General Risk Factors

Our results of operations and financial condition are subject to management's accounting judgments and estimates, as well as changes in accounting policies.

Financial statements prepared in accordance with U.S. GAAP typically require the use of good faith estimates, judgments and assumptions that affect the reported amounts. The preparation of our financial statements requires us to make estimates and assumptions affecting the reported amounts of our assets, liabilities, revenues and expenses. If these estimates or assumptions are incorrect, it could have a material adverse effect on our results of operations or financial condition. We have identified several accounting policies as being "critical" to the fair presentation of our financial condition and results of operations because they involve major aspects of our business and require us to make judgments about matters that are inherently uncertain. These policies are described in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and accompanying notes in Part II, Item 8, "Financial Statements and Supplementary Data" of this Report. The implementation of new accounting requirements or other changes to U.S. GAAP could have a material adverse effect on our reported results of operations and financial condition.

The requirements of being a public company may require significant resources and divert management's attention.

As an Exchange Act reporting company, we are subject to certain ongoing reporting requirements. Compliance with these requirements will increase our compliance costs, make some activities more difficult, time-consuming or costly and increase demands on our resources. The requirements may also make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors and qualified officers. Moreover, as a result of the disclosure of information in the public filings we make, our business operations, operating results and financial condition will become more visible, including to competitors and other third parties.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may

evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

If we fail to maintain proper and effective internal control over financial reporting, our ability to produce accurate and timely financial statements could be impaired.

We are subject to a requirement, pursuant to Section 404(a) of the Sarbanes-Oxley Act, to conduct an annual review and evaluation of our internal control over financial reporting and furnish a report by management on, among other things, our assessment of the effectiveness of our internal control over financial reporting each fiscal year. However, for as long as we are an emerging growth company or a non-accelerated filer, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404(b). Ensuring that we have adequate internal control over financial reporting in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that must be evaluated frequently. Establishing and maintaining these internal controls will be costly and may divert management's attention.

In addition to the material weaknesses in our internal control over financial reporting that we have identified, we may discover additional weaknesses in our disclosure controls and internal control over financial reporting in the future. If we fail to achieve and maintain the adequacy of our internal control over financial reporting, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude, on an ongoing basis, that we have effective internal control over financial reporting in accordance with Section 404(a) of the Sarbanes-Oxley Act. We cannot be certain as to the timing of completion of our evaluation, testing and any remediation actions or the impact of the same on our operations. If we do not adequately implement or comply with the requirements of Section 404 of the Sarbanes-Oxley Act, we may be subject to sanctions or investigation by regulatory authorities, such as the SEC, or suffer other adverse regulatory consequences, including penalties for violation of NASDAQ rules. As a result, there could be a negative reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. In addition, we may be required to incur costs to improve our internal control system, including the costs of the hiring of additional personnel. Any such action could negatively affect our business, financial condition, results of operations and cash flows and could also lead to a decline in the price of our Class A common stock.

We are subject to risks related to corporate and social responsibility and reputation.

Many factors influence our reputation, including the perception held by our customers, business partners and other key stakeholders. Our business faces increasing scrutiny related to environmental, social and governance activities. We risk damage to our reputation if we fail to act responsibly in a number of areas, such as diversity and inclusion, environmental stewardship, supply chain management, climate change, workplace conduct, human rights and philanthropy. Any harm to our reputation could impact employee engagement and retention and the willingness of customers and our partners to do business with us, which could have a material adverse effect on our business, results of operations and cash flows.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

We recognize the critical importance of maintaining the safety and security of our systems and data and have implemented a holistic process for overseeing and managing cybersecurity and related risks. We depend on the accuracy, capacity, and security of our information technology systems and those used by our third-party service providers. To protect the confidentiality, integrity, and availability of our critical systems and information, we have developed and implemented a cybersecurity risk management program that includes a cybersecurity incident response plan. Our cybersecurity risk management program covers our business and was crafted following frameworks established by the National Institute of Standards and Technology. While using these frameworks guides our approach to identifying, assessing, and managing cybersecurity risks relevant to our business, it does not imply compliance with any specific technical standards, specifications or requirements. The program is integrated into our overall enterprise risk management program and shares common methodologies,

reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas. In addition, our program emphasizes the maintenance of controls and procedures for the prompt escalation of certain cybersecurity incidents, conducting cybersecurity risk assessments, regularly assessing and deploying technical safeguards, establishing incident response and recovery plans, and providing relevant privacy and cybersecurity information to employees to enhance awareness and response to cybersecurity threats.

As of the date of this Report, we are not aware of any risks from cybersecurity threats, including as a result of any prior cybersecurity incidents, that have materially affected or are reasonably likely to materially affect our business strategy, results of operations or financial condition.

Governance

The Board of Directors, along with its Audit Committee, oversees the management of cybersecurity risks and receives quarterly reports from management on the detection and remediation of cybersecurity incidents, as well as on material security risks and vulnerabilities. Through our outsourced managed service provider, we are informed about, and monitor the prevention, detection, mitigation and remediation of cybersecurity incidents through the management of, and participation in the monitoring systems and processes described above. The information about such incidents is reported to the Company's Chief Executive Officer and Chief Financial Officer, who then would report such information to the Company's Board of Directors, in some cases, earlier than the regular quarterly reports depending on the nature and severity of the incident.

Item 2. Properties

Our corporate headquarters is located in Miami, Florida and currently consists of approximately 2,000 square feet of office space. We also lease an office in Silverstone, England. Both offices are used by our Gaming and Esports operating segments.

Item 3. Legal Proceedings

We are involved in various routine legal proceedings incidental to the ordinary course of our business. We believe that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on our business, prospects, results of operations, financial condition and/or cash flows, except as otherwise disclosed in this Report. In light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to our operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of our income for that particular period. See Note 11 – *Commitments and Contingencies – Litigation* in our consolidated financial statements for additional information.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our Class A common stock is publicly traded under the ticker symbol "MSGM" on the Nasdaq Capital Market and began trading on January 13, 2021. Prior to that date, there was no public trading market for our Class A common stock. There is no public trading market for our Class B common stock.

Holders

As of March 20, 2025, there were approximately 10 holders of record of our Class A common stock and one holder of record of our Class B common stock. The actual number of holders of our Class A common stock is greater than the number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or other nominees.

Dividends

We currently intend to retain all available funds and any future earnings to fund the development and growth of our business and, therefore, we do not anticipate paying any cash dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of our board of directors, subject to compliance with covenants in current and future agreements governing our and our subsidiaries' indebtedness, and will depend on our results of operations, financial condition, capital requirements, contractual arrangements and other factors that our board of directors deems relevant.

Equity Compensation Plan Table

The following table summarizes our equity compensation plan information as of December 31, 2024. Information is included for equity compensation plans approved by our stockholders and equity compensation plans not approved by our stockholders.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price per share of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	97,366	$ 61.83	2,634
Equity compensation plans not approved by stockholders	21,394	4.32	-
Total	118,760		2,634

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the year ended December 31, 2024 other than as reported in our Current Reports on Form 8-K filed with the SEC.

Purchases of Equity Securities

We did not purchase any shares of our Class A common stock during the quarter ended December 31, 2024.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

The following overview is a high-level discussion of our operating results, as well as some of the trends and drivers that affect our business. Management believes that an understanding of these trends and drivers

provides important context for our results for the fiscal years ended December 31, 2024 and 2023, as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this Report, including in the "Business" section and "Risk Factors" above, the remainder of this "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") or the consolidated financial statements and related notes.

Our Business

Motorsport Games is a racing game developer, publisher and esports ecosystem provider of official motorsport racing series, including the iconic 24 Hours of Le Mans endurance race ("Le Mans") and the associated FIA World Endurance Championship (the "WEC"). Our portfolio also includes the KartKraft karting simulation game, as well as Studio 397 B.V. ("Studio397") and their rFactor 2 realistic racing simulator technology and platform. rFactor 2 also powers F1® Arcade through a partnership with Kindred Concepts.

We develop and publish multi-platform racing video games including for game consoles, personal computers (PCs) and mobile platforms through various retail and digital channels, including full-game and downloadable content ("DLC"). We have obtained the official licenses to develop multi-platform games for the 24 Hours of Le Mans race and the WEC. We are also striving to become a leader in organizing and facilitating esports tournaments, competitions, and events for our licensed racing games.

On October 3, 2023, we sold our NASCAR licensed rights under that certain Second Amended and Restated Distribution and License Agreement with NASCAR Team Properties ("NTP") (the "NASCAR License") to iRacing.com Motorsport Simulations, LLC. Prior to the sale of our NASCAR License, we had been the official video game developer and publisher for the NASCAR video game racing franchise and had the exclusive right to create and organize esports leagues and events for NASCAR using our NASCAR racing video games, in each case, subject to certain limited exceptions. Concurrently with the sale of our NASCAR License, we entered into an agreement with NTP pursuant to which we had a limited non-exclusive right and license to, among other things, sell our NASCAR games and DLCs that were in our product portfolio through December 31, 2024 (the "NASCAR New Limited License"). For fiscal years 2024 and 2023, 52% and 72% of our total revenue, respectively, was generated from sales of our NASCAR racing video games.

On October 26, 2023, BARC (TOCA) Limited ("BARC"), the exclusive promoter of the British Touring Car Championship (the "BTCC"), delivered notice to the Company terminating the license agreement between the parties relating to the Company's development of video games and the organization and facilitation of esports events for the BTCC (the "BTCC License"), effective as of November 3, 2023. As a result, the Company no longer has the right to develop and publish the video games for the BTCC racing series or to create and organize its esports leagues and events.

Furthermore, on November 8, 2023, INDYCAR, LLC delivered notice to the Company terminating the license agreements between the parties relating to the Company's development of video games and the organization and facilitation of esports events for the INDYCAR racing series (collectively, the "INDYCAR License"), effective immediately. As a result, the Company no longer has the right to develop and publish the video games for the INDYCAR racing series or to create and organize its esports leagues and events.

We are required to continually meet NASDAQ's listing requirements, including, among other things, a minimum stockholders' equity requirement of at least $2,500,000 for continued inclusion on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(b)(1) (the "Stockholders' Equity Requirement"). As described in a Current Report on Form 8-K filed with the SEC on November 22, 2024, we received a deficiency letter from NASDAQ's Listing Qualifications Department (the "NASDAQ Staff") on November 20, 2024 notifying us that we were not in compliance with the Stockholders' Equity Requirement. In our Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, we reported stockholders' equity of $2,170,911, which was below the Stockholders' Equity Requirement. Additionally, we did not meet either of the alternative Nasdaq continued listing standards under the Nasdaq Listing Rules, which include (i) a market value of listed securities of at least $35 million or (ii) net income of $500,000 from continuing operations in the most recently completed fiscal year or in two of the three most recently completed fiscal years. As of December 31, 2024, our stockholders' equity was $1,226,002. In accordance with NASDAQ rules, we had until January 6, 2025 to submit a plan to the NASDAQ Staff to regain compliance with the Stockholders' Equity Requirement, which plan we submitted by

such date. If the plan is accepted, NASDAQ can grant an extension of up to 180 calendar days from the date of the Letter for the Company to evidence compliance.

Due to the uncertainty surrounding our ability to raise funding, and in light of our liquidity position and anticipated future funding requirements, we continue to explore other strategic alternatives and potential options for our business, including, but not limited to, the sale or licensing of certain of our assets, collaborations and/or merger in addition to the sale of our NASCAR License and Traxion, which was our motorsport and racing games community content platform. If any such additional strategic alternative is executed, it is expected it would help to improve our working capital position and reduce overhead expenditures, thereby lowering our expected future cash-burn, and provide some short-term liquidity relief. Nonetheless, even if we are successful in implementing one or more additional strategic alternatives, we will continue to require additional funding and/or further cost reduction measures in order to continue operations, which includes further restructuring of our business and operations. There are no assurances that we will be successful in implementing any additional strategic plans for the sale or licensing of our assets, or any other strategic alternative, which may be subject to the satisfaction of conditions beyond our control.

As of December 31, 2024, we have a total headcount of 39 people, made up of 22 full-time employees and 17 contractors, with 30 people in total dedicated to game development.

Restructuring Initiatives

As previously disclosed, the Company announced an organizational restructuring program on September 8, 2022 (the "2022 Restructuring Program") designed to reduce the Company's marketing, general and administrative expenses, improve the Company's profitability and maximize efficiency, cash flow and liquidity, with a goal of achieving annualized savings of $4 million by the end of fiscal year 2023. The Company achieved $2.5 million of this cost reduction target by the end of 2022, and as of December 31, 2023, the Company increased its savings under the 2022 Restructuring Program to $6.7 million, while having incurred restructuring costs of approximately $1.3 million.

In addition to the 2022 Restructuring Program, on October 29, 2023, the Company announced a further restructuring of its business due to its ongoing liquidity constraints. The announcement confirmed the closure of the Company's Australian development studio and resulted in a reduction of the Company's workforce by approximately 40 employees, the majority of whom were based in Australia and the United Kingdom, representing approximately 40% of the Company's global workforce at that time. The Company recorded a restructuring expense of approximately $0.5 million related to the workforce reduction, primarily consisting of severance and redundancy costs, in the fourth quarter of fiscal year 2023. The implementation of the workforce reduction, including cash payments, was substantially completed by the end of the fourth quarter of fiscal year 2023.

On October 3, 2024, the Company implemented additional measures intended to continue to bring down its year-over-year operating expense through a reduction of the Company's workforce primarily in the United States and the United Kingdom by approximately 23 employees and contractors. The workforce reduction impacted approximately 38% of total employees worldwide. The Company recorded a restructuring charge related to the workforce reduction, primarily consisting of severance and redundancy costs of approximately $0.2 million. The Company recognized and paid out the majority of the restructuring charge in the fourth quarter of fiscal year 2024.

The Company continues to seek to reduce its monthly net cash-burn by reducing its cost base through maintaining and enhancing cost control initiatives and is evaluating the structure of its business for additional changes in order to improve both its near-term and long-term liquidity position.

Trends and Factors Affecting Our Business

Product Release Schedule

Our financial results are impacted by the timing of our product releases and the commercial success of those titles. Our recent product releases include:

Title	Release Date and Platform
rFactor 2 Q1 2023 Content Update	February 21, 2023, available on PC
NASCAR Heat 5 – Next Gen Car Update*	June 23, 2023, available on PC and consoles
rFactor 2: RaceControl multiplayer	October 5, 2023, available on PC
Le Mans Ultimate	February 20, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 1	July 23, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 2	September 24, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 3	December 10, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 4	February 25, 2025, available on PC

* Pursuant to the NASCAR New Limited License, we had a limited non-exclusive right and license to, among other things, sell these NASCAR games and DLCs through December 31, 2024.

We continually evaluate our planned product release schedule and modify the timing of upcoming products based on developments in our business, or if we believe it will result in a better consumer experience. The sale of our NASCAR License and the termination of our BTCC License and INDYCAR License, as disclosed elsewhere in this Report, has impacted our long-term product release schedule as we will no longer be producing NASCAR, BTCC and INDYCAR titles moving forward.

As we continue to evaluate the cost saving initiatives and explore other strategic alternatives and potential options for our business, including, but not limited to, the sale or licensing of certain of our assets, further adjustments to our product roadmap may be required.

Hardware Platforms

We derive most of our revenue from the sale of products made for PCs and video game consoles manufactured by third parties, such as Sony Interactive Entertainment Inc.'s ("Sony") PlayStation and Microsoft Corporation's ("Microsoft") Xbox consoles, which comprised approximately 45% and 62% of our total revenue for the years ended December 31, 2024 and 2023, respectively. For the years ended December 31, 2024 and 2023, the sale of products for Microsoft Windows via Steam comprised approximately 45% and 27% of our total revenue, respectively, and the sale of products for mobile platforms comprised approximately 2% and 4% for the years ended December 31, 2024 and 2023. We expect to derive the vast majority of our revenues via Steam during the next twelve months. The success of our business is dependent upon consumer acceptance of video game console/PC platforms and continued growth in the installed base of these platforms. When new hardware platforms are introduced, such as those released by Sony and Microsoft in November 2020, demand for interactive entertainment used on older platforms typically declines, which may negatively affect our business during the market transition to the new consoles. The latest generation of Sony and Microsoft consoles provide "backwards compatibility" (i.e., the ability to play games for the previous generation of consoles), which could mitigate the risk of such a decline. However, we cannot be certain how backwards compatibility will affect demand for our products.

Concentration of Sales

Our NASCAR products have historically accounted for the majority of our revenue. However, we have worked to diversify our product offerings and revenue from other sources by introducing titles such as KartKraft, rFactor 2, Le Mans Ultimate and the 24 Hours of Le Mans Virtual esports event to our portfolio of product offerings and thereby reducing our dependency on the NASCAR franchise as our substantially sole source of revenue. For example, revenues associated with our NASCAR franchise accounted for approximately 52% and 72% of our total revenue for the years ended December 31, 2024 and 2023, respectively. Following the sale of our NASCAR License and the termination of the NASCAR New Limited License, which allowed us to sell our NASCAR games and DLCs that were in our product portfolio through December 31, 2024, we do not anticipate any more revenues to be generated by NASCAR products.

Retail Distribution

Our physical gaming products are sold through a distribution network with an exclusive partner who specializes in the distribution of games through mass-market retailers (e.g., Target, Wal-Mart), consumer electronics stores (e.g., Best Buy), discount warehouses, game specialty stores (e.g., GameStop) and other online retail stores (e.g., Amazon). Due to our modified product release schedule, we recognized minimal revenue from sales of physical gaming products for the years ended December 31, 2024 and 2023.

Digital Business

Players increasingly purchase our games as digital downloads, as opposed to purchasing physical discs. All of our titles that are available through retailers as packaged goods products are also available through direct digital download. For the years ended December 31, 2024 and 2023, approximately 88% of our revenue from sales of video games for game consoles and PCs was through digital channels. We believe this trend of increasing direct digital downloads is primarily due to benefits relating to convenience and accessibility that digital downloads provide. In addition, as part of our digital business strategy, we aim to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through in-game purchases and extra content.

Esports

We are striving to become a leader in organizing and facilitating esports tournaments, competitions, and events for our licensed racing games as well as on behalf of third-party racing game developers and publishers. In 2023, we organized the grand finale of the Le Mans Virtual Series 2022/23, the 24 Hours of Le Mans Virtual event, which had a cumulative total of approximately 8.8 million video views with approximately 27 million minutes watched. The 24 Hours of Le Mans Virtual event had a global audience of 5 million across television (TV)/over-the-top (OTT) channels. Although we did not organize the Le Mans Virtual Series for the 2023/24 or 2024/25 seasons, we currently plan on organizing the 2025/26 Le Mans Virtual Series to commence this year. We also intend to continue exploring opportunities to expand the recurring portion of our esports segment outside of Le Mans.

Recurring Revenue Sources

Our business model includes revenue that we deem recurring in nature, which historically consisted primarily of revenue from our annualized NASCAR video game racing franchise for game consoles, PC, and mobile platforms. We historically have been able to forecast the revenue from this area of our business with greater relative confidence than for new games, services, and business models. Following the sale of our NASCAR License and as we continue to incorporate new business models and modalities of play into our games, our goal is to continue to look for opportunities to expand the recurring portion of our business, including through the planned introduction of new annualized sports franchise games, such as with Le Mans.

Reportable Segments

We use the “management approach” in determining reportable operating segments. The management approach considers the internal organization and reporting used by our chief operating decision maker for making operating decisions and assessing performance as the source for determining our reportable segments. Our chief operating decision maker is our Chief Executive Officer (“CEO”), who reviews operating results to make decisions about allocating resources and assessing performance for the entire company. We classified our reportable operating segments into (i) the development and publishing of interactive racing video games, entertainment content and services (the “Gaming segment”) and (ii) the organization and facilitation of esports tournaments, competitions, and events for our licensed racing games as well as on behalf of third-party video game racing series and other video game publishers (the “esports segment”).

Components of Our Results of Operations

Revenues

We have historically derived substantially all of our revenue from sales of our games and related extra content that can be played by customers on a variety of platforms, including game consoles, mobile phones, PCs

and tablets. Starting in 2019, we began generating sponsorship revenues from our production of live and virtual esports events. In early 2022, we also began offering software development services for racing simulators.

Our product and service offerings included within the Gaming segment primarily include, but are not limited to, full PC, console, and mobile games with both online and offline functionality, which generally include:

- the initial game delivered digitally or via physical disk at the time of sale, which also typically provides access to offline core game content;
- updates to previously released games on a when-and-if-available basis, such as software patches or updates, and/or additional content to be delivered in the future, both paid and free; and
- outsourced code and content development services.

Our product and service offerings included within the esports segment relate primarily to curating esports events.

Cost of Revenues

Cost of revenues for our Gaming segment is primarily comprised of royalty expenses, which historically has been attributable to our NASCAR License prior to its sale and certain other third parties relating to our NASCAR racing series games. Cost of revenues for our Gaming segment is also comprised of merchant fees, disk manufacturing costs, packaging costs, web hosting costs, shipping costs, warehouse costs, distribution fees to distribute products to retail stores, mobile platform fees associated with our mobile revenue (for transactions in which we are acting as the principal in the sale to the end customer) and amortization of certain acquired license agreements and other intangible assets acquired through our various acquisitions. Furthermore, cost of revenues for our Gaming segment includes costs associated with our outsourced code and content development services. Cost of revenues for our esports segment consists primarily of the cost of event staffing and event production.

Sales and Marketing

Sales and marketing expenses are primarily composed of salaries, benefits and related taxes of our in-house marketing teams, advertising, marketing, and promotional expenses, including fees paid to social media platforms, Driven Lifestyle and other websites where we market our products.

Development

Development expenses consist of the cost to develop the games we produce, which includes salaries, benefits, and operating expenses of our in-house development teams, as well as consulting expenses for any contracted external development. Development expenses also include expenses relating to our software licenses, maintenance, and studio operating expenses.

General and Administrative

General and administrative expenses consist primarily of salaries, benefits and other costs associated with our operations including, finance, human resources, information technology, public relations, legal audit and compliance fees, facilities, and other external general and administrative services.

Depreciation and Amortization

Depreciation and amortization expenses include depreciation on fixed assets (primarily computers and office equipment), as well as amortization of certain definite lived intangible assets acquired through our various acquisitions.

Results of Operations

Year Ended December 31, 2024 compared to Year Ended December 31, 2023

In this section, references to 2024 refer to the fiscal year ended December 31, 2024 and references to 2023 refer to the fiscal year ended December 31, 2023.

Revenues

	For the Year Ended December 31,		Change	
	2024	2023	$	%
Revenues:				
Gaming	$ 8,687,462	$ 6,619,502	$ 2,067,960	31.2%
Esports	-	290,172	(290,172)	(100)%
Total Revenues	$ 8,687,462	$ 6,909,674	$ 1,777,788	25.7%

Consolidated revenues were $8.7 million and $6.9 million for 2024 and 2023, respectively, an increase of $1.8 million, or 25.7%, when compared to the prior year.

Gaming segment revenues represented 100% and 95.8% of our total 2024 and 2023 revenues, respectively, increasing by $2.1 million, or 31.2%, when compared to the prior year. The increase in Gaming segment revenues was primarily due to $3.0 million in digital game and downloadable content sales relating to sales of Le Mans Ultimate released on PC in February 2024, offset by $0.5 million and $0.4 million in lower revenues for NASCAR and rFactor 2 titles, respectively.

Esports segment revenues represented 0% and 4.2% of our total 2024 and 2023 revenues, respectively, decreasing by $0.3 million, or 100%, when compared to the prior year. The decrease in Esports segment revenue was due to us not organizing a Le Mans Virtual Series (“LMVS”) event in 2024, resulting in no earned sponsorship or events revenue in 2024.

Cost of Revenues

	For the Year Ended December 31,		Change	
	2024	2023	$	%
Cost of Revenues:				
Gaming	$ 3,225,750	$ 3,245,740	$ (19,990)	(0.6)%
Esports	-	374,755	(374,755)	(100.0)%
Total Cost of Revenues	$ 3,225,750	$ 3,620,495	$ (394,745)	(10.9)%

Consolidated cost of revenues were $3.2 million and $3.6 million for 2024 and 2023, respectively, a decrease of $0.4 million, or 10.9%, when compared to the prior year.

Gaming segment cost of revenues represented 100% and 89.6% of our total 2024 and 2023 cost of revenues, respectively, decreasing by less than $0.1 million, or 0.6%, when compared to the prior year. The decrease in Gaming segment cost of revenues was primarily driven by a $0.7 million reduction in royalty and licensing fees, mainly related to our NASCAR titles as a direct result of lower game sales for the franchise compared to the prior year, offset by an increase of $0.7 million in amortization.

Esports segment cost of revenues represented 0% and 10.4% of our total 2024 and 2023 cost of revenues, respectively, decreasing by $0.4 million, or 100%, when compared to the prior year. The decrease in Esports segment cost of revenues was due to us not organizing an LMVS event in 2024.

Gross Profit

	For the Year Ended December 31,		Change	
	2024	2023	$	%

Gross Profit (Loss):				
Gaming	$ 5,461,712	$ 3,373,762	$ 2,087,950	61.9%
Esports	-	(84,583)	84,583	(100.0)%
Total Gross Profit	$ 5,461,712	$ 3,289,179	$ 2,172,533	66.1%
Gaming – Gross Profit Margin	62.9%	51.0%		
Esports – Gross (Loss) Profit Margin	-%	(29.1)%		
Total Gross Profit Margin	62.9%	47.6%		

Consolidated gross profit was $5.5 million and $3.3 million for 2024 and 2023, respectively, an increase of $2.2 million, or 66.1%, when compared to the prior year. Gross profit margin was 62.9% in 2024, compared to 47.6% in 2023. The increase in our Gaming segment gross profit of $2.4 million, and corresponding increase in gross profit margin, was primarily due to higher gaming revenues, particularly related to increased digital game revenues as a result of the release of Le Mans Ultimate on PC in February 2024. The increase in gross profit for the Gaming segment was also attributable to lower cost of revenues due to decreased royalty payments resulting from the decrease in NASCAR game sales compared to the prior year.

Esports segment gross profit was $0 million for 2024, compared to a loss of $0.1 million for 2023, representing a gross profit margin of 0.0% and a loss of 29.1% for 2024 and 2023, respectively. As explained above, we did not organize an LMVS event in 2024.

Operating Expenses

	For the Year Ended December 31,		Change	
	2024	2023	$	%
Operating Expenses:				
Sales and marketing	$ 739,098	$ 1,690,772	$ (951,674)	(56.3)%
Development	3,378,346	7,237,154	(3,858,808)	(53.3)%
General and administrative	6,883,468	9,367,030	(2,483,562)	(26.5)%
Impairment of intangible assets	-	4,004,627	(4,004,627)	(100.0)%
Depreciation and amortization	208,652	398,701	(190,049)	(47.7)%
Total Operating Expenses	$ 11,209,564	$ 22,698,284	$ (11,488,720)	(50.6)%

Changes in operating expenses are explained in more detail below:

Sales and Marketing

Sales and marketing expenses were $0.7 million and $1.7 million for 2024 and 2023, respectively, representing a $1.0 million, or 56.3% decrease when compared to the prior year. The reduction in sales and marketing expenses was primarily driven by a $0.9 million reduction in payroll and employee-related expense as a result of lower headcount, as well as a $0.1 million reduction in software expenses, when compared to the prior year.

Development

Development expenses were $3.4 million and $7.2 million for 2024 and 2023, respectively, representing a decrease of $3.9 million, or 53.3%, when compared to the prior year. The reduction in development expense was primarily driven by a $2.8 million decrease in payroll as a result of lower headcount, as well as a $1.1 million decrease in external development services, when compared to the prior year.

General and Administrative

General and administrative (“G&A”) expenses were $6.9 million and $9.4 million for 2024 and 2023, respectively, a decrease of $2.5 million, or 26.5%, when compared to the prior year. The reduction in G&A expense was primarily driven by a $1.4 million reduction in payroll and employee-related expenses due to lower headcount period over period, a $0.6 million reduction in severance and insurance costs, respectively, as well as

a $0.3 million reduction in rent and office expense. This was partially offset by a $0.4 million increase in legal and professional fees.

Impairment of Intangible Assets

Impairment of finite-lived intangible assets was $0.0 million and $4.0 million in 2024 and 2023, respectively. The trigger for the impairment in 2023 was our decision to explore strategic alternatives and potential options for our business, resulting in a probable likelihood of the sale of certain licensing rights that would result in our inability to comply with the terms of a licensing agreement by the end of the year and the resulting reduction in expected future revenues.

Depreciation and Amortization

Depreciation and amortization expenses were $0.2 million and $0.4 million for 2024 and 2023, respectively, representing a decrease of $0.2 million or 47.7%, when compared to the prior year. The decrease was primarily due to some fixed assets being fully depreciated in 2023.

Gain from Settlement of License Liabilities

Gain from settlement of license liabilities of $3.2 million for 2024 is primarily comprised of a $2.4 million gain stemming from a Settlement and License Agreement with INDYCAR LLC executed on May 17, 2024 and a gain of $0.6 million related to the Settlement Agreement with BARC (TOCA) LIMITED, the exclusive promoter of the British Touring Car Championship on April 12, 2024.

Other Operating Income

Other operating income was $0.8 million for 2024, compared to $3.0 million for 2023, a decrease of $2.2 million compared to the prior year. Other operating income of $0.8 million for 2024 is comprised of $0.5 million related to the sale of our NASCAR License to iRacing in October 2023 and a $0.3 million gain from the sale of Traxion, which was our motorsport and racing games community content platform, in April 2024. Other operating income of $3.0 million for 2023 is entirely comprised of the gain related to the sale of our NASCAR License to iRacing in October 2023.

Interest Expense

Interest expense was $0.1 million and $0.8 million for 2024 and 2023 primarily from non-cash interest accretion of our INDYCAR and BTCC license liabilities, which were both fully settled in the second quarter of 2024.

Other (Expense) Income, net

Other expense, net for 2024 was $1.2 million, compared to other income, net of $2.8 million for 2023, a decrease of $4.0 million compared to the prior year. Other expense, net of $1.2 million for 2024 was primarily comprised of $1.3 million in foreign currency losses arising from remeasuring transactions denominated in a currency other than U.S. dollars, offset by $0.1 million in rental income. Other income, net of $2.8 million for 2023 was comprised of $0.8 million in foreign currency gains arising from remeasuring transactions denominated in a currency other than U.S. dollars, $0.7 in insurance reimbursement for litigation, $0.6 million gain due to reduction of license liabilities arising from the termination of the Company’s INDYCAR license in November 2023, $0.5 million gain from the reduction in the fair value of liability settled stock warrants, and $0.2 million in rental income.

Other Comprehensive Income (Loss)

Other comprehensive income was $1.1 million for 2024, compared to other comprehensive loss of $1.0 million for 2023. The $2.1 million increase in other comprehensive income was primarily due to activity in our U.K. and Netherlands subsidiaries, and represents unrealized foreign currency translation adjustments.

Net Loss Attributable to Non-Controlling Interest

Net loss attributable to non-controlling interest was $0.3 million for 2024 and $0 for 2023. The variance was attributed to an increase in net losses in the Le Mans Esports Series Ltd joint venture.

Liquidity and Capital Resources

Liquidity

Since our inception and prior to our IPO, we financed our operations primarily through advances from Driven Lifestyle, which were subsequently incorporated into a line of credit provided by Driven Lifestyle pursuant to the $12 million Line of Credit, as described below.

On January 15, 2021, we completed our IPO of 345,000 shares of Class A common stock at a price to the public of $200 per share, which includes the exercise in full by the underwriters of their option to purchase from us an additional 45,000 shares of Class A common stock. We received net proceeds of approximately $63.1 million from the IPO, after deducting underwriting discounts and offering expenses paid by us in 2020 and 2021.

Following our IPO, we have financed our operations primarily through cash generated from operations, advances from Driven Lifestyle pursuant to the $12 million Line of Credit and sales of our equity securities.

On July 29, 2024, we completed a registered direct offering and a concurrent private placement (the "July 2024 Offerings") with H.C. Wainwright & Co., LLC acting as the exclusive placement agent, which offerings raised approximately $1.0 million in gross proceeds before deducting the placement agent's fees and other offering expenses. We intend to use the net proceeds from this offering for working capital and general corporate purposes.

We measure our liquidity in a number of ways, including the following:

	December 31, 2024	December 31, 2023
Cash and Cash Equivalents	$ 859,271	$ 1,675,210
Working Capital (Deficiency)	$ (2,225,300)	$ (4,074,346)

For the year ended December 31, 2024, we incurred a net loss of $3.0 million and negative cash flows from operations of approximately $2.8 million. As of December 31, 2024, we had an accumulated deficit of $91.8 million and cash and cash equivalents of $0.9 million, which increased to $1.2 million as of February 28, 2025. We do not believe that our current capital resources will be sufficient to fund our operations over the next year. Based on our current expected level of operating expenditures and cash and cash equivalents on hand and anticipated revenue, management concludes that there is substantial doubt about our ability to continue as a going concern for a period of at least 12 months subsequent to the issuance of the consolidated financial statements. Historically, we have financed our operations primarily through revenue generated from operations, loans and sales of our securities, and we expect to continue to seek and obtain additional capital in a similar manner. Management is actively pursuing financing and other strategic plans, however, we do not have any committed sources of financing at this time, and it is uncertain whether any additional funding will be available when we need it on terms that will be acceptable to us, or at all. There can be no assurance that we will be able to raise funds by selling additional securities, which sales, if successful, could dilute the ownership interest of our existing shareholders. The issuance of debt can result in restrictive covenants that limit operations. If funding is not available or not available at terms acceptable to us, we will seek to further reduce overhead costs and our cash obligations in the short term, as needed. In addition, we may look to divest or bring in equity partners for our various divisions and bring in near term capital.

For the year ended December 31, 2024, we experienced an average net cash burn from operations of approximately $0.2 million per month, and while we have taken measures to reduce our costs, we expect to continue to have a net cash outflow from operations for the foreseeable future as we continue to develop our product portfolio and invest in developing new video game titles. Based on our cash and cash equivalents position and our average cash burn, we believe that we do not have sufficient cash on hand to fund our operations over the next year and that additional funding will be required in order to continue operations.

Our future liquidity and capital requirements include funds to support the planned costs to operate our business, including amounts required to fund working capital, support the development and introduction of new products and maintain existing titles, and certain capital expenditures.

In order to address our liquidity shortfall, we continue to explore several options, including, but not limited to: (i) additional funding in the form of potential equity and/or debt financing arrangements or similar transactions (collectively, "Capital Financing"); (ii) other strategic alternatives for our business, including, but not limited to, the sale or licensing of our assets in addition to the past sales of our NASCAR License and Traxion; and (iii) cost reduction and restructuring initiatives, each of which is described more fully below.

On October 3, 2024, we implemented additional measures intended to continue to bring down our year-over-year operating expense through a reduction of our workforce primarily in the United States and the United Kingdom by approximately 23 employees and contractors. The workforce reduction impacted approximately 38% of total employees worldwide. We recorded a restructuring charge related to the workforce reduction, primarily consisting of severance and redundancy costs of approximately $0.2 million. We recognized and paid out the majority of the restructuring charge in the fourth quarter of fiscal year 2024.

On July 29, 2024, we completed the July 2024 Offerings, which raised approximately $1.0 million in gross proceeds before deducting the placement agent's fees and other offering expenses. We intend to use the net proceeds from this offering for working capital and general corporate purposes.

In March 2023, we entered into an Equity Distribution Agreement (the "ED Agreement") with Canaccord Genuity LLC, as sales agent (the "Sales Agent"), pursuant to which we may issue and sell shares of our Class A common stock having an aggregate offering price of up to $10 million (subject to compliance with the limitations set forth in the SEC's "baby shelf" rules). Subject to the terms and conditions of the ED Agreement, the Sales Agent may sell shares by any method deemed to be an "at-the-market" ("ATM") offering as defined in Rule 415 under the Securities Act. During the year ended December 31, 2024, we did not sell any shares of Class A common stock pursuant to the terms of the ED Agreement. At the time we filed an initial prospectus supplement in connection with the offering of our shares of Class A common stock pursuant to the ED Agreement, the aggregate market value of the shares of Class A common stock eligible for sale under such prospectus supplement was approximately $2.9 million, which was based on the limitations of such offerings under SEC Regulations. On July 26, 2024, we filed a prospectus supplement terminating the continuous offering, although the ED Agreement remains in effect. However, due to our present liquidity position and expected future funding requirements, even if we filed another prospectus supplement to reinstate the continuous offering pursuant to the ED Agreement and raised the maximum amount available for future sales via our ATM program, such proceeds would not be sufficient to satisfy our ongoing liquidity requirements and further potential Capital Financing would be required, in conjunction to the other options we are exploring. Further, there can be no assurance we will be able to obtain funds via our ATM program, should we choose to sell shares under the ED Agreement, nor can there be any other assurance that we can secure additional funding in the form of equity and/or debt financing on commercially acceptable terms, if at all, to satisfy our future needed liquidity and capital resources.

Due to the continuing uncertainty surrounding our ability to raise funding in the form of potential Capital Financing, and in light of our liquidity position and anticipated future funding requirements, we continue to explore other strategic alternatives and potential options for our business, including, but not limited to, the sale or licensing of certain of our assets in addition to the past sales of our NASCAR License and Traxion. If any such additional strategic alternative is executed, it is expected it would help to improve our working capital position and reduce overhead expenditures, thereby lowering our expected future cash-burn, and provide some short-term liquidity relief. Nonetheless, even if we are successful in implementing one or more additional strategic alternatives, we will continue to require additional funding and/or further cost reduction measures in order to continue operations, which may include further restructuring of our business and operations. There are no

assurances that we will be successful in implementing any additional strategic plans for the sale or licensing of our assets, or any other strategic alternative, which may be subject to the satisfaction of conditions beyond our control.

As we continue to address our liquidity constraints, we may need to make further adjustments to our product roadmap in order to reduce operating cash burn. Additionally, we continue to seek to improve our liquidity through maintaining and enhancing cost control initiatives. We plan to continue evaluating the structure of our business for additional changes in order to improve both our near-term and long-term liquidity position, as well as create a healthy and sustainable company from which to operate.

If we are unable to satisfy our capital requirements, we could be required to adopt one or more of the following alternatives:

- delaying the implementation of or revising certain aspects of our business strategy;
- further reducing or delaying the development and launch of new products and events;
- further reducing or delaying capital spending, product development spending and marketing and promotional spending;
- selling additional assets or operations;
- seeking additional loans from third parties;
- further reducing other discretionary spending;
- entering into financing agreements, collaborations or mergers on unattractive terms; and/or
- significantly curtailing or discontinuing operations or dissolving and liquidating our assets under the bankruptcy laws or otherwise.

There can be no assurance that we would be able to take any of the actions referred to above because of a variety of commercial or market factors, including, without limitation, market conditions being unfavorable for an equity or debt issuance or similar transactions, additional loans not being available from third parties, or that the transactions may not be permitted under the terms of our various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and related party transactions. In addition, such actions, if taken, may not enable us to satisfy our capital requirements if the actions that we are able to consummate do not generate a sufficient amount of additional capital.

Even if we do secure additional Capital Financing, if the anticipated level of revenues are not achieved because of, for example, decreased sales of our products due to the disposition of key assets, such as the sale of our NASCAR License and Traxion, further changes our product roadmap and/or our inability to deliver new products for our various other licenses; less than anticipated consumer acceptance of our offering of products and events; less than effective marketing and promotion campaigns, decreased consumer spending in response to weak economic conditions or weakness in the overall electronic games category; adverse changes in foreign currency exchange rates; decreased sales of our products and events as a result of increased competitive activities by our competitors; changes in consumer purchasing habits, such as the impact of higher energy prices on consumer purchasing behavior; retailer inventory management or reductions in retailer display space; less than anticipated results from our existing or new products or from our advertising and/or marketing plans; or if our expenses, including, without limitation, for marketing, advertising and promotions, product returns or price protection expenditures, exceed the anticipated level of expenses, our liquidity position may continue to be insufficient to satisfy our future capital requirements. If we are ultimately unable to satisfy our capital requirements, we would likely need to dissolve and liquidate our assets under the bankruptcy laws or otherwise.

In accordance with Accounting Standards Codification ("ASC") 205-40, *Going Concern*, we have evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about our ability to continue as a going concern within one year after the date that the accompanying consolidated financial statements to this Report are issued. The factors described above, in particular the lack of available cash on hand to fund operations over the next year, have raised substantial doubt about our ability to continue as a going concern.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Accordingly, the consolidated financial statements have been prepared on a

basis that assumes we will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

Cash Flows From Operating Activities

Net cash used in operating activities for the years ended December 31, 2024 and 2023 was $2.8 million and $13.7 million, respectively. The net cash used in operating activities for the year ended December 31, 2024 was primarily a result of cash used to fund a net loss of $3.0 million, adjusted for net non-cash adjustments in the amount of $0.3 million and $0.1 million of cash used by changes in the levels of operating assets and liabilities. Net cash used in operating activities for the year ended December 31, 2023 was primarily a result of cash used to fund a net loss of $14.3 million, adjusted for net non-cash adjustments in the amount of $4.2 million and $3.6 million of cash used by changes in the levels of operating assets and liabilities.

Cash Flows From Investing Activities

Net cash provided by investing activities for the year ended December 31, 2024 was $1.2 million, which was primarily attributable to $1.0 million in proceeds from the sale of the Company's NASCAR License and $0.2 million from the sale of Traxion, which was our motorsport and racing games community content platform, in April 2024. Net cash provided by investing activities for the year ended December 31, 2023 was $4.2 million, which was primarily attributable to the proceeds from the sale of the Company's NASCAR License, offset by the purchase of a new limited License that allows the Company to sell NASCAR games and DLCs that are currently in its product portfolio through December 31, 2024.

Cash Flows From Financing Activities

Net cash provided by financing activities during the years ended December 31, 2024 and 2023 was $0.8 million and $9.9 million, respectively. Cash flows provided by financing activities during the year ended December 31, 2024 were primarily attributable to $0.9 million raised in connection with shares sold in the July 2024 Offerings, offset by a $0.1 million payment for purchase commitments. Cash flows provided by financing activities for the year ended December 31, 2023 were primarily attributable to $0.6 million raised in connection with shares sold under the Alumni Purchase Agreement (as defined below) and $10.4 million raised in connection with shares sold in the Company's registered direct offerings, partially offset by $0.9 million of payments for purchase commitment liabilities relating to a portion of the deferred installment amount due in connection with our acquisition of Studio397 and $0.3 million of payments for game license liabilities.

Promissory Note Line of Credit

On April 1, 2020, we entered into a promissory note (the "$12 million Line of Credit") with an affiliated entity, Driven Lifestyle, that provided us with a line of credit of up to $10 million (which was subsequently increased to $12 million pursuant to an amendment executed in November 2020) at an interest rate of 10% per annum, the availability of which is dependent on Driven Lifestyle's available liquidity. The $12 million Line of Credit does not have a stated maturity date and is payable upon demand at any time at the sole and absolute discretion of Driven Lifestyle, and any principal and accrued interest owed will be accelerated and become immediately payable in the event we consummate certain corporate events, such as a capital reorganization. We may prepay the $12 million Line of Credit in whole or in part at any time or from time to time without penalty or charge. Additionally, see "Risk Factors – Risks Related to Our Financial Condition and Liquidity - Limits on our borrowing capacity under the $12 million Line of Credit may affect our ability to finance our operations" in Part I, Item 1A of this Report.

On September 8, 2022, we entered into a support agreement with Driven Lifestyle (the "Support Agreement") pursuant to which Driven Lifestyle issued approximately $3 million (the "September 2022 Cash Advance") to us in accordance with the $12 million Line of Credit. Additionally, the Support Agreement modified the $12 million Line of Credit such that, among other things, until June 30, 2024, Driven Lifestyle would not demand repayment of the September 2022 Cash Advance or other advances under the $12 million Line of Credit, unless certain events occurred, as prescribed in the Support Agreement, such as the completion of a new financing arrangement or we generate positive cash flows from operations, among others. All principal and accrued interest owed on the $12 million Line of Credit were exchanged for equity following the completion of two debt-for-

equity exchange agreements with Driven Lifestyle on January 30, 2023 and February 1, 2023, relieving us of approximately $3.9 million in owed principal and unpaid interest in exchange for an aggregate of 780,385 shares of our Class A common stock. See Note 7 – *Related Party Loans* in our consolidated financial statements in this Report for further information. As of December 31, 2024, the balance due to Driven Lifestyle under the $12 million Line of Credit was $0.

As of December 31, 2024, the $12 million Line of Credit remains in place. However, we believe that there is a substantial likelihood that Driven Lifestyle will not fulfill any future borrowing requests, and therefore we do not view the $12 million Line of Credit as a viable source for future liquidity needs.

Other Financing Activity

On July 29, 2024, we completed the July 2024 Offerings with certain investors, which raised approximately $1.0 million in gross proceeds (the "$1.0 million RDO") before deducting $0.1 million in placement agent's fees and other offering expenses. We intend to use the net proceeds from this offering for working capital and general corporate purposes. In connection with the $1.0 million RDO, we issued Series A warrants (the "Series A Warrants") to purchase up to 460,830 shares of Class A common stock and Series B warrants (the "Series B Warrants," and collectively with the Series A Warrants, the "Purchase Warrants") to purchase up to 460,830 shares of Class A common stock. The Series A Warrants and the Series B Warrants both have an exercise price of $2.17 per share. The shares of Class A common stock issuable upon the exercise of the Purchase Warrants are collectively referred to as the "Warrant Shares." The Purchase Warrants will become exercisable on the effective date of the stockholder approval for the issuance of the shares of Class A common stock issuable upon exercise of the Purchase Warrants (the "Stockholder Approval Date"). The Series A Warrants will expire five and one-half years following the Stockholder Approval Date and the Series B Warrants will expire 18 months following the Stockholder Approval Date. We also issued to the designees of H.C. Wainwright & Co., LLC warrants to purchase up to 27,650 shares of Class A common stock (the "Placement Agent Warrants") as compensation for acting as placement agent in connection with the $1.0 million RDO. As of December 31, 2024, the Purchase Warrants and Placement Agent Warrants have not been approved by stockholders.

On February 1, 2023, we issued 183,020 shares of our Class A common stock in a registered direct offering priced at-the-market under NASDAQ rules, with a fair market value of approximately $3.9 million (the "$3.9 million RDO"), before deducting placement agent fees and other offering expenses payable by us. H.C. Wainwright & Co., LLC ("Wainwright") acted as the exclusive placement agent for the $3.9 million RDO, pursuant to the engagement letter with us, dated as of January 9, 2023. In connection with the $3.9 million RDO, we paid Wainwright a cash transaction fee equal to 7.0% of the aggregate gross proceeds from the registered direct offering, non-accountable expenses of $50,000 and closing fees of $15,950. We have also issued to Wainwright warrants to purchase up to 10,981 shares of Class A common stock, which is equal to 6.0% of the aggregate number of shares of Class A common stock placed in the $3.9 million RDO, at an exercise price of $26.75 per share and will expire five years from the closing of the $3.9 million RDO.

On February 2, 2023, we issued 144,366 shares of our Class A common stock in a registered direct offering priced at-the-market under NASDAQ rules, with a fair market value of approximately $3.4 million (the "$3.4 million RDO"), before deducting placement agent fees and other offering expenses payable by us. Wainwright acted as the exclusive placement agent for the $3.4 million RDO. In connection with the $3.4 million RDO, we paid Wainwright a cash transaction fee equal to 7.0% of the aggregate gross proceeds from the registered direct offering, non-accountable expenses of $25,000 and closing fees of $15,950. We have also issued to Wainwright warrants to purchase up to 8,662 shares of Class A common stock, which is equal to 6.0% of the aggregate number of shares of Class A common stock placed in the $3.4 million RDO, at an exercise price of $29.375 per share and will expire five years from the closing of the $3.4 million RDO.

On February 3, 2023, we issued 232,188 shares of our Class A common stock in a registered direct offering priced at-the-market under NASDAQ rules, with a fair market value of approximately $4.0 million (the "$4.0 million RDO"), before deducting placement agent fees and other offering expenses payable by us. Wainwright acted as the exclusive placement agent for the $4.0 million RDO. In connection with the $4.0 million RDO, we paid Wainwright a cash transaction fee equal to 7.0% of the aggregate gross proceeds from the registered direct offering, non-accountable expenses of $25,000 and closing fees of $15,950. We have also issued to Wainwright and its designees warrants to purchase up to 13,931 shares of Class A common stock, which is equal to 6.0% of the aggregate number of shares of Class A common stock placed in the $4.0 million RDO, at an exercise price of $21.738 per share and will expire five years from the closing of the $4.0 million RDO.

Capital Expenditures

The nature of our operations do not require significant expenditures on capital assets, nor do we typically enter into significant commitments to acquire capital assets. We do not have material commitments to acquire capital assets as of December 31, 2024.

Material Cash Requirements

As of December 31, 2024, our material cash requirements were as follows:

	Payments due by period		
	Total	Less than 1 Year	1-3 Years
Operating Activities:			
Operating lease obligations	$ 60,471	$ 36,283	$ 24,188
Financing Activities:			
Purchase commitments for Studio397 B.V. acquisition	918,198	918,198	-
Total	$ 978,669	$ 954,481	$ 24,188

The Company intends to fund these material cash requirements with a combination of cash generated from operations, as well as future funding arrangements that as of December 31, 2024 have not been determined. There can be no assurance that we will be able to obtain funds on commercially acceptable terms, if at all. Please see "—Liquidity and Going Concern" above and Note 1 – *Business Organization, Nature of Operations and Risks and Uncertainties – Liquidity* in our consolidated financial statements for further details on the Company's going concern position as of December 31, 2024.

On April 12, 2024, we entered into a settlement agreement (the "BARC Settlement Agreement") with BARC (TOCA) Limited ("BARC"), the exclusive promoter of the British Touring Car Championship (the "BTCC"), for settlement of the remaining liability in connection with the exclusive license (the "BTCC License") to use certain licensed intellectual property for motorsports and/or racing video gaming products related to, themed as, or containing the BTCC. Pursuant to the BARC Settlement Agreement, we and BARC, without admitting any liabilities, agreed that the prior license agreement between the parties relating to the BTCC License (the "Prior BTCC License Agreement") was terminated without any liabilities and that any and all royalties and/or any other sums whatsoever were forgiven by BARC and discharged in their entirety in consideration of (i) our one-time payment of $225,000 to BARC and (ii) we and BARC entering, effective as of April 12, 2024, into a new license agreement to use certain licensed intellectual property related to, themed as, or containing the BTCC. Prior to entering into the BARC Settlement Agreement, we had a total remaining liability in connection with the Prior BTCC License Agreement, inclusive of unpaid installments, of $0.9 million.

On May 17, 2024, we entered into a Settlement Agreement and License with INDYCAR ("the INDYCAR Agreement"). The INDYCAR Agreement resolved any and all disputes between us and INDYCAR with respect to the termination of (i) the License Agreement, dated July 13, 2021, by and between INDYCAR and us with respect to INDYCAR SERIES racing series related gaming products and (ii) the License Agreement, dated July 13, 2021, by and between INDYCAR and us with respect to INDYCAR SERIES racing series related esports events. Prior to entering into the INDYCAR Agreement, we had a total remaining liability in connection with the July 13, 2021 INDYCAR License, inclusive of unpaid installments, of $2.9 million.

As a normal part of our business, depending on market conditions, pricing and overall growth strategy, we consider potential acquisitions. If any of these opportunities were to occur, they would be financed through the incurrence of additional indebtedness, issuance of additional shares or through cash flows from operations, provided that we are able to obtain such funds on terms acceptable to us.

Off-Balance Sheet Arrangements

We did not have, during the periods presented, and we do not currently have, any relationships with any organizations or financial partnerships, such as structured finance or special purpose entities, that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and liabilities, each as of the date of the financial statements, and revenues and expenses during the periods presented. On an ongoing basis, management evaluates their estimates and assumptions, and the effects of any such revisions are reflected in the financial statements in the period in which they are determined to be necessary. Management bases their estimates on historical experience and on various other factors that they believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ materially from those estimates in a manner that could have a material effect on our consolidated financial statements.

While our significant accounting policies are more fully described in Note 2 – *Summary of Significant Accounting Policies* to our consolidated financial statements, we believe that certain of these policies and estimates are deemed critical, as they require management's highest degree of judgment, estimates and assumptions. We have discussed these accounting policies and estimates with the Audit Committee of our Board of Directors. We believe our most critical accounting policies and estimates are as follows:

Revenue Recognition - Identifying Performance Obligations

We generate revenue primarily through the sale of digital and physical video game titles, including extra content, principally for the console, PC and mobile platforms. In addition, we generate additional revenues through esports activities including sponsorships and participation fees.

Performance obligations promised in a contract are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, (i.e., the customer can benefit from the goods or services either on its own or together with other resources that are readily available), and are distinct in the context of the contract (i.e., it is separately identifiable from other goods or services in the contract). To the extent a contract includes multiple promises, we must apply judgment to determine whether those promises are separate and distinct performance obligations. If these criteria are not met, the promises are accounted for as a combined performance obligation. Our sales of games with services are evaluated to determine whether the software license, future update rights and the online hosting are distinct and separable. Sales of games with services are generally determined to have three distinct performance obligations: software license, future update rights, and the online hosting. This policy is critical due to the subjective judgment involved along with the significant impact that the conclusion would have on the timing of revenue recognition.

Revenue Recognition - Determining and Allocating the Transaction Price

We determine the transaction price based on the consideration that we will be entitled to receive in exchange for transferring our goods and services to the customer. Determining the transaction price often requires judgment, based on an assessment of contractual terms and business practices. It further includes review of variable consideration such as discounts, sales returns, price protection, and rebates, which is estimated at the time of the transaction

Allocating the transaction price requires us to determine an estimate of the relative stand-alone selling price for each distinct performance obligation. Determining the relative stand-alone selling price is inherently subjective, especially in situations where we do not sell the performance obligation on a stand-alone basis (which occurs in the majority of transactions). In those situations, we determine the relative stand-alone selling price based on various observable inputs using all information that is reasonably available. Examples of observable inputs and information include historical internal pricing data and pricing data from competitors, to the extent the

data is available. The results of our analysis resulted in a specific percentage of the transaction price being allocated to each performance obligation.

Revenue Recognition - Determining the Estimated Offering Period

The offering period is the period in which we offer to provide the future update rights and/or online hosting for the game and related extra content sold. Because the offering period is not an explicitly defined period, we must make an estimate of the offering period for the service-related performance obligations (i.e., future update rights and online hosting). Determining the Estimated Offering Period is inherently subjective and is subject to regular revision. Generally, we consider the average period of time customers are online when estimating the offering period. We recognize revenue for future update rights and online hosting performance obligations ratably on a straight-line basis over this period as there is a consistent pattern of delivery for these performance obligations. Revenue for service-related performance obligations for digitally-distributed games and extra content is recognized over an estimated seven-month period beginning in the month of sale.

Revenue Recognition - Principal Versus Agent Considerations

We evaluate sales to end customers of our full games and related content via third-party storefronts, including digital storefronts such as Microsoft's Xbox Store, Sony's PlayStation Store, Nintendo's eShop, Apple's App Store, Steam and Google's Play Store, to determine whether we are acting as the principal or agent in the sale to the end customer. Key indicators we evaluate in determining gross versus net treatment include but are not limited to the following:

- the underlying contract terms and conditions between the various parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer;
- which party has inventory risk before the specified good or service has been transferred to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, we determined that, apart from contracts with customers where revenue is generated via the Apple's App Store or Google Play Store, the third party is considered the principal with the end customer and, as a result, we report revenue net of the fees retained by the storefront. For contracts with customers where revenues are generated via the Apple's App Store or Google's Play Store, we have determined that we are the principal and, as a result, we report revenues on a gross basis, with mobile platform fees included within cost of revenues.

Valuation of Finite-Lived Intangible Assets and Other Long-Lived Assets

We review our finite-lived assets for impairment whenever events or changes in circumstances indicate, based on recent and projected cash flow performance and remaining useful lives, that the carrying value of these assets may not be fully recoverable. We evaluate asset impairment at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The lowest level for which we maintain identifiable cash flows that are independent of the cash flows of other assets and liabilities is at the intangible asset level, with the exception of technology intangible assets which are at the reporting unit level. If estimated undiscounted future cash flows are less than the carrying value of an asset, an impairment charge is recognized to the extent its carrying value exceeds fair value.

We typically estimate fair value a cost to recreate valuation technique, however the valuation method used will be dependent on the finite-lived intangible asset subject to fair value assessment.

The principal assumptions used in our cost to recreate model for the interim and annual impairment reviews completed during the year ended December 31, 2024 were:

- Number of hours to recreate;
- Rate per hour; and
- Technological obsolescence.

If the carrying value exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. If the fair value exceeds its carrying value, the finite-life intangible asset is not considered impaired. Intangible assets assigned finite useful lives are amortized on a straight-line basis over their estimated useful lives.

Sales Allowances and Price Protection Reserves

We evaluate the collectability of our accounts receivable continuously throughout the year and reduce revenue for estimated future sales allowances and price protections, which may occur with distributors and retailers ("channel partners").

Price protection represents our practice to provide channel partners with a credit allowance to lower their wholesale price on a particular game unit that they have not resold to customers. The amount of the price protection for permanent markdowns is the difference between the original wholesale price and the new reduced wholesale price. Credits are also given for short-term promotions that temporarily reduce the wholesale price.

When evaluating the adequacy of our sales allowances and price protection reserves, the Company analyzes the following: historical credit allowances, current sell-through of channel partners' inventory of the Company's products, current trends in retail and the video game industry, changes in customer demand, acceptance of products, and other related factors. In addition, the Company monitors the volume of sales to its channel partners and their inventories, as substantial overstocking in the distribution channel could result in higher-than-expected returns or higher price protection in subsequent periods. For the year ended December 31, 2023, the principal assumptions used to develop our sales allowances and price protection reserves were expected future selling prices and expected future sell-through of units in the channel. Sales allowances and price protection reserves were not applicable as of December 31, 2024 due to the sale of the Company's NASCAR License in October 2023.

Recently Issued Accounting Standards

As an "emerging growth company", the JOBS Act allows us to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We have elected to use this extended transition period under the JOBS Act. We have elected to use this extended transition period under the JOBS Act until such time as we are no longer considered to be an emerging growth company.

Our analysis of recently issued accounting standards are more fully described in our consolidated financial statements (Note 2 – *Summary of Significant Accounting Policies* in our consolidated financial statements for the years ended December 31, 2024 and 2023).

Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA, a measure used by management to assess our operating performance, is defined as EBITDA, which is net loss plus interest expense, depreciation and amortization, less income tax benefit (if any), adjusted to exclude: (i) gain from settlement of license liabilities (ii) gain on sale of NASCAR License (iii) impairment of intangible assets; (iv) loss contingency expense and (v) stock-based compensation expenses.

Adjusted EBITDA (the "Non-GAAP Measure") is not a financial measure defined by U.S. generally accepted accounting principles ("U.S. GAAP"). Reconciliations of the Non-GAAP Measure to net loss, its most directly comparable financial measure, calculated and presented in accordance with U.S. GAAP, are presented in the tables below. We use the Non-GAAP Measure to manage our business and evaluate our financial performance, as Adjusted EBITDA eliminates items that affect comparability between periods that we believe are not representative of our core ongoing operating business. Additionally, we believe that using the Non-GAAP Measure is useful to our investors because it enhances investors' understanding and assessment of our normalized operating performance and facilitates comparisons to prior periods and our competitors' results (who may define Adjusted EBITDA differently).

The Non-GAAP Measure is not a recognized term under U.S. GAAP and does not purport to be an alternative to revenue, income/loss from operations, net loss, or cash flows from operations or as a measure of liquidity or any

other performance measure derived in accordance with U.S. GAAP. Additionally, the Non-GAAP Measure is not intended to be a measure of free cash flows available for our discretionary use, as it does not consider certain cash requirements, such as interest payments, tax payments, working capital requirements and debt service requirements. The Non-GAAP Measure has limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for our results as reported under U.S. GAAP. Management compensates for the limitations of using the Non-GAAP Measure by using it to supplement U.S. GAAP results to provide a more complete understanding of the factors and trends affecting the business than would be presented by using only measures in accordance with U.S. GAAP. Because not all companies use identical calculations, the Non-GAAP Measure may not be comparable to other similarly titled measures of other companies.

The following table provides a reconciliation from net loss to Adjusted EBITDA for the respective periods presented:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net loss	$ (3,048,071)	$ (14,323,185)
Interest expense, net	120,757	772,989
Depreciation and amortization (1)	2,589,437	2,115,430
EBITDA	(337,877)	(11,434,766)
Loss contingency expenses	-	232,359
Gain from settlement of license liabilities	(3,248,000)	-
Gain on sale of NASCAR License	(500,000)	(3,037,341)
Impairment of intangible assets	-	4,004,627
Stock-based compensation	152,959	957,302
Adjusted EBITDA	$ (3,932,918)	$ (9,277,819)

(1) Includes $2,382,785 and $1,716,729 of amortization expenses included in cost of revenues for the years ended December 31, 2024 and 2023, respectively.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Motorsport Games Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Motorsport Games Inc. (the "Company") as of December 31, 2024, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Substantial Doubt Regarding the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company incurred net losses and had negative cash flows from operations that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ GRASSI & CO., CPAs, P.C.

We have served as the Company's auditor since 2024.

Jericho, New York
March 20, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Motorsport Games Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Motorsport Games Inc. (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2023, the related consolidated statements of operations, comprehensive income (loss), changes in stockholders' equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ GRANT THORTON LLP

We served as the Company's auditor from 2021 to 2024.

Miami, Florida
April 1, 2024 (except for Note 14, as to which the date is March 20, 2025)

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2024	**2023**
Assets		

Current assets:		
Cash and cash equivalents	$ 859,271	$ 1,675,210
Accounts receivable, net of allowances of $0 and $450,000 as of December 31, 2024 and 2023, respectively	1,446,990	735,839
Prepaid expenses and other current assets	490,221	1,106,848
Total Current Assets	2,796,482	3,517,897
Property and equipment, net	55,437	247,693
Operating lease right of use assets	51,004	197,307
Intangible assets, net	3,365,298	5,795,807
Total Assets	$ 6,268,221	$ 9,758,704
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 2,976,211	$ 813,659
Accrued expenses and other current liabilities	1,070,063	1,891,315
Due to related parties	26,211	77,716
Purchase commitments	918,198	4,656,538
Operating lease liabilities (current)	31,099	153,015
Total Current Liabilities	5,021,782	7,592,243
Operating lease liabilities (non-current)	16,309	45,659
Other non-current liabilities	4,128	31,098
Total Liabilities	5,042,219	7,669,000
Commitments and contingencies (Note 11)		
Stockholders' Equity		
Preferred stock, $0.0001 par value; authorized 1,000,000 and 1,000,000 shares; and none issued and outstanding as of December 31, 2024 and December 31, 2023, respectively	-	-
Class A common stock, $0.0001 par value; authorized 100,000,000 and 100,000,000 shares; 3,183,558 and 2,722,728 shares issued and outstanding as of December 31, 2024 and December 31, 2023, respectively	315	269
Class B common stock, $0.0001 par value; authorized 7,000,000 and 7,000,000 shares; 700,000 and 700,000 shares issued and outstanding as of December 31, 2024 and December 31, 2023, respectively	70	70
Additional paid-in capital	92,960,275	91,923,311
Accumulated deficit	(91,789,968)	(89,037,012)
Accumulated other comprehensive loss	(674,434)	(1,850,216)
Total Stockholders' Equity Attributable to Motorsport Games Inc.	496,258	1,036,422
Non-controlling interest	729,744	1,053,282
Total Stockholders' Equity	1,226,002	2,089,704
Total Liabilities and Stockholders' Equity	$ 6,268,221	$ 9,758,704

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31,

	2024	2023
Revenues	$ 8,687,462	$ 6,909,674
Cost of revenues	3,225,750	3,620,495
Gross profit	5,461,712	3,289,179
Operating expenses:		
Sales and marketing [1]	739,098	1,690,772
Development [2]	3,378,346	7,237,154
General and administrative [3]	6,883,468	9,367,030
Impairment of intangible assets	-	4,004,627
Depreciation and amortization	208,652	398,701
Total operating expenses	11,209,564	22,698,284
Gain from settlement of license liabilities	3,248,000	-
Other operating income	750,000	3,037,341
Loss from operations	(1,749,852)	(16,371,764)
Interest expense	(120,757)	(772,989)
Other (expense) income, net	(1,177,462)	2,821,568
Net loss	(3,048,071)	(14,323,185)
Less: Net loss attributable to non-controlling interest	(295,115)	-
Net loss attributable to Motorsport Games Inc.	$ (2,752,956)	$ (14,323,185)
Net loss per Class A common share attributable to Motorsport Games Inc.:		
Basic and diluted	$ (0.94)	$ (5.56)
Weighted-average shares of Class A common stock outstanding:		
Basic and diluted	2,922,091	2,577,451

[1]Includes related party expenses of $0 and $17,076 for the years ended December 31, 2024 and 2023, respectively.

[2]Includes related party expenses of $0 and $51,516 for the years ended December 31, 2024 and 2023, respectively.

[3]Includes related party expenses of $226,272 and $379,944 for the years ended December 31, 2024 and 2023, respectively.

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Year Ended December 31,	
	2024	2023
Net loss	$ (3,048,071)	$ (14,323,185)
Other comprehensive income (loss):		
Foreign currency translation adjustments	1,147,359	(967,911)
Comprehensive loss	(1,900,712)	(15,291,096)
Comprehensive loss attributable to non-controlling interests	(323,538)	(51,101)
Comprehensive income (loss) attributable to Motorsport Games Inc.	$ (1,577,174)	$ (15,239,995)

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Class A Common Stock		Class B Common Stock		Additional Paid-In	Accumulated	Accumulated Other Comprehensive	Total-Stockholders' Equity Attributable to Motorsport	Non-controlling	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Income (Loss)	Games Inc.	Interest	Equity
Balances - January 1, 2023	1,183,812	$ 117	700,000	$ 70	$ 76,446,061	$ (74,713,827)	$ (933,406)	$ 799,015	$ 1,104,383	$ 1,903,398
Issuance of common stock, net	734,741	74	-	-	10,571,460	-	-	10,571,534	-	10,571,534
Issuance of common stock for extinguishment of related party debt	780,385	78	-	-	3,948,488	-	-	3,948,566	-	3,948,566
Stock-based compensation	23,790	-	-	-	957,302	-	-	957,302	-	957,302
Other comprehensive loss	-	-	-	-	-	-	(916,810)	(916,810)	(51,101)	(967,911)
Net loss	-	-	-	-	-	(14,323,185)	-	(14,323,185)		(14,323,185)
Balances - December 31, 2023	2,722,728	$ 269	700,000	$ 70	$ 91,923,311	$ (89,037,012)	$ (1,850,216)	$ 1,036,422	$ 1,053,282	$ 2,089,704
Issuance of common stock, net	460,830	46	-	-	884,005	-	-	884,051	-	884,051
Stock-based compensation	-	-	-	-	152,959	-	-	152,959	-	152,959
Other comprehensive income (loss)	-	-	-	-	-	-	1,175,782	1,175,782	(28,423)	1,147,359
Net loss	-	-	-	-	-	(2,752,956)	-	(2,752,956)	(295,115)	(3,048,071)

Balances at December 31, 2024	3,183,588	$ 315	700,000	$ 70	92,960,275	$ (91,789,968)	$ (674,434)	$ 496,258	$ 729,744	$ 1,226,002

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2024	**2023**
Cash flows from operating activities:		
Net loss	$ (3,048,071)	$ (14,323,185)
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on sale of Traxion	(250,000)	-
Loss on impairment of intangible assets	-	4,004,627
Gain from settlement of license liabilities	(3,248,000)	-
Loss on disposal of property and equipment	2,946	610
Gain on sale of NASCAR License	(500,000)	(3,037,341)
Loss (gain) on foreign currency exchange rates	1,325,673	(735,679)
Depreciation and amortization	2,589,437	2,115,430
Purchase commitment and license liability interest accretion	86,660	646,022
Non-cash lease expense	148,713	774,482
Stock-based compensation	152,959	957,302
Changes in the fair value of warrants	(26,970)	(446,902)
Sales return and price protection reserves	-	(25,427)
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates:		
Accounts receivable	(718,463)	1,374,897
Due from related parties	-	206,035
Operating lease liabilities	(151,266)	(799,146)
Prepaid expenses and other assets	166,627	(59,021)
Accounts payable	2,167,498	(1,640,692)
Due to related parties	(52,041)	(562,481)
Accrued expenses and other liabilities	(1,483,848)	(2,101,392)
Net cash used in operating activities	$ (2,838,146)	$ (13,651,861)
Cash flows from investing activities:		
Proceeds from sale of NASCAR License	1,000,000	5,000,000
Purchase of intangible assets	-	(757,500)
Proceeds from the sale of property and equipment	6,500	-
Proceeds from the sale of Traxion	200,000	-
Purchase of property and equipment	(25,015)	(31,653)
Net cash provided by investing activities	$ 1,181,485	$ 4,210,847
Cash flows from financing activities:		
Repayments of purchase commitment liabilities	(50,000)	(850,000)
Issuance of common stock from stock purchase commitment agreement	-	644,750
Issuance of common stock from registered direct offerings, net	884,051	10,404,784
Payment of license liabilities	-	(262,500)
Net cash provided by financing activities	$ 834,051	$ 9,937,034

Effect of exchange rate changes on cash and cash equivalents		6,671		199,884
Net (decrease) increase in cash and cash equivalents		(815,939)		695,904
Total cash and cash equivalents at beginning of the year	$	1,675,210	$	979,306
Total cash and cash equivalents at the end of the year	$	859,271	$	1,675,210
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the year for:				
Interest	$	34,097	$	415,046
Non-cash investing and financing activities:				
Shares issued to Driven Lifestyle Group LLC for extinguishment of related party loan	$	-	$	3,948,556
Extinguishment of Driven Lifestyle Group LLC related party loan for Class A shares	$	-	$	(3,948,566)
Issuance of warrants in connection with registered direct offerings	$	-	$	39,852
Receivable from sale of NASCAR License	$	-	$	500,000

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – BUSINESS ORGANIZATION, NATURE OF OPERATIONS AND RISKS AND UNCERTAINTIES

Organization and Operations

Motorsport Gaming US LLC ("Motorsport Gaming") was established as a limited liability company on August 2, 2018 under the laws of the State of Florida. On January 8, 2021, Motorsport Gaming converted into a Delaware corporation pursuant to a statutory conversion and changed its name to Motorsport Games Inc. ("Motorsport Games" or the "Company"). Upon effecting the corporate conversion on January 8, 2021, Motorsport Games now holds all the property and assets of Motorsport Gaming, and all of the debts and obligations of Motorsport Gaming were assumed by Motorsport Games by operation of law upon such corporate conversion.

Risks and Uncertainties

Liquidity and Going Concern

The Company had a net loss of $3.0 million and negative cash flows from operations of $2.8 million for the year ended December 31, 2024. As of December 31, 2024, the Company had an accumulated deficit of $91.8 million and cash and cash equivalents of $0.9 million, which increased to $1.2 million as of February 28, 2025.

For the year ended December 31, 2024, the Company experienced an average net cash burn from operations of approximately $0.2 million per month, and while it has taken measures to reduce its costs, the Company expects to continue to have a net cash outflow from operations for the foreseeable future as it continues to develop its product portfolio and invest in developing new video game titles.

The Company's future liquidity and capital requirements include funds to support the planned costs to operate its business, including amounts required to fund working capital, support the development and introduction of new products, maintain existing titles, and certain capital expenditures.

In order to address its liquidity shortfall, the Company continues to explore several options, including, but not limited to: (i) additional funding in the form of potential equity and/or debt financing arrangements or similar transactions (collectively, "Capital Financing"); (ii) other strategic alternatives for its business, including, but not limited to, the sale or licensing of the Company's assets in addition to the recent sales of its NASCAR License (as defined below) and Traxion, which was the Company's motorsport and racing games community content platform; and (iii) cost reduction and restructuring initiatives, each of which is described more fully below.

On October 3, 2024, the Company implemented additional measures intended to continue to bring down its year-over-year operating expense through a reduction of the Company's workforce primarily in the United States and the United Kingdom by approximately 23 employees and contractors. The workforce reduction impacted approximately 23 individuals or 38% of the Company's employees worldwide. The Company recorded a restructuring charge related to the workforce reduction, primarily consisting of severance and redundancy costs of approximately $0.2 million, which are primarily recorded in development expenses in the accompanying consolidated statements of operations. The Company recognized and paid out the majority of the restructuring charge in the fourth quarter of fiscal year 2024.

On July 29, 2024, the Company completed the July 2024 Offerings (as defined below), a registered direct offering and concurrent private placement with H.C. Wainwright & Co., LLC acting as the exclusive placement agent, which offerings raised approximately $1.0 million in gross proceeds before deducting the placement agent's fees and other offering expenses. The Company intends to use the net proceeds from this offering for working capital and general corporate purposes.

On March 31, 2023, the Company entered into an Equity Distribution Agreement (the "ED Agreement") with Canaccord Genuity LLC, as sales agent (the "Sales Agent"), pursuant to which the Company may issue and sell shares of its Class A common stock having an aggregate gross offering price of up to $10 million (subject to compliance with the limitations set forth in the SEC's "baby shelf" rules). Subject to the terms and conditions of the ED Agreement, the Sales Agent may sell shares by any method deemed to be an "at-the-market" ("ATM") offering as defined in Rule 415 under the Securities Act of 1933, as amended (the "Securities Act"). At the time the Company filed an initial prospectus supplement in connection with the offering of its shares of Class A common stock pursuant to the ED Agreement, the aggregate market value of the shares of Class A common stock eligible for sale under such prospectus supplement was approximately $2.9 million, which was based on the limitations of such offerings under SEC Regulations. No sales were made pursuant to the ED Agreement during the year ended December 31, 2024. On July 26, 2024, the Company filed a prospectus supplement terminating the continuous offering, although the ED Agreement remains in effect. However, due to the Company's present liquidity position and expected future funding requirements, even if the Company filed another prospectus supplement to reinstate the continuous offering pursuant to the ED Agreement and raised the maximum amount available for future sales via its ATM program, such proceeds would not be sufficient to satisfy its ongoing liquidity requirements and further potential Capital Financing would be required, in conjunction to the other options being explored by the Company. Further, there can be no assurance the Company will be able to obtain funds via its ATM program, should it choose to sell shares under the ED Agreement, nor can there be any other assurance that the Company can secure additional funding in the form of equity and/or debt financing on commercially acceptable terms, if at all, to satisfy its future needed liquidity and capital resources.

Due to the continuing uncertainty surrounding the Company's ability to raise funding in the form of potential Capital Financing, and in light of its liquidity position and anticipated future funding requirements, the Company continues to explore other strategic alternatives and potential options for its business, including, but not limited to, the sale or licensing of certain of the Company's assets in addition to the past sales of its NASCAR License and Traxion.

If any such additional strategic alternative is executed, it is expected it would help to improve the Company's working capital position and reduce overhead expenditures, thereby lowering the Company's expected future cash-burn, and providing some short-term liquidity relief. Nonetheless, even if the Company is successful in implementing one or more additional strategic alternatives, the Company will continue to require additional funding and/or further cost reduction measures in order to continue operations, which may include further restructuring of its business and operations. There are no assurances that the Company will be successful

in implementing any additional strategic plans for the sale or licensing of its assets, or any other strategic alternative, which may be subject to the satisfaction of conditions beyond the Company's control.

As the Company continues to address its liquidity constraints, the Company may need to make further adjustments to its product roadmap in order to reduce operating cash burn. Additionally, the Company continues to seek to improve its liquidity through maintaining and enhancing cost control initiatives. The Company plans to continue evaluating the structure of its business for additional changes in order to improve both its near-term and long-term liquidity position, as well as create a healthy and sustainable company from which to operate.

There can be no assurance that the Company would be able to take any of the financing actions referred to above because of a variety of commercial or market factors, including, without limitation, market conditions being unfavorable for an equity or debt issuance or similar transactions, loans not being available from third parties, or that the transactions may not be permitted under the terms of the Company's various debt instruments then in effect, such as due to restrictions on the incurrence of debt, incurrence of liens, asset dispositions and related party transactions. In addition, such actions, if taken, may not enable the Company to satisfy its capital requirements if the actions that the Company is able to consummate do not generate a sufficient amount of additional capital.

Even if the Company does secure additional Capital Financing, if the anticipated level of revenues are not achieved because of, for example, decreased sales of the Company's products due to the disposition of key assets, such as the sale of its NASCAR License and/or the Company's inability to deliver new products for its various other licenses; less than anticipated consumer acceptance of the Company's offering of products and events; less than effective marketing and promotion campaigns, decreased consumer spending in response to weak economic conditions or weakness in the overall electronic games category; adverse changes in foreign currency exchange rates; decreased sales of the Company's products and events as a result of increased competitive activities by the Company's competitors; changes in consumer purchasing habits, such as the impact of higher energy prices on consumer purchasing behavior; retailer inventory management or reductions in retailer display space; less than anticipated results from the Company's existing or new products or from its advertising and/or marketing plans; or if the Company's expenses, including, without limitation, for marketing, advertising and promotions, product returns or price protection expenditures, exceed the anticipated level of expenses, the Company's liquidity position may continue to be insufficient to satisfy its future capital requirements. If the Company is ultimately unable to satisfy its capital requirements, it would likely need to dissolve and liquidate its assets under the bankruptcy laws or otherwise.

If the Company is unable to satisfy its capital requirements, it could be required to adopt one or more of the following alternatives:

- delaying the implementation of or revising certain aspects of the Company's business strategy;
- further reducing or delaying the development and launch of new products and events;
- further reducing or delaying capital spending, product development spending and marketing and promotional spending;
- selling additional assets or operations;
- seeking additional loans from third parties;
- further reducing other discretionary spending;
- entering into financing agreements on unattractive terms; and/or
- significantly curtailing or discontinuing operations.

In accordance with Accounting Standards Codification ("ASC") 205-40, *Going Concern*, the Company has evaluated whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued. The factors described above, in particular the lack of available cash on hand to fund operations over the next year, have raised substantial doubt about the Company's ability to continue as a going concern.

The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Accordingly, the consolidated financial statements have been prepared on a

basis that assumes the Company will continue as a going concern and which contemplates the realization of assets and satisfaction of liabilities and commitments in the ordinary course of business.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and include the operations of the Company and its wholly owned and majority owned subsidiaries. The interests of non-controlling members are reflected as non-controlling interest in the accompanying consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation. Unless otherwise indicated, information in these notes to the consolidated financial statements relates to continuing operations.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period.

The Company's significant estimates used in these consolidated financial statements include, but are not limited to, revenue recognition criteria, including allowances for returns and price protection, as well as current expected credit losses, valuation allowance of deferred income taxes, the recognition and disclosure of contingent liabilities, intangible assets impairment testing, and stock-based compensation valuation. Certain of the Company's estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company's estimates and may cause actual results to differ from those estimates.

Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the presentation of these consolidated financial statements. These reclassifications had no effect on the prior year's net loss.

Non-controlling interests

Noncontrolling interests represents the portion of net assets in consolidated subsidiaries that are not attributable, directly or indirectly, to the Company. The net assets of the shared entities are attributed to the controlling and noncontrolling interests based on the terms of the governing contractual arrangements. For the joint venture with Automobile Club de l'Ouest discussed in Note 11 – *Commitments and Contingencies*, the Company further determined the hypothetical liquidation at book value method ("HLBV Method") to be the appropriate method for attributing net assets to the controlling and noncontrolling interests as this method most closely mirrors the economics of the governing contractual arrangement. Under the HLBV Method, the Company allocates recorded income (loss) to each investor based on the change, during the reporting period, of the amount of net assets each investor is entitled to under the governing contractual arrangements in a liquidation scenario.

Correction of an Immaterial Error in Previously Issued Financial Statements

The Company has revised the presentation of net loss attributable to the non-controlling interest in the joint venture with Automobile Club de l'Ouest discussed in Note 11 – *Commitments and Contingencies*, to correct an immaterial error in the presentation of related the non-controlling interest. This correction decreased net loss and comprehensive loss attributable to non-controlling interests, increased net loss and comprehensive loss attributable to Motorsport Games, Inc. by $1,272,046 and increased net loss per Class A common share attributable to Motorsport Games Inc. by $0.50 for the year ended December 31, 2023. Furthermore, this correction decreased stockholders' deficit attributable to non-controlling interests and decreased stockholders' equity attributable to Motorsport Games Inc. by $2,006,742 as of December 31, 2023. This correction also

increased stockholders' equity attributable to non-controlling interests and decreased stockholders' equity attributable to Motorsport Games Inc. by $734,696 as of January 1, 2023.

In addition, the Company has revised the statement of cash flow for the year ended December 31, 2023 to revise the presentation of net cash used in operating activities to include a gain on foreign currency exchange rates that was previously included in the effect of exchange rate changes on cash and cash equivalents. As a result, net cash used in operating activities and the effect of exchange rate changes on cash and cash equivalents increased by $0.7 million for the year ended December 31, 2023.

Fair Value Measurements

The Company accounts for its assets and liabilities using a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the fair-value hierarchy below. This hierarchy requires the Company to minimize the use of unobservable inputs and to use observable market data, if available, when determining fair value.

- Level 1 – Quoted prices for identical instruments in active markets;
- Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3 – Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The Company's liability-classified warrants are measured at fair value on a recurring basis, with subsequent changes in fair value recognized in earnings. Certain assets, including long-lived assets, right of use assets, indefinite-lived intangible assets, and purchase commitments are measured at fair value on a nonrecurring basis; that is, the assets are not measured at fair value on an ongoing basis, but are subject to fair value adjustments using fair value measurements with unobservable inputs are classified as Level 3. Other financial instruments, including cash and cash equivalents, accounts receivable, prepaid and other assets, accounts payable, accrued expenses, and other current liabilities are carried at cost, which approximate their fair values due to their short-term nature.

Stock Warrants

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative guidance in ASC 480 - *Distinguishing Liabilities from Equity* ("ASC 480") and ASC 815 - *Derivatives and Hedging* ("ASC 815"). The Company's assessment considers whether the warrants are freestanding financial instruments pursuant to ASC 480, whether they meet the definition of a liability pursuant to ASC 480, and whether the warrants meet all of the requirements for equity classification under ASC 815, including whether the warrants are indexed to the Company's own common stock and whether the warrant holders could potentially require "net cash settlement" in a circumstance outside of the Company's control, among other conditions for equity classification. This assessment, which requires the use of professional judgment, is conducted at the time of warrant issuance and as of each subsequent quarterly period-end date while the warrants are outstanding.

Cash and Cash Equivalents

The Company considers all highly-liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. The Company maintains cash in bank accounts, which, at times, may exceed Federal Deposit Insurance Corporation ("FDIC") insured limits. The Company has not experienced any losses in such accounts and periodically evaluates the creditworthiness of the financial institutions. The Company's foreign bank accounts are not subject to FDIC insurance. Cash held in foreign bank accounts were approximately $0.2 million and $0.4 million as of December 31, 2024 and 2023, respectively.

Accounts Receivable

Accounts receivables are carried at their contractual amounts, less an allowance for returns and price protection, net of expected credit losses.

The Company determines its allowances for returns and price protection based on previous experience, existing and expected future economic and market conditions, actual sales and inventories in the distribution channel. See Note 2 – *Summary of Significant Accounting Policies – Revenue Recognition – Allowances for Returns and Price Protection* for additional details.

As of December 31, 2024 and 2023, the Company determined that the vast majority of its accounts receivable were fully collectible and, accordingly, did not record a material allowance for credit losses. Allowances for returns and price protection represent the difference between the retail distributor purchase order price and the estimated average sell through price. As of December 31, 2024 and 2023, allowances for returns and price protection were approximately $0 and $0.5 million, respectively, and primarily related to the Company's NASCAR racing video games. With the consummation of the sale of the Company's NASCAR License to iRacing on October 3, 2023, the Company is no longer the official video game developer and publisher for the NASCAR video game racing franchise and no longer has the exclusive right to create and organize esports leagues and events for NASCAR using its NASCAR racing video games. Accordingly, during the year ended December 31, 2024, the Company no longer had the right to use the NASCAR brand for its products other than a limited non-exclusive right and license to, among other things, sell NASCAR games and downloadable content that were in the Company's product portfolio through December 31, 2024, and since that date the Company had no further right to use the NASCAR brand for its products.

Long-Lived Assets

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization, which is provided on the straight-line method over the estimated useful lives of the assets. Expenditures for maintenance and repairs are expensed as incurred. When assets are sold or otherwise retired, the costs and accumulated depreciation are removed from the books and the resulting gain or loss is included in operating results.

Depreciation of property and equipment is computed utilizing the following useful lives:

	Useful Life
Equipment	3 – 5 years
Furniture and fixtures	3 – 5 years
Leasehold improvements	Shorter of remaining lease term or useful life 3 – 10 years

Other Indefinite-Lived Assets

The Company accounts for indefinite-lived assets in accordance with ASC 350, *Intangibles—Goodwill and Other* ("ASC 350"), which requires indefinite-lived assets to be tested for impairment annually or more frequently, if events or circumstances indicate that the fair value of the asset has decreased below its carrying value.

The Company performs its annual or interim indefinite-lived asset impairment tests by comparing the fair value of its indefinite-lived assets to their respective carrying values. An entity recognizes an impairment charge for the amount by which the carrying amount of the indefinite-lived asset exceeds its fair value.

In evaluating indefinite-lived assets for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of the indefinite-lived asset is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of an indefinite-lived asset is less than its

carrying value, then the Company performs a one-step quantitative impairment test by comparing the fair value of an indefinite-lived asset with its carrying amount and recognizes a loss on impairment in the event the carrying value exceeds the fair value.

The Company fair values its indefinite-lived assets using valuation methodologies appropriate for the type of asset. Such methods might include discounted cash flow models, relief from royalty and cost to replace methods. The Company performs its impairment testing as of December 31 of each year or as required if triggering events occur indicating a potential for impairment.

Finite-lived Intangible Assets and Other Long-Lived Assets

Finite-lived intangible assets subject to amortization are carried at cost less accumulated amortization, and amortized over the estimated useful life in proportion to the economic benefits received.

Amortization of the Company's finite-lived intangible assets has historically been computed using the following useful lives:

Intangible Asset	Useful Life
License agreements	1 - 20 years
Software	6 - 10 years

Finite-lived intangible assets and other long-lived assets, such as plant and equipment, are subject to the provisions of ASC 360, *Property, Plant and Equipment* when determining the extent of impairment losses, if any.

The Company evaluates the recoverability of its finite-lived intangible assets and other long-lived assets when events or circumstances indicate a potential impairment exists. The Company considers certain events and circumstances in determining whether the carrying value of its finite-lived intangible assets and other long-lived assets, other than indefinite-lived intangible assets, may not be recoverable including, but not limited to: significant changes in performance relative to expected operating results; significant changes in the use of the assets; significant negative industry or economic trends; a significant decline in our stock price for a sustained period of time; and changes in the Company's business strategy. If the Company determines the carrying value may not be recoverable, the Company estimates the undiscounted cash flows to be generated from the use and ultimate disposition of the asset group to determine whether an impairment exists. If an impairment is indicated based on a comparison of the asset groups' carrying values and the undiscounted cash flows, the impairment loss is measured as the amount by which the carrying amount of the asset group exceeds its fair value.

Segment Reporting

The Company uses the management approach to determine its reportable segments. The management approach considers the internal organization and reporting used by the Company's Chief Operating Decision Maker ("CODM") for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's CODM is the Chief Executive Officer ("CEO") of the Company, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. The Company classified its reportable operating segments into (i) the development and publishing of interactive racing video games, entertainment content and services (the "Gaming segment") and (ii) the organization and facilitation of esports tournaments, competitions and events for the Company's licensed racing games as well as on behalf of third-party video game racing series and other video game publishers (the "esports segment").

Revenue Recognition

The Company generates revenue primarily through the sale of its digital and physical video game titles, including extra content, principally for the console, PC and mobile platforms. In addition, the Company generates additional revenues through its esports activities including sponsorships and participation fees. The Company's product and service offerings include, but are not limited to the following:

1. *Premium full games* – full games with both online and offline functionality ("Games with Services"), which generally includes (1) the initial game delivered digitally or via physical disc at the time of sale and typically provide access to offline core game content ("software license"); (2) updates on a when-and-if-available basis, such as software patches or updates, and/or additional free content to be delivered in the future ("future update rights"); and (3) a hosted connection for online playability ("online hosting");

2. *In-game content* –Downloadable extra content that is accessible by users on either console or PC platforms, which allows consumers to enhance their gameplay experience;

3. *Esports competition events* - Hosting of online esports competitions that generate participation fees and sponsorship revenues; and

4. *Software development* – Providing outsourced code and content development services.

The Company recognizes revenue in accordance with ASC 606, "*Revenue from Contracts with Customers*" ("ASC 606"). The Company determines revenue recognition through the following steps:

- Identification of a contract with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when or as the performance obligations are satisfied.

The timing of the Company's revenue recognition may differ from the timing of payment by its customers. A receivable is recorded when revenue is recognized prior to payment and the Company has an unconditional right to payment. Alternatively, when payment precedes the provision of the related services, the Company records deferred revenue until the Company's performance obligations are satisfied.

Online-Enabled Games

Games with Services. The Company's sales of Games with Services are evaluated to determine whether the software license, future update rights and the online hosting are distinct and separable. Sales of Games with Services are generally determined to have three distinct performance obligations: software license, future update rights, and the online hosting.

Since the Company does not sell the performance obligations on a stand-alone basis, the Company considers market conditions and other observable inputs to estimate the stand-alone selling price for each performance obligation. For Games with Services, generally 75 percent of the sales price is allocated to the software license performance obligation and recognized at a point in time when control of the license has been transferred to the customer. The remaining 25 percent is allocated to the future update rights and the online hosting performance obligations and recognized ratably as the service is provided (over the Estimated Offering Period).

Extra Content. Revenue received from sales of downloadable content are derived primarily from the sale of digital in-game content that are designed to extend and enhance players' game experience. Sales of extra content are accounted for in a manner consistent with the treatment for the Company's Games with Services as discussed above.

Product Sales

Product sales consist of our premium full games, which are delivered either digitally or in a physical format. We recognize revenues once both control of the product has been transferred to the customer and any underlying performance obligations have been satisfied. Product sales generally have a singular distinct performance obligation, as the Company does not have an obligation to provide future update rights or online hosting.

Revenues from product sales are recognized after deducting allowances for returns and price protection, which are considered to be variable consideration for the purposes of estimating revenue to recognize.

Certain products are sold to customers with a street date, which is the earliest date these products may be sold by retailers to the end consumer. For these products, the Company recognizes revenues on the later of the street date and the date the product is sold to our customer. For digitally delivered games, the Company recognizes revenue when it is available for download or is activated for gameplay. Revenues are recorded net of taxes assessed by governmental authorities that imposed at the time of the specific revenue generating transaction.

Payment terms and conditions vary by contract type, although terms generally include a requirement of payment immediately upon purchase or within 30 to 90 days. In instances where the timing of revenue recognition differs from the timing of invoicing, we do not adjust the promised amount of consideration for the effects of a significant financing component when we expect, at contract inception, that the period between our transfer of a promised product or service to our customer and payment for that product or service will be one year or less.

In-game Revenues

In-game revenues primarily consist of revenue earned through the sale of downloadable content that enhances the gameplay experience for the Company's customers using console, PC or mobile platforms, as well as the purchase of in-game credits for the purchase of downloadable content. In-game credits can only be used for in-game purchases and are non-refundable.

Revenue related to in-game content is recognized at the point in time the Company satisfies its performance obligation, which is generally at the time the customer obtains control of the in-game content, either by downloading the digital in-game content or by purchasing the in-game credits.

Esports

The Company recognizes sponsorship revenue associated with hosting online esports competition events over the period of time the Company satisfies its performance obligation under its contracts, which is generally concurrent with the time events are held. If the Company enters into a contract with a customer to sponsor a series of esports events, the Company allocates the transaction price between the series of events and recognizes revenue over the period of time each event is held and the Company satisfies its performance obligations.

Software Development

The Company's software development services primarily include the development of gaming platforms and simulators for external customers, licenses fees for use of the products commercially, as well as the associated maintenance, training, and support services related to the deliverables. The contracts with customers set payment milestones over the course of the software development cycle through delivery of the final product. The contracts also provide maintenance and support services with respect to the furnished product over a specified length of time after delivery.

The milestones set within the software development cycle are not considered to be separately identifiable or distinct from the final product. Revenue related to the software development is recognized at the point in time the Company delivers, and the customer takes possession of the final product. Revenue associated with the license, maintenance, training, and support services are recognized over the life of the agreement for such services.

The following table summarizes revenue recognized under ASC 606 in the consolidated statements of operations:

	For the Year Ended December 31,	
	2024	**2023**
Revenues:		
Gaming	$ 8,687,462	$ 6,619,502
Esports	-	290,172

Total Revenues	$ 8,687,462	$ 6,909,674

Significant Judgments around Revenue Arrangements

Identifying Performance Obligations. Performance obligations promised in a contract are identified based on the goods and services that will be transferred to the customer that are both capable of being distinct, (i.e., the customer can benefit from the goods or services either on its own or together with other resources that are readily available), and are distinct in the context of the contract (i.e., it is separately identifiable from other goods or services in the contract). To the extent a contract includes multiple promises, the Company must apply judgment to determine whether those promises are separate and distinct performance obligations. If these criteria are not met, the promises are accounted for as a combined performance obligation.

Determining the Transaction Price. The transaction price is determined based on the consideration that the Company will be entitled to receive in exchange for transferring its goods and services to the customer. Determining the transaction price often requires judgment, based on an assessment of contractual terms and business practices. It further includes review of variable consideration such as discounts, sales returns, price protection, and rebates, which is estimated at the time of the transaction.

Allocating the Transaction Price. Allocating the transaction price requires that the Company determine an estimate of the relative stand-alone selling price for each distinct performance obligation. Determining the relative stand-alone selling price is inherently subjective, especially in situations where the Company does not sell the performance obligation on a stand-alone basis (which occurs in the majority of transactions). In those situations, the Company determines the relative stand-alone selling price based on various observable inputs using all information that is reasonably available. Examples of observable inputs and information include historical internal pricing data and pricing data from competitors, to the extent the data is available. The results of the Company's analysis resulted in a specific percentage of the transaction price being allocated to each performance obligation.

Determining the Estimated Offering Period. The offering period is the period in which the Company offers to provide the future update rights and/or online hosting for the game and related extra content sold. Because the offering period is not an explicitly defined period, the Company must make an estimate of the offering period for the service-related performance obligations (i.e., future update rights and online hosting). Determining the Estimated Offering Period is inherently subjective and is subject to regular revision. Generally, the Company considers the average period of time customers are online when estimating the offering period. The Company recognizes revenue for future update rights and online hosting performance obligations ratably on a straight-line basis over this period as there is a consistent pattern of delivery for these performance obligations. Revenue for service-related performance obligations for digitally-distributed games and extra content is recognized over an estimated seven-month period beginning in the month of sale.

Principal Versus Agent Considerations

The Company evaluates sales to end customers of its full games and related content via third-party storefronts, including digital storefronts such as Microsoft's Xbox Store, Sony's PlayStation Store, Nintendo's eShop, Apple's App Store, Steam and Google's Play Store, to determine whether the Company is acting as the principal or agent in the sale to the end customer. Key indicators that the Company evaluates in determining gross versus net treatment include but are not limited to the following:

- the underlying contract terms and conditions between the various parties to the transaction;
- which party is primarily responsible for fulfilling the promise to provide the specified good or service to the end customer;
- which party has inventory risk before the specified good or service has been transferred to the end customer; and
- which party has discretion in establishing the price for the specified good or service.

Based on an evaluation of the above indicators, the Company determined that, apart from contracts with customers where revenue is generated via the Apple's App Store or Google Play Store, the third party is considered the principal with the end customer and, as a result, the Company reports revenue net of the fees retained by the storefront. For contracts with customers where revenues are generated via the Apple's App Store or Google's Play Store, the Company has determined that it is the principal and, as a result, reports revenues on a gross basis, with mobile platform fees included within cost of revenues.

Allowances for Returns and Price Protection

The Company may permit product returns from, or grant price protection to, its customers under certain conditions. Price protection represents the Company's practice to provide channel partners with a credit allowance to lower their wholesale price on a particular game unit that they have not resold to customers. The amount of the price protection for permanent markdowns is the difference between the original wholesale price and the new reduced wholesale price. Credits are also given for short-term promotions that temporarily reduce the wholesale price.

Allowances for returns and price protection are considered variable consideration under ASC 606. The Company reduces revenue for estimated future returns and price protections that may occur with distributors and retailers ("channel partners"). See Note 2 – *Summary of Significant Accounting Policies – Accounts Receivable* for additional details.

When evaluating the adequacy of allowances for returns and price protection, the Company analyzes the following: historical credit allowances, current sell-through of channel partners' inventory of the Company's products, current trends in retail and the video game industry, changes in customer demand, acceptance of products, and other related factors. In addition, the Company monitors the volume of sales to its channel partners and their inventories, as substantial overstocking in the distribution channel could result in higher-than-expected returns or higher price protection in subsequent periods.

The Company's allowances for returns and price protection as of December 31, 2024 and 2023 was approximately $0 and $1.2 million, respectively. The Company recognized less than $0.1 million for sales returns and price protections as a reduction of revenues for the years ended December 31, 2024 and 2023, respectively.

Advertising Costs

The Company generally expenses advertising costs as incurred, with the exception of non-direct advertising campaign costs that are paid for in advance. Prepaid non-direct advertising costs are recognized as prepaid assets and expensed at the start of the advertising campaign, included in "Sales and marketing" in the consolidated statement of operations. The Company incurred $0.1 million and $0.2 million in advertising costs for the years ended December 31, 2024 and 2023, respectively.

Deferred Revenue

The Company's deferred revenue, or contract liability, is classified as current and is included within accrued expenses and other current liabilities on the consolidated balance sheets (Also refer Note 6 – *Accrued Expenses and Other Current Liabilities*). Revenues for prepaid downloadable content season passes, subscriptions and prepaids collected in advance of the Company's esports events is recorded as deferred revenue until the event occurs. Development and coding revenues are also recorded as deferred revenue until the Company's performance obligation is performed. Furthermore, deferred revenue includes payment advances from the Company's channel partners.

Revenue recognized in the period from amounts included in contract liability at the beginning of the period was approximately $0.3 million for the years ended December 31, 2024 and 2023, respectively.

Income Taxes

On January 8, 2021, Motorsport Gaming US LLC converted into a Delaware corporation pursuant to a statutory conversion and changed its name to Motorsport Games Inc.

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of transactions and events. Under this method, deferred tax assets and liabilities are determined based on the difference between financial statement book values and the tax bases of assets and liabilities using enacted tax rates in effect for the years in which the differences are expected to reverse. If necessary, deferred tax assets are

reduced by a valuation allowance to an amount that is determined to be more likely than not recoverable in the foreseeable future. The Company must make significant estimates and assumptions about future taxable income and future tax consequences and tax strategies available to recognize deferred tax assets when determining the amount of the valuation allowance. The additional guidance provided by ASC 740, *Income Taxes* ("ASC 740"), clarifies the accounting for uncertainty in income taxes recognized in the financial statements. Expected outcomes of current or anticipated tax examinations, refund claims and tax-related litigation and estimates regarding additional tax liability (including interest and penalties thereon) or refunds resulting therefrom will be recorded based on the guidance provided by ASC 740 to the extent applicable.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Subtopic 718, *Stock Compensation* ("ASC 718"). The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. The fair value of the award is measured on the grant date, using the Black-Scholes option pricing model. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Upon the exercise of an award, the Company issues new shares of common stock out of its authorized shares. Stock-based compensation is adjusted for any forfeitures, which are accounted for on an as occurred basis.

Net Loss Per Common Share

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per common share is computed by dividing net loss by the weighted average number of common and dilutive common-equivalent shares outstanding during each period. Dilutive common-equivalent shares consist of shares of options and warrants, if not anti-dilutive.

The following shares were excluded from the calculation of weighted average dilutive common shares because their inclusion would have been anti-dilutive:

	For the Year Ended December 31,	
	2024	**2023**
Stock options	97,366	74,765
Warrants	33,574	33,574
	130,940	108,339

In connection with a securities purchase agreement entered into on July 26, 2024, the Company issued warrants to investors and H.C. Wainwright & Co., LLC to purchase up to an aggregate of 949,310 shares of Class A common stock ("the Outstanding Warrants"). These warrants will become exercisable on the effective date of the stockholder approval for the issuance of the shares of Class A common stock issuable upon exercise of the warrants. As of December 31, 2024, the Outstanding Warrants have not been approved by stockholders.

Foreign Currency Translation

The Company's functional and reporting currency is the United States Dollar. The functional currency of the Company's operating subsidiaries are their local currencies, which include the United States Dollar, Euro, Australian Dollar and Pound Sterling. Assets and liabilities are translated based on the exchange rates at the balance sheet date, while revenue and expense accounts are translated at the average exchange rate in effect during the year. Equity accounts are translated at historical exchange rates. The resulting translation gain and loss adjustments are accumulated as a component of other comprehensive income. Foreign currency gains and losses resulting from transactions denominated in foreign currencies, including intercompany transactions, are included in the results of operations.

The Company recorded a net transaction loss of $1.3 million for the year ended December 31, 2024 and a net transaction gain of approximately $0.8 million for the year ended December 31, 2023. Such amounts have been classified within other (expense) income in the accompanying consolidated statements of operations.

Recently Issued Accounting Standards

As an emerging growth company ("EGC"), the Jumpstart Our Business Startups Act ("JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act until such time as the Company is no longer considered to be an EGC. The adoption dates discussed below reflect this election.

Adoption of Accounting Pronouncements

On January 1, 2023, the Company adopted Accounting Standard Update ("ASU") 2019-11, "*Codification Improvements to Topic 326, Financial Instruments – Credit Losses*" ("ASU 2019-11"), issued by the Financial Accounting Standards Board (the "FASB") in November 2019. ASU 2019-11 is an accounting pronouncement that amends ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instrument", issued by the FASB in June 2016. ASU 2016-13, as amended by ASU 2019-11, requires an impairment model (known as the current expected credit loss ("CECL") model) that is based on expected losses rather than incurred losses. Under the new guidance, each reporting entity should estimate an allowance for expected credit losses, which is intended to result in more timely recognition of losses. This model replaces multiple existing impairment models in current U.S. GAAP, which generally require a loss to be incurred before it is recognized. The new standard applies to trade receivables arising from revenue transactions such as contract assets and accounts receivable. Under ASC 606, "Revenue from Contracts with Customers" ("ASC 606") revenue is recognized when, among other criteria, it is probable that an entity will collect the consideration it is entitled to when goods or services are transferred to a customer. When trade receivables are recorded, they become subject to the CECL model and estimates of expected credit losses on trade receivables over their contractual life will be required to be recorded at inception based on historical information, current conditions, and reasonable and supportable forecasts. This guidance is effective for smaller reporting companies with annual periods beginning after December 15, 2022, including the interim periods in the year. Early adoption is permitted. All entities may adopt the amendments through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). Upon adoption, this guidance did not have a material impact on the Company's consolidated financial statements.

On January 1, 2023, the Company adopted ASU 2020-06, "*Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging – Contracts in Entity's Own Equity (Subtopic 815-40) – Accounting for Convertible instruments and Contracts in an Entity's Own Equity*" ("ASU 2020-06"), issued by the FASB in August 2020. The amendments affect entities that issue convertible instruments, as well as contracts in an entity's own equity. For convertible instruments, the instruments primarily affected are those issued with beneficial conversion features or cash conversion features because the accounting models for those specific features are removed. However, all entities that issue convertible instruments are affected by the amendments to the disclosure requirements in ASU 2020-06. These amendments improve U.S. GAAP by eliminating certain accounting models, therefore, simplifying the accounting for convertible instruments, and reducing complexity for preparers and practitioners, as well as improving the decision usefulness and relevance of the information provided to financial statement users. In addition to eliminating certain accounting models, these amendments enhance information transparency by making targeted improvements to the disclosures for convertible instruments and earnings-per-share guidance. For contracts in an entity's own equity, the contracts primarily affected are freestanding instruments and embedded features that are accounted for as derivatives under the current guidance because of failure to meet the settlement conditions of the derivatives scope exception related to certain requirements of the settlement assessment. ASU 2020-06 simplifies the settlement assessment by removing the requirements (1) to consider whether the contract would be settled in registered shares, (2) to consider whether collateral is required to be posted, and (3) to assess shareholder rights. These amendments also affect the assessment of whether an embedded conversion feature in a convertible instrument qualifies for the derivatives scope exception. These amendments improve U.S. GAAP by simplifying the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions and improving inconsistency in the accounting for some contracts as derivatives while accounting for economically similar contracts as equity. Additionally, the amendments in ASU 2020-06 affect the diluted

earnings per share calculation for instruments that may be settled in cash or shares and for convertible instruments. This guidance is effective for smaller reporting companies with annual periods beginning after December 15, 2023, including the interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years after December 15, 2020, including interim periods within those fiscal years. All entities may adopt the amendments through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). Entities may also elect to adopt the amendments using the fully retrospective method of transition, with the cumulative effect of the change recognized as an adjustment to the opening balance of retained earnings in the first comparative period presented. Upon adoption, this guidance did not have a material impact on the consolidated financial statements.

On January 1, 2024, the Company adopted Accounting Standards Update ("ASU") No. 2023-07, *Segment Reporting (Topic 280), which was issued by the Financial Accounting Standards Board ("FASB") on November 27, 2023*. The new guidance improves reportable segment disclosures primarily through enhanced disclosures about significant segment expenses and by requiring current annual disclosures to be provided in interim periods. The new guidance is to be applied retrospectively to all prior periods presented unless impracticable to do so. As the guidance requires only additional disclosure, there are no effects of this standard on the Company's financial position, results of operations or cash flows. This adoption did not have a material impact on the consolidated financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following balances as of December 31, 2024 and 2023:

	December 31,	
	2024	**2023**
Furniture and fixtures	$ 17,906	$ 17,498
Computer software and equipment	697,473	784,355
Leasehold improvements	162,180	160,606
	877,559	962,459
Less: accumulated depreciation	(822,122)	(714,766)
Property and equipment, net	$ 55,437	$ 247,693

Depreciation expense was $0.2 million and $0.3 million for each of the years ended December 31, 2024 and 2023, respectively.

NOTE 4 – INTANGIBLE ASSETS

In March 2019, the Company entered into an agreement to facilitate the Le Mans Esports Series as part of a joint venture with Automobile Club de l'Ouest ("ACO"), the organizer of the 24 Hours of Le Mans endurance race. Through the Company's ownership interest in this joint venture, which was increased to 51% from 45% in January 2021, the Company secured the rights to be the exclusive video game developer and publisher for the 24 Hours of Le Mans race and the WEC, which the 24 Hours of Le Mans race is a part of, for a ten-year period. In addition, through this joint venture with ACO, the Company has the right to create and organize esports leagues and events for the Le Mans Esports Series. The Company acquired a video gaming license (the "Le Mans Gaming License") and an esports license (the "Le Mans Esports License") related to its ownership interest in this joint venture with the ACO.

In 2021, the Company also acquired intangible assets comprising the KartKraft computer video game as well as software, tradename and non-compete agreements related to its acquisition of 100% of the share capital of Studio397 B.V.

In October 2023, the Company sold its NASCAR License to iRacing.com Motorsport Simulations, LLC ("iRacing"). As consideration for such sale and assignment of the NASCAR License and all rights related thereto ("the Assignment"), iRacing paid the Company $5.0 million at closing of the transactions contemplated by the Assignment. In addition, iRacing is obligated under the Assignment to pay the Company an additional (i) $0.5 million payable on the date that is 6 months following such closing and (ii) $0.5 million on the earlier of such date when all NASCAR Games have been removed by the Company from the websites, smart phone applications or other digital portal engaging in sales or providing access to the NASCAR Games, including without limitation Xbox, PlayStation and Switch and all other domain names, web addresses and websites used by the Company in the its business (collectively, the "Business Platforms"), or December 31, 2024, provided that all NASCAR Games have been removed by the Company from the Business Platforms; and in any event no earlier than such date that is one (1) year following the closing of the Assignment. In accordance with this sale, the Company recognized a gain of $0.5 million and $3.0 million, which are included in other operating income on the consolidated statements of operations for the years ended December 31, 2024 and 2023, respectively. As of December 31, 2024, iRacing had paid the full $6.0 million due to the Company under the Terms of the Assignment.

Impairment – Years Ended December 31, 2024 and 2023

The Company completed interim impairment assessments for its indefinite-lived intangible assets and long-lived assets, which include the Company's finite-lived intangible assets, for the three-month period ended June 30, 2023, following the identification of triggering events. The primary trigger for the impairment review for the interim period ended June 30, 2023 was the Company's decision to explore strategic alternatives, including, but not limited to, the sale or licensing of the Company's assets (the "Strategic Initiatives"), and that failure to consummate any such transaction would likely result in the Company being unable to comply with certain requirements of certain of its video game licenses.

The Company's interim impairment assessment as of June 30, 2023 was performed using a qualitative assessment. Based on this assessment, the Company concluded that it was more likely than not that the fair value of its indefinite-lived intangible assets was greater than its carrying value as of June 30, 2023.

For the Company's long-lived asset impairment assessment as of June 30, 2023, the Company compared the estimated undiscounted future cash flows generated by the gaming segment asset group to the carrying amount of the asset group and determined that the undiscounted cash flows were less than the asset group's carrying value on a held and used basis. Therefore, the Company estimated the fair value of the asset group and determined that the fair value of the asset group was less than its carrying value, which indicated impairment. The fair value of the asset group was determined using the present value of cash flows expected to be generated by market participants, discounted at a weighted average cost of capital. As a result, the Company determined the fair value of certain licensing agreements, software and non-compete agreements within the asset group were lower than their respective carrying values and recorded an impairment loss within the Gaming segment of approximately $4.0 million for the interim period ended June 30, 2023. The Company determined the fair value of the finite-lived intangible assets subject to assessment using either a discounted cash flow valuation model or a cost to recreate valuation model, depending on the nature of the asset. The principal assumptions used in the discounted cash flow valuation model were forecasted cash flows and the expected proceeds from the sale of certain assets should the Company be successful in its Strategic Initiatives, while the principal assumptions used in the cost to recreate valuation model were production hours, cost per hour and technological obsolescence. The Company considers these assumptions to be judgmental and subject to risk and uncertainty, which could result in further changes in subsequent periods.

The impairment loss recognized during the interim period ended June 30, 2023 was primarily driven by a reduction in expected future revenues primarily related to the Strategic Initiatives, including changes to the Company's product roadmap, as well as changes to the discount rates applied and assumptions used in the valuation models.

For the Company's long-lived asset impairment assessment as of December 31, 2024 and 2023, the Company compared the estimated undiscounted future cash flows generated by the asset group to the carrying amount of the asset group and determined that the undiscounted cash flows were less than the asset group's carrying value on a held and used basis. Therefore, the Company estimated the fair value of the asset group and determined that the fair value of the asset group exceeded its carrying value, which indicated no impairment. The fair value of the asset group was determined using the present value of cash flows expected to be generated by market participants, discounted at a weighted average cost of capital.

The impairment loss is presented as impairment of intangible assets in the consolidated statements of operations.

The following is a summary of intangible assets as of December 31, 2024 and 2023:

	Licensing Agreements (Finite)	Software (Finite)	Distribution Contracts (Finite)	Trade Names (Indefinite)	Non-Compete Agreement (Finite)	Accumulated Amortization	Total
Balance as of January 1, 2023	**$ 8,745,008**	**$8,656,842**	**$ 560,000**	**$ 212,185**	**$ 243,243**	**$ (5,057,048)**	**$13,360,230**
Impairment	(3,600,720)	(487,648)	-	-	(64,927)	148,668	(4,004,627)
Purchase of intangible assets	757,500	-	-	-	-	-	757,500
Amortization	-	-	-	-	-	(1,892,466)	(1,892,466)
Disposal of intangible assets	(3,446,613)	-	-	-	-	1,157,342	(2,289,271)
Foreign currency translation adjustment	(53,494)	(53,257)	-	11,009	1,950	(41,767)	(135,559)
Balance as of December 31, 2023	**2,401,681**	**8,115,937**	**560,000**	**223,194**	**180,266**	**(5,685,271)**	**5,795,807**
Amortization	-	-	-	-	-	(2,381,170)	(2,381,170)
Foreign currency translation adjustment	(19,938)	(139,869)	-	(21,225)	(10,044)	141,737	(49,339)
Balance as of December 31, 2024	$ 2,381,743	$7,976,068	$ 560,000	$ 201,969	$ 170,222	$ (7,924,704)	$ 3,365,298
Weighted average remaining amortization period at December 31, 2024	16.2	2.9	-	-	-	-	-

Accumulated amortization of intangible assets consists of the following:

	Licensing Agreements	Software	Distribution Contracts	Non-Compete Agreement	Accumulated Amortization
Balance as of January 1, 2023	**$ 1,146,010**	**$3,212,135**	**$ 560,000**	**$ 138,903**	**$ 5,057,048**
Disposals	(1,157,342)	-	-	-	(1,157,342)
Amortization expense	463,439	1,387,664	-	41,363	1,892,466
Impairment	(148,668)	-	-	-	(148,668)
Foreign currency translation adjustment	(4,901)	46,668	-	-	41,767
Balance as of December 31, 2023	**298,538**	**4,646,467**	**560,000**	**180,266**	**5,685,271**

Amortization expense	902,744	1,478,426	-	-	2,381,170
Foreign currency translation adjustment	-	(131,693)	-	(10,044)	(141,737)
Balance as of December 31, 2024	$ 1,201,282	$5,993,200	$ 560,000	$ 170,222	$ 7,924,704

Estimated aggregate amortization expense of intangible assets for the next five years and thereafter, excluding future amortization on non-amortizing finite-lived intangible assets of $0.2 million, is as follows:

For the Years Ending December 31,	Total
2025	$ 988,193
2026	846,424
2027	199,427
2028	128,127
2029	128,127
Thereafter	873,031
	$ 3,163,329

NOTE 5 - LEASES

The Company's operating leases primarily relate to real estate, which include office space in the United States and the United Kingdom. The Company's leases have established fixed payment terms that are typically subject to annual rent increases throughout the term of each lease agreement. The Company's lease agreements have varying noncancelable rental periods and do not typically include options for the Company to extend the lease terms.

The Company's operating leases have been presented in operating lease right of use assets, operating lease liabilities (current) and operating lease liabilities (non-current), on the Company's consolidated balance sheets as of December 31, 2024. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

Incremental borrowing rate

The Company's lease agreements do not provide an implicit rate to determine the present value of lease payments. As such, the Company uses its incremental borrowing rate to determine the present value of lease payments. The Company derives its incremental borrowing rate from information available at the lease commencement date, which represents a collateralized rate of interest the Company would have to pay to borrow over a similar term an amount equal to the lease payments in a similar economic environment. As the Company did not have external borrowings at the adoption date with comparable terms to its lease agreements, the Company estimated its borrowing rate based on prime lending rate ("Prime Rate"), adjusted for the U.S. Treasury note rates for the same term as the associated lease and the Company's credit risk spread.

The components of lease expense were as follows:

	Consolidated Statement of Operations Classification	For the Year Ended December 31, 2024	For the Year Ended December 31, 2023
Short-term operating lease expense	G&A	$ 63,854	$ 128,809
Operating lease expense	G&A	124,548	249,604
Total lease costs		$ 188,402	$ 378,413

Weighted average remaining lease terms and weighted average discount rates are as follows:

	As of December 31,	
	2024	2023
Weighted-average remaining lease term - operating leases (years)	1.67	3.18
Weighted-average discount rate - operating leases	7.7%	7.5%

Supplemental cash flow information related to leases is as follows:

	For the Year Ended December 31,	
	2024	2023
Cash paid for amounts included in the measurement of operating lease liabilities	$ 154,377	$ 211,698

As of December 31, 2024, maturities related to lease liabilities were as follows:

	Operating Leases
2025	$ 26,749
2026	13,374
Total lease payments	$ 40,123
Less effects of imputed interest	(2,351)
Present value of lease liabilities	$ 37,772

NOTE 6 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	December 31,	
	2024	2023
Accrued royalties	$ 148,006	$ 217,868
Accrued professional fees	68,517	110,008
Accrued development costs	26,925	32,214
Accrued taxes	55,131	40,000
Accrued payroll	191,736	500,522
Deferred revenue	390,463	270,845
Loss contingency reserve (see Note 11)	41,764	545,920
Accrued other	147,521	173,938
Total	$ 1,070,063	$ 1,891,315

NOTE 7 – RELATED PARTY LOANS

The Company has a $12 million line of credit with an affiliated entity, Driven Lifestyle (the "$12 million Line of Credit"), which bears interest at an annual rate of 10%, the availability of which is dependent on Driven Lifestyle's available liquidity. The $12 million Line of Credit does not have a stated maturity date and is payable upon demand at any time at the sole and absolute discretion of Driven Lifestyle, and any principal and accrued interest owed will be accelerated and become immediately payable in the event the Company consummates certain corporate events, such as a capital reorganization. The Company may repay the $12 million Line of Credit in whole or in part at any time or from time to time without penalty or charge.

On September 8, 2022, the Company entered into a support agreement with Driven Lifestyle (the "Support Agreement") pursuant to which Driven Lifestyle issued approximately $3 million (the "September 2022 Cash Advance") to the Company in accordance with the $12 million Line of Credit. Additionally, the Support Agreement modified the $12 million Line of Credit such that, among other things, until June 30, 2024, Driven Lifestyle would not demand repayment of the September 2022 Cash Advance or other advances under the $12 million Line of Credit, unless certain events occurred, as prescribed in the Support Agreement, such as the completion of a new financing arrangement or the Company generates positive cash flows from operations, among others. All principal and accrued interest owed on the $12 million Line of Credit were exchanged for equity following the completion of two debt-for-equity exchange agreements with Driven Lifestyle on January 30, 2023 and February 1, 2023, relieving the Company of approximately $3.9 million in owed principal and unpaid interest in exchange for an aggregate of 780,385 shares of the Company's Class A common stock.

As of December 31, 2024, the $12 million Line of Credit remains in place. However, the Company believes that there is a substantial likelihood that Driven Lifestyle will not fulfill any future borrowing requests, and therefore does not view the $12 million Line of Credit as a viable source for future liquidity needs.

As of December 31, 2024 and 2023, there was no balance due to Driven Lifestyle under the $12 million Line of Credit.

NOTE 8 – RELATED PARTY TRANSACTIONS

In addition to the $12 million Line of Credit, the Company had other related party receivables and payables outstanding as of December 31, 2024 and December 31, 2023. Specifically, the Company owed approximately $23,000 and $0.1 million to entities controlled by Driven Lifestyle as a related party payable as of December 31, 2024 and December 31, 2023, respectively. During the year ended December 31, 2024 and 2023, approximately $0.2 million, respectively, was paid to related parties in settlement of related party payables. The Company's corporate headquarters, located in Miami, Florida and consisting of approximately 2,000 square feet of office space, are owned by Driven Lifestyle.

On May 3, 2024 (but effective as of October 1, 2023), the Company entered into a new lease agreement with Lemon City Group, LLC, an entity controlled by Driven Lifestyle, for approximately 800 square feet of storage space located in Miami, Florida. The term of the lease was initially nine months, with a commencement date of October 1, 2023, consistent with the Company's initial date of occupancy, and expiring on June 30, 2024, terminable with a 60-day written notice with no penalty. The base rent from the lease commencement date through June 30, 2024 was fixed at approximately $1,800 per month. The Company extended the lease for five additional months at the same terms through November 30, 2024.

Backoffice Services Agreement

On March 23, 2023 (but effective as of January 1, 2023), the Company entered into a new Backoffice Services Agreement with Driven Lifestyle (the "Backoffice Services Agreement") following the expiration of the Company's prior services agreement with Driven Lifestyle. Pursuant to the Backoffice Services Agreement, Driven Lifestyle will provide accounting, payroll and benefits, human resources and other back-office services on a full-time basis to support the Company's business functions. The term of the Backoffice Services Agreement is 12 months from the effective date. The term will automatically renew for successive 12-month terms unless either party provides written notice of nonrenewal at least 30 days prior to the end of the then current term. The Backoffice Services Agreement may be terminated by either party at any time with 60 days prior notice. Pursuant to the Backoffice Services Agreement, the Company is required to pay a monthly fee to Driven Lifestyle of $17,500.

On August 8, 2024 (but effective as of July 1, 2024), the Company amended its Backoffice Services Agreement with Driven Lifestyle (the "Amended Backoffice Services Agreement"). Pursuant to the Amended Backoffice Services Agreement, Driven Lifestyle will provide office space, accounting, payroll and benefits, human resources and other back-office services on a full-time basis to support the Company's business functions. The term of the Amended Backoffice Services Agreement is 12 months from the effective date. The term will automatically renew for successive 12-month terms unless either party provides written notice of nonrenewal at least 30 days prior to the end of the then current term. The Amended Backoffice Services Agreement may be terminated by either party at any time with 60 days prior notice. Pursuant to the Amended Backoffice Services Agreement, the Company is required to pay a monthly fee to Driven Lifestyle of $12,500.

For the years ended December 31, 2024 and 2023, the Company incurred $180,000 and $210,000, respectively, in fees in connection with the Backoffice Services Agreement, which is presented in general and administrative expenses within the consolidated statements of operations.

NOTE 9 – STOCKHOLDERS' EQUITY

Class A and B Common Stock

As of December 31, 2024, the Company had 3,183,558 shares of Class A common stock and 700,000 shares of Class B common stock outstanding. Holders of Class A and Class B common stock are entitled to one-vote and ten-votes, respectively, for each share held on all matters submitted to a vote of stockholders.

704Games Warrants

As of December 31, 2024 and 2023, 704Games LLC ("704Games"), a wholly-owned subsidiary of Motorsport Games Inc., has outstanding 10-year warrants to purchase 4,000 shares of common stock at an exercise price of $93.03 per share that were issued on October 2, 2015. As of December 31, 2024, the warrants had no intrinsic value and a remaining life of 9 months.

Registered Direct Offerings and the Wainwright Warrants

On February 1, February 2 and February 3, 2023, the Company completed three separate registered direct offerings (the "Offerings") priced at-market under NASDAQ rules with H.C. Wainwright & Co., LLC acting as the exclusive placement agent for each transaction (the "Agent"). In connection with the Offerings, the Company paid the Agent a transaction fee equal to 7.0% of the aggregate gross proceeds from each offering, non-accountable expenses and certain other closing fees. In addition, the Company granted warrants to the Agent (or its designees) to purchase shares of the Company's Class A common stock equal to 6.0% of the aggregate number of shares of Class A common stock placed in each Offering (collectively, the "Wainwright Warrants"). The Offerings are summarized as follows:

	Offering Date	Shares Issued	Gross Proceeds	Net Proceeds	Warrants Issued	Warrant Strike Price	Warrant Term
Registered direct offering 1	February 1, 2023	183,020	$3.9 million	$ 3.6 million	10,981	$ 26.75	5 years
Registered direct offering 2	February 2, 2023	144,366	$3.4 million	$ 3.1 million	8,662	$ 29.38	5 years
Registered direct offering 3	February 3, 2023	232,188	$4.0 million	$ 3.7 million	13,931	$ 21.74	5 years

As of December 31, 2024 and 2023, the Wainwright Warrants were assessed to have a fair value of approximately $4,000 and $31,000, respectively, and deemed to be liability-classified awards, which were recorded within other non-current liabilities on the consolidated balance sheets.

The Company utilized a Black-Scholes Option Pricing Model to determine the fair value of the Wainwright Warrants. The Black-Scholes model requires management to make a number of key assumptions, including expected volatility, expected term, and risk-free interest rate. The risk-free interest rate is estimated using the rate of return on U.S. treasury notes with a life that approximates the expected term. The expected term assumption used in the Black-Scholes model represents the period of time that the Wainwright Warrants are expected to be outstanding and is estimated using the contractual term of the Wainwright Warrants.

July 2024 Securities Purchase Agreement

On July 26, 2024, the Company entered into a securities purchase agreement (the "Purchase Agreement") with certain investors. The Purchase Agreement provided for the sale and issuance by the Company of an aggregate of: (i) 351,928 shares (the "Shares") of the Company's Class A common stock, $0.0001 par value (the "Class A common stock"), (ii) pre-funded warrants (the "Pre-Funded Warrants") to purchase up to an aggregate of 108,902 shares of Class A common stock, and (iii) in a concurrent private placement, Series A warrants (the "Series A Warrants") to purchase up to 460,830 shares of Class A common stock and Series B warrants (the "Series B Warrants," and collectively with the Series A Warrants, the "Purchase Warrants") to purchase up to 460,830 shares of Class A common stock (the "July 2024 Offerings"). The Company raised approximately $1.0 million in gross proceeds from the July 2024 Offerings before deducting $0.1 million in placement agent's fees and other offering expenses, which it intends to use for working capital and general corporate purposes. The Pre-Funded Warrants were exercised on August 13, 2024.

The offering price per Share and accompanying Purchase Warrants (one Series A Warrant and one Series B Warrant) was $2.17 and the offering price per Pre-Funded Warrant and accompanying Purchase Warrants (one Series A Warrant and one Series B Warrant) was $2.1699. Each Pre-Funded Warrant became exercisable immediately for one share of the Company's Class A common stock at an exercise price of $0.0001 per share and expired when exercised in full.

The Shares and the Pre-Funded Warrants described above (and the shares of the Company's Class A common stock issuable upon the exercise of the Pre-Funded Warrants) were offered pursuant to an effective shelf registration statement on Form S-3 (File No. 333-262462) (the "Registration Statement"), a base prospectus included in the Registration Statement at the time it originally became effective (the "Base Prospectus"), and a prospectus supplement, dated July 26, 2024 (the "Prospectus Supplement"), filed with the Securities and Exchange Commission (the "Commission") on July 29, 2024 pursuant to Rule 424(b)(5) under the Securities Act.

The Series A Warrants and the Series B Warrants both have an exercise price of $2.17 per share. The shares of Class A common stock issuable upon the exercise of the Purchase Warrants are collectively referred to as the "Warrant Shares." The Purchase Warrants will become exercisable on the effective date of the stockholder approval for the issuance of the shares of Class A common stock issuable upon exercise of the Purchase Warrants (the "Stockholder Approval Date"). The Series A Warrants will expire five and one-half years following the Stockholder Approval Date and the Series B Warrants will expire 18 months following the Stockholder Approval Date. The Purchase Warrants and the Warrant Shares are not being registered under the Securities Act pursuant to the Registration Statement and the Prospectus Supplement. The Purchase Warrants and the Warrant Shares were offered pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder. As of December 31, 2024, the Purchase Warrants had not been approved by stockholders.

On July 29, 2024, the Company completed the July 2024 Offerings with H.C. Wainwright & Co., LLC acting as the exclusive placement agent for the transaction (the "Agent"). In connection with the July 2024 Offerings, the Company paid the Agent a transaction fee equal to 7.0% of the aggregate gross proceeds from the offering, non-accountable expenses and certain other closing fees. The Company also issued to the designees of H.C. Wainwright & Co., LLC warrants to purchase up to 27,650 shares of Class A common stock (the "Placement Agent Warrants") as compensation for acting as placement agent in connection with the Purchase Agreement. The Purchase Agent Warrants were offered pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder. As of December 31, 2024, the Purchase Agent Warrants had not been approved by stockholders.

The Purchase Warrants and Placement Agent Warrants are deemed to be liability-classified awards with an immaterial balance as of December 31, 2024.

Stock Purchase Commitment Agreement

During the year ended December 31, 2023, the Company issued 175,167 shares of the Company's Class A common stock, with a fair value of $657,850, to Alumni Capital LP ("Alumni Capital"). The shares were sold pursuant to a stock purchase commitment agreement that was entered into on December 9, 2022 with Alumni Capital (the "Alumni Purchase Agreement"). Under the Alumni Purchase Agreement, the Company could have sold Alumni Capital up to $2,000,000 of shares of the Company's Class A common stock, subject to certain restrictions, through the commitment period expiring December 31, 2023. The Alumni Purchase Agreement expired on December 31, 2023.

NOTE 10 – SHARE-BASED COMPENSATION

Summary of Plans and Plan Activity

On January 12, 2021, in connection with its initial public offering, Motorsport Games established the Motorsport Games Inc. 2021 Equity Incentive Plan (the "MSGM 2021 Stock Plan"). The MSGM 2021 Stock Plan provides for the grant of options, stock appreciation rights, restricted stock awards, performance share awards and restricted stock unit awards, and initially authorized 100,000 shares of Class A common stock to be available for issuance. As of December 31, 2024, 2,634 shares of Class A common stock were available for issuance under the MSGM 2021 Stock Plan. Shares issued in connection with awards made under the MSGM 2021 Stock Plan are generally issued as new issuances of Class A common stock.

The Company issued stock options under its MSGM 2021 Stock Plan during the fiscal years ended December 31, 2024 and 2023. The majority of the options issued under the MSGM 2021 Stock Plan have time-based vesting schedules, typically vesting ratably over a three-year period. Certain stock option awards differed from this vesting schedule, notably awards made to the Company's Chief Executive Officer in conjunction with the Company's initial public offering that vested immediately, as well as those made to the Company's current and former directors that vest on the one-year anniversary of award issuance. All stock options issued under the MSGM 2021 Stock Plan expire 10 years from the grant date.

Fair Value Valuation Assumptions

The fair value of the stock options and stock appreciation rights are estimated using the Black-Scholes option pricing model. The estimation of fair value for these awards is affected by subjective and complex variables, which are typically based on historical information. Judgment is required to determine if historical trends are indicators of future outcomes.

Key assumptions of the Black-Scholes option pricing model are the risk-free interest rate, expected volatility, expected term and expected dividends. The Company determined the risk-free interest rate using U.S. Treasury yields in effect at the time of the grant that matched the expected term of the options. Expected volatility is based on a combination of historical stock price volatility, as well as implied volatilities, of comparable publicly traded companies with operations similar to Motorsport Games over a 10-year period, consistent with the contractual term of the options. The Company calculated the expected term using the simplified method as prescribed by the SEC's Staff Accounting Bulletin, topic 14 ("SAB Topic 14"). This decision was based on the lack of relevant historical data due to the Company's limited historical experience. The dividend yield was zero, as the Company has never declared or paid dividends and has no plans to do so in the foreseeable future.

Share-based compensation expense recognized is based on awards ultimately expected to vest and therefore has been reduced for actual forfeitures occurring within the period.

The following table presents the weighted-average assumptions, weighted average grant date fair value, and the range of expected price volatility:

	For the Year Ended December 31,	
	2024	**2023**
Risk-free interest rate	4.15%	3.35 – 4.62%
Expected volatility	82 -105%	90 - 105%
Weighted-average volatility	100%	98%
Expected term	5.25 years	1 - 5.5 years
Expected dividends	None	None
Weighted-average grant date fair value per share	$ 0.92	$ 2.45

Stock Options

The following table summarizes the Company's stock option activity for the fiscal year ended December 31, 2023:

	Options	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2023	77,253	$ 143.39		
Granted	57,566	5.41		
Exercised	-	-		
Forfeited, cancelled or expired	(60,054)	155.82		
Outstanding as of December 31, 2023	74,765	$ 20.68	9.26	$ -
Vested and expected to vest	74,765	$ 20.68	9.26	$ -
Exercisable as of December 31, 2023	13,343	$ 12.54	8.33	$ -

The following table summarizes the Company's stock option activity for the fiscal year ended December 31, 2024:

	Options	Weighted-Average Exercise Prices	Weighted-Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2024	74,765	$ 20.68		
Granted	46,000	2.57		
Exercised	-	-		
Forfeited, cancelled or expired	(23,399)	19.90		
Outstanding as of December 31, 2024	97,366	$ 61.83	7.90	$ -
Vested and expected to vest	97,366	$ 61.83	7.90	$ -
Exercisable as of December 31, 2024	91,590	$ 152.27	6.55	$ -

On April 4, 2023, the Company granted an aggregate of 26,316 stock option awards under the MSGM 2021 Stock Plan to its directors with a grant date fair value of approximately $0.1 million, which will fully vest on the one-year anniversary of the award issuance date. On November 9, 2023, the Company granted an aggregate of 31,250 stock option awards under the MSGM 2021 Stock Plan to one of its directors with a grant date fair value of approximately $0.1 million, which will fully vest on the one-year anniversary of the award issuance date.

On January 26, 2024, the compensation committee of the board of directors of the Company approved and authorized the grant of an option award to purchase 46,000 shares of the Company's Class A common stock to Stephen Hood, the Chief Executive Officer and President of the Company, pursuant to the MSGM 2021 Stock Plan. 11,500 shares underlying the option award vested immediately upon grant and the remaining 34,500 shares underlying the option award vested in three equal quarterly installments beginning on April 26, 2024. As of December 31, 2024, 46,000 shares of the Company's Class A common stock granted to Stephen Hood on January 26, 2024, had vested.

The aggregate intrinsic value represents the total pre-tax intrinsic value based on the Company's closing stock price as of December 31, 2024 and 2023, which would have been received by the option holders had all the option holders exercised their options as of those dates. There were no stock options exercised during the years ended December 31, 2024, and 2023. The Company issues new Class A common stock from its authorized shares upon the exercise of stock options.

Restricted Stock

On June 9, 2023, the Company granted 21,394 restricted shares of Class A Common Stock outside of the MSGM 2021 Stock Plan, with a grant fair value of approximately $30,000, to a consultant pursuant to a consultancy agreement entered into in February 2023. These restricted shares of Class A Common Stock fully vested on the one-year anniversary of the date of the consultancy agreement.

Stock-Based Compensation Expense

The following table summarizes stock-based compensation expense resulting from equity awards included in the Company's consolidated statements of operations:

	For the Year Ended December 31,	
	2024	2023
General and administrative	$ 147,071	$ 937,441
Sales and marketing	1,831	10,219
Development	4,057	9,642
Stock-based compensation expense	$ 152,959	$ 957,302

As of December 31, 2024, there was less than $1,000 of unrecognized stock-based compensation expense which will be recognized over approximately 1 year.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

The Company is involved in various routine legal proceedings incidental to the ordinary course of its business. The Company believes that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on the Company's business, prospects, results of operations, financial condition and/or cash flows, except as otherwise disclosed below. In light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company's operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company's income for that particular period. Litigation or other legal proceedings, with or without merit, is unpredictable and generally expensive and time consuming and, even if resolved in the Company's favor, is likely to divert significant resources from the Company's core business, including distracting its management personnel from their normal responsibilities.

Certain conditions may exist as of the date the consolidated financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company assesses such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Company's consolidated financial statements. If the assessment indicates that a potential material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability and an estimate of the range of possible losses, if determinable and material, would be disclosed. The Company recognizes legal costs associated with loss contingencies in the period incurred.

Loss contingencies considered remote are generally not disclosed, unless they involve guarantees, in which case the guarantees would be disclosed. There can be no assurance that such matters will not materially and adversely affect the Company's business, financial position, and results of operations or cash flows.

On February 11, 2021, HC2 Holdings 2 Inc. (now known as Innovate 2) ("Innovate") and Continental General Insurance Company ("Continental"), former minority stockholders of 704Games, filed a complaint (the "HC2 and Continental Complaint") in the U.S. District Court for the District of Delaware against the Company, the Company's former Chief Executive Officer and Executive Chairman, the Company's former Chief Financial Officer, and the manager of Driven Lifestyle. The complaint was later amended and added Leo Capital Holdings LLC ("Leo Capital") as an additional plaintiff and the controller of Driven Lifestyle as an additional individual defendant. The complaint alleges, among other things, purported misrepresentations and omissions concerning 704Games' financial condition made in connection with the Company's purchase of these minority shareholders' interest in 704Games in August and October 2020. The complaint asserts claims under Section 10(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 10b-5 thereunder; Section 20(a) of the Exchange Act; Section 20A of the Exchange Act; breach of the Company's obligations under the Stockholders' Agreement dated August 14, 2018; fraudulent inducement; breach of fiduciary duties; and unjust enrichment. The plaintiffs alleged, among other things, damages from the defendants, jointly and severally, based on the alleged difference between the fair market value of the shares of common stock of 704Games on the date of plaintiffs' sale and the purchase price that was paid, as well as punitive damages and other relief. In May 2021, the Company, along with the other defendants, filed a motion to dismiss the plaintiffs' complaint. On March 28, 2022, the court entered an order denying the motion to dismiss.

On January 11, 2023, in connection with the HC2 and Continental Complaint, the Company, along with other defendants, entered into a settlement agreement with one of the plaintiffs, Continental, to settle the claims made by Continental against the defendants and the claims made by the defendants against Continental. Under the terms of the settlement agreement, the Company agreed to pay the sum of $1.1 million to Continental. The Company paid an initial payment of approximately $0.1 million on January 17, 2023, and was obligated to make payments of no less than approximately $40,000 every 30 days after the initial payment date until the settlement amount of $1.1 million was paid in full. As of December 31, 2024, all required payments under the settlement agreement with Continental have been made and there was a remaining unpaid balance of approximately $42,000.

On October 14, 2023, the Company, along with other defendants, reached and executed a settlement agreement with Leo Capital in connection with the HC2 and Continental Complaint, which settles the claims made by Leo Capital against the defendants, as well as the claims made by the defendants against Leo Capital. Under the terms of the settlement agreement, the Company agreed to pay the sum of $0.2 million to Leo Capital. The Company paid the full $0.2 million settlement on October 16, 2023, as required by terms of the settlement agreement.

In respect of Innovate, on February 26, 2025, the U.S. District Court for the District of Delaware (the "Court") granted the summary judgment motion filed by the Company and the other defendants, the Company's former Chief Executive Officer and Executive Chairman, the Company's former Chief Financial Officer, and the Manager of Driven Lifestyle Group LLC., in the case titled Innovate 2 Corp., Motorsport Games Inc., et al., No. 1:21-cv-165-SB. The judgment entered by the Court held in favor of the Company and the other defendants on all counts and also granted the Company summary judgment against Innovate on the Company's claim for breach of the stock purchase agreement entered into between the parties. Pursuant to the Court order, the parties submitted a joint status report on March 12, 2025 regarding the remaining issues in the case, including Motorsport's damages on its counterclaim.

On July 28, 2023, Wesco Insurance Company ("Wesco") filed a complaint in state court in Florida against the Company, as well as the other defendants involved in the litigation related to the HC2 and Continental Complaint (the "Underlying Action"). The Company had previously submitted the Underlying Action for coverage under a management liability policy issued by Hallmark Specialty Insurance Company ("Hallmark") and an excess policy with Wesco (the "Wesco Policy"). Wesco's complaint seeks declaratory relief to determine Wesco's obligations to the defendants under an excess policy of insurance issued to the Company by Wesco for the Underlying Action. Wesco claims that there is no coverage afforded to the defendants for the Underlying Action under the Wesco Policy. The Company disagrees with and disputes Wesco's position regarding coverage for the Underlying Action under the Wesco Policy and is defending its position.

On November 22, 2023, the Company entered into an insurance policy and claims release with Hallmark (the "Hallmark Settlement") related to a previously submitted Underlying Action for coverage under a management liability policy issued by Hallmark. Under the terms of the Hallmark Settlement, Hallmark agreed to pay $1.75 million, which was fully paid by Hallmark within 30 days of execution of the Hallmark Settlement.

Commitments

On January 25, 2021, the Company entered into an amendment (the "Le Mans Amendment") to the Le Mans Esports Series Ltd joint venture agreement, which resulted in an increase of the Company's ownership interest in the Le Mans Esports Series Ltd joint venture from 45% to 51%. Additionally, through certain multi-year licensing agreements that were entered into in connection with the Le Mans Amendment, the Company secured the rights to be the exclusive video game developer and publisher for the 24 Hours of Le Mans race and the FIA World Endurance Championship (the "WEC"), as well as the rights to create and organize esports leagues and events for the 24 Hours of Le Mans race, the WEC and the 24 Hours of Le Mans Virtual event. In exchange for certain of these license rights, the Company agreed to fund up to €8,000,000 (approximately $8,330,000 USD as of December 31, 2024) as needed for development of the video game products, to be contributed on an as-needed basis during the term of the applicable license. The Company is obligated to pay ACO an annual royalty payment beginning from the time of the launch of the first video game product and continuing through each anniversary thereof for the term of the license. Further, pursuant to the Le Mans Amendment, the Company has a right to priority distribution of profits to recoup the additional funding and royalty payments made by the Company under the Le Mans Gaming License. See Note 4 – *Intangible Assets* for additional information.

Epic License Agreement

On August 11, 2020, the Company entered into a licensing agreement with Epic Games International ("Epic") for worldwide licensing rights to Epic's proprietary computer program known as the Unreal Engine 4. Pursuant to the agreement, upon payment of the initial license fee described below, the Company was granted a nonexclusive, non-transferable and terminable license to develop, market and sublicense (under limited circumstances and subject to conditions of the agreement) certain products using the Unreal Engine 4 for its next generation of games.

The Company will pay Epic a license fee royalty payment equal to 5% of product revenue, as defined in the licensing agreement. During the years ended December 31, 2024 and 2023, Epic earned royalties of approximately $34,000 and $95,000 under the agreement. Pursuant to the terms of the agreement, the Company has the right to actively develop new or existing authorized products during a 5-year period ending on August 11, 2025.

License Commitments

On May 29, 2020, the Company secured a licensing agreement (the "Prior BTCC License Agreement") with BARC (TOCA) Limited ("BARC"), the exclusive promoter of the British Touring Car Championship (the "BTCC"). Pursuant to the Prior BTCC License Agreement, the Company was granted an exclusive license (the "BTCC License") to use certain licensed intellectual property for motorsports and/or racing video gaming products related to, themed as, or containing the BTCC, on consoles, PC and mobile applications, esports series and esports events (including the Company's esports platform). In exchange for the BTCC License, the Prior BTCC License Agreement required the Company to pay BARC an initial fee in two equal installments of $100,000 each, both of which were made prior to their respective due dates. Following the initial fee, the Prior BTCC License Agreement also required the Company to pay royalties, including certain minimum annual guarantees, on an ongoing basis to BARC and to meet certain product distribution, marketing and related milestones, subject to termination penalties. On October 26, 2023, BARC delivered notice to the Company terminating the Prior BTCC License Agreement. The termination of the Prior BTCC License Agreement was effective as of November 3, 2023. On April 12, 2024, the Company entered into a settlement agreement (the "BARC Settlement Agreement") with BARC for settlement of the remaining liability in connection with the Prior BTCC License. Pursuant to the BARC Settlement Agreement, the Company and BARC, without admitting any liabilities, agreed that the Prior BTCC License Agreement was terminated without any liabilities and that any and all royalties and/or any other sums whatsoever were forgiven by BARC and discharged in their entirety in consideration of (i) the Company's one-time payment of $225,000 to BARC and (ii) the Company and BARC entering, effective as of April 12, 2024, into a new License Agreement to use certain licensed intellectual property related to, themed as, or containing the British Touring Car Championship (the "New BTCC License Agreement). Pursuant to the BARC Settlement Agreement, the Company recognized a gain of $0.6 million which is included in gain from

settlement of license liabilities on the consolidated statements of operations for the year ended December 31, 2024.

On April 12, 2024, the Company and BARC entered into the New BTCC License Agreement. Pursuant to the New BTCC License Agreement, BARC granted the Company a non-exclusive license to use the "British Touring Car Championship," "BTCC" and (insofar only as this is included in the title of the British Touring Car Championship) certain title sponsor logos, the title "British Touring Car Championship," "BTCC" and other related intellectual property rights described in the New BTCC License Agreement (collectively, the Licensed IP") for the official Licensed IP downloadable content purchased for the rFactor 2 video game digitally sold and distributed through the Steam store (including, but not limited to purchases through the Company's RaceControl storefront) (the "Products"), including the Products' development, manufacturing, marketing, publicity, advertisement, promotion, distribution, publicizing, broadcasting, streaming, making available and/or selling worldwide, continued commercial exploitation of the Products, including the right to use, modify and improve the Products developed using the Licensed IP. As consideration for the license under the New BTCC License Agreement, the Company is obligated to pay BARC an annual royalty in the amount of 50% of Adjusted Gross Annual Sales (as defined in the New BTCC License Agreement) of official Company's downloadable Products purchased for the rFactor 2 video game digitally sold and distributed through the Steam store during the term of the New BTCC License Agreement. The term of the New BTCC License Agreement expires on December 31, 2026. The New BTCC License Agreement further provides that, during the term of New BTCC License Agreement, the Company and BARC agree to negotiate in good faith the options for the Company to develop an official British Touring Car Championship video game and one or more esports competitions based upon the British Touring Car Championship.

On July 13, 2021, the Company entered into a license agreement with INDYCAR LLC ("INDYCAR") pursuant to which INDYCAR granted the Company a license to use certain licensed intellectual property for motorsports and/or racing video gaming products related to, themed as, or containing the INDYCAR SERIES (the "INDYCAR Gaming License"). The INDYCAR Gaming License was a long-term agreement, in connection with which the parties intended to form an exclusive relationship for the development of video games to be the official video games of the INDYCAR SERIES. Additionally, the Company and INDYCAR entered into a license agreement pursuant to which the Company was granted a license to use certain licensed intellectual property for motorsports and/or racing esports events related to, themed as, or containing the INDYCAR SERIES (including the rFactor 2 platform) (the "INDYCAR Esports License" and together with the INDYCAR Gaming License, the "INDYCAR Licenses"). Upon execution of the INDYCAR Gaming License, the Company recorded a liability and a related intangible asset equal to the present value of the minimum royalty payments due under the agreement. The license intangible asset was impaired during 2023 as discussed further in Note 4 – *Intangible Assets* in the audited consolidated financial statements for the year ended December 31, 2023, as included in the 2023 Form 10-K. On November 8, 2023, INDYCAR delivered notice to the Company terminating the INDYCAR Licenses. The termination of the INDYCAR Licenses was effective as of November 8, 2023. The notice also demanded, among other things, certain liquidated damages in accordance with the INDYCAR license agreements amounting to approximately $2.9 million related to certain minimum payments due under such license agreements.

On May 17, 2024, the Company entered into a Settlement Agreement and License with INDYCAR ("the INDYCAR Agreement"). The INDYCAR Agreement resolved any and all disputes between the Company and INDYCAR with respect to the termination of (i) the License Agreement, dated July 13, 2021, by and between INDYCAR and the Company with respect to INDYCAR SERIES racing series related gaming products (the "IndyCar Products License") and (ii) the License Agreement, dated July 13, 2021, by and between INDYCAR and the Company with respect to INDYCAR SERIES racing series related esports events (the "IndyCar Events License," together with the IndyCar Products License, the "Prior License Agreements"). Pursuant to the INDYCAR Agreement, subject to the satisfaction of the conditions to the effectiveness of the INDYCAR Agreement, the Company and INDYCAR agreed that the Company's liabilities under the Prior License Agreements, including any and all royalties and/or any other sums or liabilities of any kind whatsoever were forgiven by INDYCAR and discharged in their entirety in consideration of the Company's payment to INDYCAR of $250,000 on the date of the INDYCAR Agreement and $150,000 within 30 days following the date of execution of the INDYCAR Agreement. The INDYCAR Agreement became effective upon satisfaction of (i) the Company's payment to INDYCAR of $250,000 on the date of the INDYCAR Agreement and (ii) the Company's payment of $150,000 to INDYCAR within 30 days following the date of execution of the INDYCAR Agreement.

Both $250,000 and $150,000 were paid to INDYCAR by the Company in May 2024. Pursuant to the INDYCAR Agreement, the Company recognized a gain of $2.5 million which is included in gain from settlement of license liabilities on the consolidated statements of operations for the year ended December 31, 2024.

Further, as of the effective date of the INDYCAR Agreement, the Company granted to INDYCAR a royalty-free, perpetual, irrevocable, exclusive, transferable, and sublicensable, right and license throughout the world (the "License") to use the licensed intellectual property described in the Agreement (the "Licensed Intellectual Property") for the purpose of developing, marketing, distributing and selling esports series and esports events related to, themed as, or containing the INDYCAR SERIES racing series and/or motorsports and/or racing (including without limitation simulation style) video gaming products related to, themed as or containing the INDYCAR SERIES racing series, on current and future versions of consoles, PCs, smart TVs, mobile applications, gaming subscription services, cloud gaming, cloud streaming, handheld products and other new generation formats. In addition, the Company agreed to provide INDYCAR from the effective date of the INDYCAR Agreement to December 31, 2024, upon request by INDYCAR, with up to 50 hours free-of-charge consulting services to facilitate the transition of the INDYCAR series game development using the Licensed Intellectual Property to the software developer of INDYCAR's choice.

Purchase Commitment Liabilities

On April 20, 2021, the Company acquired 100% of the share capital of Studio 397 B.V. ("Studio397") from Luminis International B.V. and Technology In Business B.V. (collectively, the "Sellers"). The purchase price originally consisted of (i) $12.8 million paid at closing and (ii) $3.2 million payable April 2022 on the first anniversary of closing, as deferred consideration (the "Deferred Payment"). On April 22, 2022 and July 21, 2022, the Company entered into certain letter agreements with the Sellers pursuant to which, among other things, the Deferred Payment installment amount due to be paid by the Company on the first anniversary of closing was reduced from $3.2 million to $1 million with the remaining $2.2 million to be settled in installments of: $330,000 to be paid on July 31, 2022; for the period August 15, 2022, through December 15, 2022 monthly installments of $100,000; and for the period beginning on January 15, 2023, monthly installments of $150,000 until the remaining Deferred Payment amount is satisfied. The letter agreements also call for 15% interest on the Deferred Payment balance effective on July 19, 2022. The remaining balance of the Deferred Payment as of December 31, 2024 was $0.6 million with unpaid accrued interest of $0.3 million. As security for payment of the amounts owed, we pledged 20% of the share capital of Studio397 (the "Pledged Shares") to the Sellers. The terms of the sale provide that, in the event we fail to make any payment due subsequent to the closing, the Sellers would become entitled to exercise the voting rights and receive any dividends or distributions associated with the Pledged Shares.

On February 20, 2025, the Company entered into a Settlement Agreement with the Sellers, pursuant to which and subject to the satisfaction of the conditions to the effectiveness of the Luminis Settlement Agreement (as described below), the Company and the Sellers agreed that the Company will pay to the Sellers in full satisfaction of all amounts due, including the Deferred Payment, the sum of $750,000 payable to Luminis in five (5) equal installment payments of $150,000, commencing on March 5, 2025 and thereafter continuing on April 2, 2025, May 5, 2025, June 4, 2025 and July 3, 2025. The Company made the first installment payment of $150,000 by March 5, 2025. If we default on any payment, exercise their rights with respect to the Pledged Shares, including the right to claim a share of Studio397's profits, which represented approximately 11% of our revenue for the year ended December 31, 2024. As shareholders of Studio397, the Sellers would have the right to compel us to call a meeting of the shareholders of Studio397 for the purpose of discussing a proposal to effect the public sale of all assets owned by Studio397, including software. In addition to such rights, the Sellers would further be entitled to retain any payments that we make pursuant to the Settlement Agreement. See Note 15 – *Subsequent Events* for more information.

NOTE 12 - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The Company establishes valuation allowances against its net deferred tax assets when it is more likely than not that the benefits will not be realized in the foreseeable future.

The components of deferred tax assets and liabilities consist of the following at December 31, 2024 and 2023:

	2024	2023

Assets:		
Net operating loss carryforwards	$ 10,969,756	$ 11,287,755
Bad debts	-	127,284
Stock options	989,741	939,591
Charitable contribution carryforward	21,169	20,595
Goodwill	1,043,533	1,104,331
Unrealized gain	457,919	70,530
Other intangible assets	8,274,403	6,578,318
Other assets	63,584	89,911
Total Assets	21,820,105	20,218,315
Liabilities:		
Depreciable assets	-	21,890
Right-of-use assets	14,829	55,809
Total Liabilities	14,829	77,699
Net asset before valuation allowance	21,805,276	20,140,616
Valuation allowance	(21,805,276)	(20,140,616)
Net deferred tax (liability) asset	$ -	$ -

A reconciliation between the Company's effective income tax rate and the federal statutory income tax rate for the years ended December 31, 2024 and 2023 is as follows:

	2024	2023
Federal statutory income tax benefit	21.00%	21.00%
State income taxes, net of federal income tax benefit	30.51%	14.96%
Permanent differences and other	(0.09)%	(0.60)%
Change in valuation allowance	(52.15)%	(32.70)%
Other adjustments	0.42%	(2.66)%
Effective income tax rate	(0.31)%	0.00%

At December 31, 2024, the Company had United States federal and state net operating loss ("NOL") carryforwards available to reduce future taxable income in the amount of $39.8 million and $39.5 million, respectively, which do not expire due to changes made by the Tax Cuts and Jobs Act. As a result of the 704Games, LLC acquisition during the 2018 tax year, certain pre-change federal and state net operating losses were limited under Section 382 of the Internal Revenue Code and were subject to a valuation allowance to the extent they are not expected to be realized in the foreseeable future.

In assessing whether the Company's deferred tax assets will be realized, management considered whether it was more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the ability to generate future taxable income (including reversals of deferred tax liabilities) during periods in which temporary differences become deductible. A valuation allowance was recognized as of December 31, 2024, as management concluded that it is not more likely than not that the Company will generate sufficient future income to utilize the NOL carryforward and realize the deferred tax assets. The deferred tax valuation allowance for the years ended December 31, 2024 and 2023, increased by $1.7 million and $4.7 million, respectively.

The Company does not have any unrecorded unrecognized tax positions ("UTPs") as of December 31, 2024. While the Company currently does not have any UTPs, it is foreseeable that the calculation of our tax liabilities may involve dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across our global operations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. Upon identification of a UTP, the Company would (1) record the UTP as a liability in accordance with ASC 740 and (2) adjust these liabilities if/when management's judgment changes as a result of the evaluation of new information not previously available. Ultimate resolution of UTPs may produce a result that is materially different

from an entity's estimate of the potential liability. In accordance with ASC 740, the Company would reflect these differences as increases or decreases to income tax expense in the period in which new information is available. The Company recognizes and includes interest and penalties accrued on uncertain tax positions as a component of income tax expense.

The Company regularly assesses the likelihood of additional tax assessments by jurisdiction and, if necessary, adjusts its tax reserves based on new information or developments. The Company is not currently under any income tax audits or examinations, however, the tax years 2021-2024 remain open for examination.

NOTE 13 – CONCENTRATIONS

Customer Concentrations

The following table sets forth information as to each customer that accounted for 10% or more of the Company's revenues for the following periods:

	For the Year Ended December 31,	
Customer	**2024**	**2023**
Customer B	21.2%	29.4%
Customer C	18.5%	27.7%
Customer D	46.4%	25.7%
Total	86.1%	82.8%

The following table sets forth information as to each customer that accounted for 10% or more of the Company's accounts receivable as of:

	December 31 ,	
Customer	**2024**	**2023**
Customer B	16.8%	32.1%
Customer C	15.1%	34.3%
Customer D	45.2%	22.3%
Total	77.1%	88.7%

*Less than 10%.

A reduction in sales from or loss of these customers, in a significant amount, would have a material adverse effect on the Company's results of operations and financial condition.

Supplier Concentrations

The following table sets forth information as to each supplier that accounted for 10% or more of the Company's cost of revenues for the following periods:

	For the Year Ended December 31,	
Supplier	**2024**	**2023**
Supplier A	*%	21.3%

*Less than 10%.

NOTE 14 – SEGMENT REPORTING

The Company's principal operating segments coincide with the types of products and services to be sold. The products and services from which revenues are derived are consistent with the reporting structure of the

Company's internal organization. The Company's two reportable segments for the years ended December 31, 2024 and 2023 were (i) the development and publishing of interactive racing video games, entertainment content and services (the "Gaming segment"); and (ii) the organization and facilitation of esports tournaments, competitions and events for the Company's licensed racing games as well as on behalf of third-party video game racing series and other video game publishers (the "esports segment"). The Company's CODM has been identified as the Company's Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Segment information is presented based upon the Company's management organization structure as of December 31, 2024 and the distinctive nature of each segment. Future changes to this internal financial structure may result in changes to the reportable segments disclosed. There are no inter-segment revenue transactions and, therefore, revenues are only to external customers. As the Company primarily generates its revenues from customers in the United States, no geographical segments are presented.

Segment operating profit is determined based upon internal performance measures used by the CODM. The Company derives the segment results from its internal management reporting system. The accounting policies the Company uses to derive reportable segment results are the same as those used for external reporting purposes. Management measures the performance of each reportable segment based upon several metrics, including net revenues, gross profit and operating loss. Management uses these results to evaluate the performance of, and to assign resources to, each of the reportable segments. The Company manages certain operating expenses separately at the corporate level and does not allocate such expenses to the segments. Segment income from operations excludes interest income/expense and other income or expenses and income taxes according to how a particular reportable segment's management is measured. Management does not consider impairment charges, and unallocated costs in measuring the performance of the reportable segments.

Segment information available with respect to these reportable business segments was as follows:

	For the Year Ended December 31,	
	2024	2023
Revenues:		
Gaming	$ 8,687,462	$ 6,619,502
Esports	-	290,172
Total Revenues	$ 8,687,462	$ 6,909,674
Cost of Revenues:		
Gaming	$ 3,225,750	$ 3,245,740
Esports	-	374,755
Total Cost of Revenues	$ 3,225,750	$ 3,620,495
Gross Profit (Loss):		
Gaming	$ 5,461,712	$ 3,373,762
Esports	-	(84,583)
Total Gross Profit	$ 5,461,712	$ 3,289,179
Sales and Marketing Expenses:		
Gaming	$ 662,610	$ 1,371,433
Esports	76,488	319,339
Total Sales and Marketing Expenses	$ 739,098	$ 1,690,772
Development Expenses:		
Gaming	$ 3,378,346	$ 7,227,540
Esports	-	9,614
Total Development Expenses	$ 3,378,346	$ 7,237,154

General and Administrative Expenses:				
Gaming	$	6,848,568	$	9,281,334
Esports		34,900		85,696
Total General and Administrative Expenses	$	6,883,468	$	9,367,030
Impairment of Intangible Assets:				
Gaming	$	-	$	4,004,627
Esports		-		-
Total Impairment of Intangible Assets	$	-	$	4,004,627
Depreciation and Amortization:				
Gaming	$	165,495	$	349,236
Esports		43,157		49,465
Total Depreciation and Amortization	$	208,652	$	398,701
Loss From Operations				
Gaming	$	(1,281,988)	$	(15,821,785)
Esports		(467,864)		(549,979)
Total Loss From Operations	$	(1,749,852)	$	(16,371,764)
Interest Expense, net:				
Gaming	$	(120,177)	$	(772,989)
Esports		(580)		-
Total Interest Expense, net	$	(120,757)	$	(772,989)
Other (Expense) Income, net				
Gaming	$	(1,023,296)	$	2,820,997
Esports		(154,166)		571
Total Other (Expense) Income, net	$	(1,177,462)	$	2,821,568
Net Loss:				
Gaming	$	(2,874,689)	$	(13,773,777)
Esports		(173,382)		(549,408)
Total Net Loss	$	(3,048,071)	$	(14,323,185)

		December 31, 2024		**December 31, 2023**
Total Assets:				
Gaming	$	5,065,073		7,892,388
Esports		1,203,148		1,866,316
Total Assets	$	6,268,221	$	9,758,704

NOTE 15 - SUBSEQUENT EVENTS

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the consolidated financial statements were issued. Other than as described below, the Company did not identify any subsequent events that would have required adjustments or disclosure in the consolidated financial statements or notes.

On February 20, 2025, the Company entered into a Settlement Agreement (the "Luminis Settlement Agreement") with Technology In Business B.V. and Luminis International B.V. (collectively, "Luminis"). The Luminis Settlement Agreement resolved any and all disputes between the Company and Luminis with respect to the Company's acquisition of 100% of the share capital of Studio397 from Luminis in April 2021 (the "Studio397 Purchase Agreement"). The purchase price for Studio397 originally consisted of a cash payment at closing and payments due at a later date (the "Deferred Payments"). As security for payment of the amounts owed, the Company pledged 20% of the share capital of Studio397 (the "Pledged Shares") to Luminis. The terms of the Studio397 Purchase Agreement provide that, in the event the Company fails to make any payment due subsequent to the closing, Luminis would become entitled to exercise the voting rights and receive any dividends or

distributions associated with the Pledged Shares. Pursuant to the Luminis Settlement Agreement, subject to the satisfaction of the conditions to the effectiveness of the Luminis Settlement Agreement (as described below), the Company and Luminis agreed that the Company will pay to Luminis in full satisfaction of all amounts due, including the Deferred Payments, the sum of $750,000 (the "Settlement Payment"), payable to Luminis in five (5) equal installment payments of $150,000, commencing on March 5, 2025 and thereafter continuing on April 2, 2025, May 5, 2025, June 4, 2025 and July 3, 2025. The Company made the first installment payment of $150,000 by March 5, 2025. Upon receipt of the entire Settlement Payment by Luminis, all amounts owed by the Company under the Studio397 Purchase Agreement, including the Deferred Payments, shall be deemed to have been paid and settled in full and Luminis shall release its security interest in the pledged stock of Studio397. If the Company fails to make any Settlement Payment when due and the breach is not cured within five (5) days of receipt of written notice thereof, the Luminis Settlement Agreement may be terminated by Luminis. If the Company defaults on any payment, Luminis could exercise its rights with respect to the Pledged Shares, including the right to claim a share of Studio397's profits, which represented approximately 11% of the Company's revenue for the year ended December 31, 2024. As shareholders of Studio397, Luminis would have the right to compel the Company to call a meeting of the shareholders of Studio397 for the purpose of discussing a proposal to effect the public sale of all assets owned by Studio397, including software. In addition to such rights, Luminis would further be entitled to retain any payments that the Company makes pursuant to the Luminis Settlement Agreement.

On February 26, 2025, the U.S. District Court for the District of Delaware (the "Court") granted the summary judgment motion filed by Company and the other defendants, the Company's former Chief Executive Officer and Executive Chairman, the Company's former Chief Financial Officer, and the Manager of Driven Lifestyle Group LLC., in the case titled Innovate 2 Corp., Motorsport Games Inc., et al., No. 1:21-cv-165-SB. The judgment entered by the Court held in favor of the Company and the other defendants on all counts and also granted the Company summary judgment against Innovate 2 Corp. on the Company's claim for breach of the stock purchase agreement entered into between the parties. The Court ordered the parties to submit a joint status report on March 12, 2025 regarding the remaining issues in the case, including Motorsport's damages on its counterclaim.

On March 3, 2025, NASDAQ notified the Company that, based on NASDAQ's review of the Company and the materials submitted by the Company to NASDAQ, NASDAQ's staff has determined to grant the Company an extension to regain compliance with NASDAQ's minimum $2,500,000 stockholders' equity requirement set forth in Listing Rule 5550(b)(1) (the "NCM Equity Rule"), until April 14, 2025, subject to the Company's regaining and evidencing compliance with the NCM Equity Rule by such date. In the event the Company does not regain and evidence compliance with the NCM Equity Rule by April 14, 2025, Nasdaq's staff will provide written notification to the Company that its securities may be subject to delisting.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2024. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures were not effective as of December 31, 2024 because of the material weaknesses in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) described below.

Management's Annual Report on Internal Control Over Financial Reporting

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, under the supervision and with participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2024. In making its assessment of internal control over financial reporting, our management used the criteria described in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded we did not maintain effective internal control over financial reporting as of December 31, 2024 because of the material weaknesses identified below.

Our independent registered public accounting firm will not be required to issue an attestation report on our internal control over financial reporting until we are no longer an emerging growth company (as defined in the JOBS Act) and a non-accelerated filer.

Material Weaknesses

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis.

We did not design and maintain effective monitoring procedures and controls to evaluate and monitor the effectiveness of our individual control activities. This material weakness was also identified in our Annual Reports on Form 10-K for the fiscal years ended December 31, 2022 and 2023 and has not yet been remediated. Additionally, during the quarter ended June 30, 2023, management identified a new material weakness in our internal control over financial reporting due to a lack of sufficient number of personnel with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely, which also has not yet been remediated. Furthermore, during the year ended December 31, 2024, management identified a material weakness in our internal control over financial reporting arising from the documentation of certain complex accounting analyses and significant accounting positions that were not contemporaneously reviewed independently of the preparer. These material weaknesses could result in misstatements to our account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation

We have not yet remediated the material weaknesses relating to (i) our failure to design and maintain effective monitoring procedures and controls to evaluate the effectiveness of our individual control activities; (ii) a lack of sufficient number of personnel with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely; and (iii) documentation of certain complex accounting analyses and significant accounting positions that were not contemporaneously reviewed independently of the preparer. We are actively engaged in the design and implementation of remedial measures to address the material weaknesses in our internal control over financial reporting. We are committed to improving our internal control processes and resolving our control deficiencies, including the material weaknesses identified above.

To date, we have taken and will continue to take the actions described below to remediate the identified material weaknesses. As the remediation efforts are ongoing, we will continue to evaluate and work to improve our internal control over financial reporting and may implement additional measures, or modify the remedial actions described below, as considerate appropriate, to remediate the identified material weaknesses.

Steps taken to remediate the remaining material weaknesses include actions related to designing and maintaining effective monitoring procedures and controls to evaluate and monitor the effectiveness of our individual control activities, and minimum documentation requirements for significant accounting positions and management estimates, including consideration of underlying assumptions and judgments, where applicable, that are used in the financial statement preparation and reporting process.

The Company continues to evaluate the design and operating effectiveness of internal controls across various business processes and accordingly, our management plans to continue its efforts to remediate the identified material weaknesses and remains committed to improving our internal control processes, activities and resolving identified deficiencies.

Changes in Internal Control over Financial Reporting

Except as described above, there were no other changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) and 15d-15(d) under the Exchange Act during the fourth quarter ended December 31, 2024, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Rule 10b5-1 Trading Plans

During the three months ended December 31, 2024, none of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) adopted or terminated a "Rule 10b5–1 trading arrangement" or a "non-Rule 10b5–1 trading arrangement," each as defined in Item 408 of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 will be included in our definitive proxy statement to be filed within 120 days after our fiscal year ended December 31, 2024 in connection with our 2025 Annual Meeting of Stockholders (the "Proxy Statement") and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this Item 11 will be included in the Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item 12 will be included in the Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item 13 will be included in the Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item 14 will be included in the Proxy Statement and is incorporated herein by reference.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Report:

(1) *Financial Statements*. The consolidated financial statements listed on the index set forth on page F-1 of this Report are filed as a part of this Report.

(2) *Financial Statement Schedules*. All financial statement schedules have been omitted since the information is either not applicable or required or is included in the financial statements or notes thereof.

(b) Exhibits

		Incorporated by Reference				
Exhibit Number	**Description**	**Form**	**File No.**	**Exhibit Number**	**Filing Date**	**Filed/Furnished Herewith**
2.1	Plan of Conversion of Motorsport Gaming US LLC	S-1/A	333-251501	2.1	1/11/21	
2.2	Delaware Certificate of Conversion	S-1/A	333-251501	2.2	1/11/21	
2.3	Florida Articles of Conversion	S-1/A	333-251501	2.3	1/11/21	
2.4	Stock Purchase Agreement, dated August 14, 2018, by and between 704Games Company and Motorsport Gaming US LLC	S-1	333-251501	2.4	12/18/20	
2.5	Plan of Merger, dated as of April 16, 2021, between 704Games Company and 704 Games LLC	8-K	001-39868	2.1	4/20/21	
3.1.1	Certificate of Incorporation of Motorsport Games Inc.	S-1/A	333-251501	3.3	1/11/21	

3.1.2	Certificate of Amendment to the Certificate of Incorporation of Motorsport Games Inc.	8-K	001-39868	3.1	11/10/22
3.2.1	Bylaws of Motorsport Games Inc.	S-1/A	333-251501	3.4	1/11/21
3.2.2	Amendment No. 1 to the Bylaws of Motorsport Games Inc.	8-K	001-39868	3.2	11/10/22
3.3	Certificate of Merger of 704Games LLC	8-K	001-39868	3.1	4/20/21
4.1	Form of Class A common stock Certificate	S-1	333-251501	4.1	12/18/20

4.2	Description of Motorsport Games Inc.'s Securities Registered under Section 12 of the Exchange Act	10-K	001-39868	4.2	3/24/23
4.3	Form of Wainwright Warrant	8-K	001-39868	4.1	2/2/23
4.4	Form of Pre-Funded Common Stock Purchase Warrant	8-K	001-39868	4.1	7/29/24
4.5	Form of Series A Common Stock Purchase Warrant	8-K	001-39868	4.2	7/29/24
4.6	Form of Series B Common Stock Purchase Warrant	8-K	001-39868	4.3	7/29/24
4.7	Form of Placement Agent Warrant	8-K	001-39868	4.4	7/29/24
10.1	Promissory Note, dated April 1, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	S-1	333-251501	10.3	12/18/20

10.2	Joint Venture Agreement, dated March 15, 2019, by and among Automobile Club de l'Ouest, Motorsport Gaming US LLC and Le Mans Esports Series Limited	S-1	333-251501	10.5	12/18/20
10.3	Amendment No. 1, dated January 25, 2021, to Joint Venture Agreement, dated March 15, 2019, between Motorsport Games Inc. and Automobile Club de l'Ouest	8-K	001-39868	10.1	1/27/21
10.4*	License Agreement, dated May 29, 2020, by and between BARC (TOCA) Limited and Motorsport Gaming US LLC	S-1	333-251501	10.9	12/18/20
10.5*	Distribution Agreement, dated April 18, 2016, by and between U&I Entertainment, LLC and 704Games Company LLC	S-1	333-251501	10.10.1	12/18/20
10.6	Amendment to Distribution Agreement, dated November 23, 2020, by and between U&I Entertainment, LLC and 704Games Company	S-1	333-251501	10.10.2	12/18/20
10.7+	Amended and Restated Motorsport Games Inc. 2021 Equity Incentive Plan, dated November 10, 2022	8-K	001-39868	10.1	11/10/22
10.8+	Form of UK Approved Company Share Option Plan (Sub-Plan to the Motorsport Games Inc. 2021 Equity Incentive Plan)	S-1/A	333-251501	10.15.2	12/31/20

10.9+	Form of UK Motorsport Games Incentive Plan (Sub-Plan to the Motorsport Games Inc. 2021 Equity Incentive Plan)	S-1/A	333-251501	10.15.3	12/31/20
10.10+	Form of Incentive Stock Option Award Agreement Under the Motorsport Games Inc. 2021 Equity Incentive Plan	S-1	333-251501	10.16	12/18/20
10.11+	Form of Restricted Stock Award Agreement Under the Motorsport Games Inc. 2021 Equity Incentive Plan	S-1	333-251501	10.17	12/18/20
10.12*	License Agreement, dated August 11, 2020, by and between Epic Games International S.à.r.l. and MS Gaming Development LLC	S-1	333-251501	10.20	12/18/20
10.13*	Xbox Console Publisher License Agreement, by and between Microsoft Corporation and 704Games Company	S-1	333-251501	10.21	12/18/20
10.14*	PlayStation Global Developer and Publisher Agreement, by and among Sony Computer Entertainment, Inc., Sony Computer Entertainment America LLC, Sony Computer Entertainment Europe Ltd. and 704Games Company	S-1	333-251501	10.22	12/18/20
10.15	Amendment to Promissory Note,	S-1	333-251501	10.28	12/18/20

	dated November 23, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC				
10.16*	License Agreement, effective as of January 25, 2021, between Automobile Club de l'Ouest and Le Mans Esports Series Ltd	8-K	001-39868	10.2	1/27/21
10.17*	License Agreement, effective as of January 25, 2021, between Automobile Club de l'Ouest and Le Mans Esports Series Ltd	8-K	001-39868	10.3	1/27/21

10.18*	License Agreement, effective as of January 25, 2021, between Automobile Club de l'Ouest and Le Mans Esports Series Ltd	8-K	001-39868	10.4	1/27/21
10.19*	Share Purchase Agreement, dated April 1, 2021, among Motorsport Games Inc., Luminis International B.V. and Technology In Business B.V.	8-K	001-39868	10.1	4/1/21
10.20	Letter Agreement, dated April 22, 2022, to amend Share Purchase Agreement and Pledge of Shares among Motorsport Games Inc., Luminis International B.V., Technology In Business B.V. and certain Technology In Business B.V. shareholders parties thereto	8-K	001-39868	10.1	4/28/2022

10.21	Letter Agreement, dated July 21, 2022 but effective as of July 19, 2022, to further amend Share Purchase Agreement and Pledge of Shares Among Motorsport Games Inc., Luminis International B.V., Technology In Business B.V. and certain Technology In Business B.V. shareholders parties thereto	8-K	001-39868	10.1	7/22/22
10.22*	License Agreement, effective as of July 13, 2021, between Motorsport Games Inc. and INDYCAR LLC	8-K	001-39868	10.1	7/15/21
10.23*	License Agreement, effective as of July 13, 2021, between Motorsport Games Inc. and INDYCAR LLC	8-K	001-39868	10.2	7/15/21
10.24	Support Agreement, dated September 8, 2022, by and between Motorsport Games Inc. and Motorsport Network, LLC	8-K	001-39868	10.1	9/8/22
10.25+	Indemnification Agreement, dated as of November 18, 2022, between Motorsport Games Inc. and John Delta	8-K	001-39868	10.1	11/18/22

10.26+	Indemnification Agreement, dated as of December 23, 2022, between Motorsport Games Inc. and Andrew Jacobson	8-K	001-39868	10.1	12/27/22
10.27+	Indemnification Agreement, dated as	8-K	001-39868	10.1	1/13/23

	of January 12, 2023, between Motorsport Games Inc. and Navtej Singh Sunner				
10.28	Settlement Agreement, dated as of January 11, 2023, among Motorsport Games Inc., Continental General Insurance Company, Counsel to Continental and other defendants name therein	8-K	001-39868	10.1	1/18/23
10.29	Debt-For-Equity Exchange Agreement, dated as of January 30, 2023, between Motorsport Games Inc. and Motorsport Network, LLC	8-K	001-39868	10.1	1/30/23
10.30	Form of Securities Purchase Agreement, dated as of February 1, 2023, between Motorsport Games Inc. and the purchaser identified on the signature page thereto	8-K	001-39868	10.1	2/2/23
10.31	Debt-For-Equity Exchange Agreement, dated as of February 1, 2023, between Motorsport Games Inc. and Motorsport Network, LLC	8-K	001-39868	10.2	2/2/23
10.32	Form of Securities Purchase Agreement, dated as of February 2, 2023, between Motorsport Games Inc. and the purchaser identified on the signature page thereto	8-K	001-39868	10.1	2/3/23
10.33	Form of Securities Purchase Agreement, dated as of February 3, 2023, between Motorsport	8-K	001-39868	10.1	2/6/23

	Games Inc. and the purchaser identified on the signature page thereto				
10.34+	Statement of Terms and Conditions of Employment, effective as of April 19, 2023, between Motorsport Games Limited (the Company's UK subsidiary) and Stephen Hood	8-K	001-39868	10.1	4/19/23

10.35	Assignment and Assumption Agreement, dated as of October 3, 2023, among Motorsport Games Inc., 704GAMES LLC and iRacing.com Motorsport Simulations, LLC	8-K	001-39868	10.1	10/5/23
10.36*	Consent to Assignment and Assumption of, and Releases, dated as of October 3, 2023, among 704GAMES LLC, iRacing.com Motorsport Simulations, LLC and NASCAR Team Properties, a series trust organized under the laws of Delaware	8-K	001-39868	10.2	10/5/23
10.37*	Limited License Agreement, dated as of October 3, 2023, between 704GAMES LLC and NASCAR Team Properties, a series trust organized under the laws of Delaware	8-K	001-39868	10.3	10/5/23
10.38+	Offer letter, dated November 3, 2023, between Motorsport Games Inc. and Stanley Beckley	10-Q	001-39868	10.4	11/7/23

10.39	Settlement Agreement, dated as of April 12, 2024, between Motorsport Games Inc. and BARC (TOCA) LIMITED	8-K	001-39868	10.1	4/18/24	
10.40*	License Agreement, dated as of April 12, 2024, between Motorsport Games Inc. and BARC (TOCA) LIMITED	8-K	001-39868	10.2	4/18/24	
10.41	Asset Purchase Agreement, dated as of April 26, 2024, between Motorsport Games Inc. and Traxion.GG Limited	8-K	001-39868	10.1	5/1/24	
10.42	Settlement Agreement, dated as of May 17, 2024 between Motorsport Games Inc. and INDYCAR, LLC	8-K	001-39868	10.1	5/23/24	
10.43	Form of Securities Purchase Agreement, dated as of July 26, 2024, by and among Motorsport Games Inc. and the Purchasers named therein	8-K	001-39868	10.1	7/29/24	
10.44	Settlement Agreement, dated as of February 20, 2025, between the Company and Technology In Business B.V. and Luminis International B.V.	8-K	001-39868	10.1	2/26/25	
19.1	Code of Ethics and Business Conduct					X
19.2	Amended and Restated Insider Trading Policy					X
21.1	Subsidiaries of Motorsport Games Inc.					X

23.1	Consent of Grassi & Co., CPAs, P.C., Independent Registered Public Accounting Firm					X
23.2	Consent of Grant Thornton LLP, Independent Registered Public Accounting Firm					X
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act					X

32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350					X
97.1+	Motorsport Games Inc. Clawback Policy	10-K	001-39868	97.1	4/1/24	
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy					X

	Extension Calculation Linkbase Document	
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)	X

* Portions of the exhibit, marked by brackets, have been omitted in accordance with applicable SEC rules. The Company agrees to furnish an unredacted copy of this exhibit to the SEC upon request.

\+ Indicates management contract or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 20, 2025

MOTORSPORT GAMES INC.

By:*/s/ Stephen Hood*
Stephen Hood
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By:*/s/ Stephen Hood*	Chief Executive Officer	March 20, 2025

Stephen Hood	(Principal Executive Officer)	
By: */s/ Stanley Beckley* Stanley Beckley	Chief Financial Officer (Principal Financial and Accounting Officer)	March 20, 2025
By: */s/ John Delta* John Delta	Director	March 20, 2025
By: */s/ Andy Jacobson* Andy Jacobson	Director	March 20, 2025
By: */s/ Nav Sunner* Nav Sunner	Director	March 20, 2025

Exhibit 19.1

The Code of Ethics

Introduction to the Code of Ethics

This Code of Ethics & Business Conduct (the "Code") has been adopted by Motorsport Games Inc. to, among other things:

- *Promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest*
- *Promote compliance with applicable laws*
- *Promote the protection of the Company's assets, including its intellectual property, corporate opportunities and confidential information*
- *Promote fair dealing practices*
- *Deter wrongdoing*
- *Ensure accountability for adherence to the Code.*

The Code describes the fundamental principles that guide our conduct and applies to all of Motorsport Games operations, subsidiaries, affiliates and joint ventures (collectively, the "Company"), as well as all of their respective directors, managers, officers, employees and contractors (collectively, "Motorsport Games Team Members" or individually a "Motorsport Games Team Member"). All Motorsport Games People have a responsibility to read, be familiar with, understand and comply with this Code and report any suspected violations to the Company's Principal Compliance Officer (the Company's "PCO") or such other reporting point referred to in this Code.

Overview of the Code of Ethics

This Code details a baseline for the Company's standard of conduct for all Motorsport Games People, as expressed in the following topics described in further detail below in this Code:

- MOTORSPORT GAMES PEOPLE MUST STRIVE TO MAINTAIN AN ATMOSPHERE OF HONEST & ETHICAL CONDUCT
- MOTORSPORT GAMES PEOPLE MUST STRIVE TO MAINTAIN A POSITIVE WORK ENVIRONMENT
- MOTORSPORT GAMES PEOPLE ARE COMMITTED TO INCLUSION AND DIVERSITY AND WELCOMES EMPLOYEES AND BUSINESS PARTNERS WITH DIVERSE EXPERIENCES AND BACKGROUNDS
- MOTORSPORT GAMES PEOPLE MUST COMPLY WITH APPLICABLE LAWS
- MOTORSPORT GAMES PEOPLE MUST COMPLY WITH U.S. SECURITIES TRADING LAWS
- MOTORSPORT GAMES PEOPLE MUST ENSURE THAT ITS RESULTS, PUBLIC RELATIONS & OTHER PUBLICITY EVENTS ARE PROPERLY DISCLOSED
- MOTORSPORT GAMES PEOPLE MUST COMPLY WITH LABOR & EMPLOYMENT LAWS
- MOTORSPORT GAMES PEOPLE MUST NOT ENGAGE IN ANY IMPROPER PAYMENTS OR GIFTS OR IN MONEY-LAUNDERING
- MOTORSPORT GAMES PEOPLE MUST AVOID & REPORT CONFLICTS OF INTEREST
- MOTORSPORT GAMES PEOPLE MUST KEEP ACCURATE & COMPLETE BOOKS & RECORDS
- MOTORSPORT GAMES PEOPLE MUST PROTECT & PROPERLY USE THE COMPANY'S ASSETS

- MOTORSPORT GAMES PEOPLE MUST NOT MISAPPROPRIATE THE COMPANY'S CORPORATE OPPORTUNITIES
- MOTORSPORT GAMES PEOPLE MUST PROTECT THE CONFIDENTIALITY OF THE COMPANY'S PROPRIETARY INFORMATION
- MOTORSPORT GAMES PEOPLE MUST PROVIDE TRUTHFUL INFORMATION & ENGAGE IN FAIR DEALING
- MOTORSPORT GAMES PEOPLE MUST COMPLY WITH ADVERTISING LAWS
- MOTORSPORT GAMES PEOPLE MUST MAINTAIN THE INTEGRITY OF ALL THIRD PARTIES THAT THEY ENGAGE
- MOTORSPORT GAMES PEOPLE MUST USE SOCIAL MEDIA RESPONSIBLY
- MOTORSPORT GAMES PEOPLE MUST NOT MAKE PROHIBITED POLITICAL CONTRIBUTIONS
- MOTORSPORT GAMES PEOPLE MUST COMPLY WITH INTERNATIONAL TRADE REGULATIONS
- MOTORSPORT GAMES PEOPLE MUST COMPLY WITH ENVIRONMENTAL LAWS
- MOTORSPORT GAMES PEOPLE MUST NOT ENGAGE IN ANTI-COMPETITIVE BEHAVIOR
- MOTORSPORT GAMES PEOPLE MUST USE THE COMPANY'S IT RESOURCES APPROPRIATELY
- MOTORSPORT GAMES PEOPLE MUST KEEP COMPANY COMMUNICATIONS PROFESSIONAL
- MOTORSPORT GAMES PEOPLE MUST PROTECT THE PRIVACY OF COMMUNICATIONS UNDER APPLICABLE DATA PRIVACY AND DATA PROTECTION LAWS
- MOTORSPORT GAMES PEOPLE MUST ASK QUESTIONS ABOUT THE CODE, REPORT CODE VIOLATIONS & COOPERATE WITH INVESTIGATIONS

All Motorsport Games People are required to read, understand and certify compliance with the Code upon hire and periodically thereafter. Pursuant to local law, compliance with the Code and with all applicable laws is a condition of employment with the Company. Each of us is responsible for adherence to the standards of conduct set forth in this Code and for speaking up if we do not understand these standards or are concerned that these standards are not being met. Motorsport Games People are encouraged and expected to raise questions and concerns related to the Code, and to notify the PCO (or such other reporting point referred to in this Code) of any conduct that may conflict with the Code or applicable law. The Company intends to enforce the Code to the fullest extent permissible under applicable laws. Where actions otherwise required by the Code (for example, reporting of violations) are inconsistent with applicable laws, Motorsport Games People must act to the fullest extent consistent with both the Code and applicable laws, acting under the guidance of the PCO. Any violation of the Code will lead to disciplinary action up to and including termination of employment, as the facts and circumstances may warrant. In certain cases, a Code violation may also constitute a violation of applicable law, which could result in civil or criminal action against certain Motorsport Games People or the Company.

If you have any questions about the Code, its requirements or implementation, or if you have any concerns regarding potential Code violations, you should immediately contact the PCO or the Motorsport Compliance Line. The Motorsport Compliance Line is available 24/7 in whatever language you feel most comfortable.

Compliance Contact Information

Motorsport Games Compliance Line
(877) 653-2602

Motorsport Games Compliance Email
Whistleblowerservices.com/Motorsport

The Code of Ethics – In Detail

MOTORSPORT GAMES PEOPLE MUST STRIVE TO MAINTAIN AN ATMOSPHERE OF HONEST & ETHICAL CONDUCT: The Company's policy is to promote high standards of integrity by conducting its affairs honestly and ethically. All Motorsport Games People must act with integrity and observe the highest ethical standards of business conduct in their dealings with the Company's customers, suppliers, partners, service providers, competitors, employees and anyone else with whom they have contact in the course of performing their job. Moreover, the Company is committed to creating a work environment and a business culture grounded in ethical behavior in every respect. The Company is committed to: (i) fostering an environment of honesty and fairness; (ii) providing a safe and healthy environment free from the fear of retribution; and (iii) respecting the dignity due everyone. The Company is committed to pursuing sound growth and earnings objectives and to exercising prudence in the use of its assets and resources. The Company is committed to fair competition and the sense of responsibility required of a good customer and service provider.

MOTORSPORT GAMES PEOPLE MUST STRIVE TO MAINTAIN A POSITIVE WORK ENVIRONMENT: The Company is committed to the recruitment, training, development and retention of competent staff. All employment decisions, including hiring, promotion and transfer, must be made solely on merit, experience and other work-related criteria. Employees want and deserve a workplace where they feel respected and appreciated. Providing an environment that supports honesty, integrity, respect, trust, responsibility and citizenship permits the opportunity to achieve excellence in the workplace. While all Motorsport Games People must contribute to creating and maintaining such an environment, supervisors, managers and other senior level personnel assume special responsibility for fostering a work environment that brings out the best in other Motorsport Games People. Managers must be careful in words and conduct to avoid placing, or seeming to place, pressure on their reports that could cause them to deviate from acceptable ethical behavior.

MOTORSPORT PEOPLE ARE COMMITTED TO INCLUSION AND DIVERSITY AND WELCOMES EMPLOYEES AND BUSINESS PARTNERS WITH DIVERSE EXPERIENCES AND BACKGROUNDS: The Company respects cultural diversity and believes in building a culture of inclusion which respects every Motorsport Games Person for who they are — regardless of race, ethnicity, color, religion, gender, age, national origin, disability, sexual orientation, veteran, marital status or any other protected status—and will not tolerate any harassment or discrimination on these grounds. The Company strives to attract, develop and retain a workforce that is as diverse as the consumers and customers who we serve and to ensure an inclusive work environment that embraces the strength of our differences. The Company is committed to ensuring that each and every Motorsport Games Person feels comfortable to be their authentic selves and to offer their multifaceted perspectives, which we believe will result in a more positive work environment and help our company make more informed business decisions. Inclusion starts with each of Motorsport Games Person creating a work environment in which each and every Motorsport Games Person and our business partners feel valued and respected for their contributions. Each Motorsport Games Person should respect the diversity of each other's talents, abilities and experiences, value the input of others and foster an atmosphere of trust, openness and candor.

MOTORSPORT GAMES PEOPLE MUST COMPLY WITH APPLICABLE LAWS: All Motorsport Games People should comply, both in letter and in spirit, with all laws applicable in the locations where we operate. Although Motorsport Games People are not expected to know the details of all laws applicable to all of the Company's operations, each of you are expected to familiarize yourself with the Company's policies and procedures, as well as applicable laws that pertain to your jobs and functions, and to comply with both the letter and the spirit of those policies, procedures and laws. If you have any questions about complying with the foregoing, you should address them to the PCO. The Company's operations and the conduct of Motorsport Games People are always subject to the laws of the local countries and jurisdictions in which we operate. As discussed in this Code, the Company's operations

and Motorsport Games People worldwide are also subject to certain U.S. laws, regardless of the countries in which they may live and work. Violations of this Code, the Company's policies and applicable laws may result in disciplinary action up to and including termination of employment.

MOTORSPORT GAMES PEOPLE MUST COMPLY WITH U.S. SECURITIES TRADING LAWS: As a U.S. publicly traded company, the Company and all Motorsport Games People worldwide must comply with U.S. securities laws, which include prohibitions on insider trading. In the course of your dealings with the Company, you may become aware of non-public information regarding important business or financial affairs of the Company or other firms. The securities laws prohibit trading securities on the basis of such information if it is material. Under U.S. securities laws, information is deemed to be material if an investor would consider it important in deciding whether to buy, sell or hold securities. Examples of types of information that could be considered material are financial results, financial forecasts, dividends, possible mergers, acquisitions, joint ventures and other purchases and sales of or investments in all or part of a company, obtaining or losing important contracts, important product developments, major litigation developments and major changes in business strategy. To guard against even the appearance of improper securities trading, regardless of whether you have knowledge of non-public information concerning the Company, Motorsport Games People must adhere to the following securities trading restrictions:

- **Trades During Certain "Restricted Periods:"** Motorsport Games People must not trade securities of Motorsport Network or Motorsport Games during any "restricted period," each of which continues from the day after the last day of each fiscal quarter (i.e., April 1, July 1, October 1 and January 1) until 24 hours after the public release of both Motorsport Network's and Motorsport Games' earnings for that quarter. For example, as the 3rd quarter ends on September 30th, the restricted period would last from October 1 through the end of the 24-hour period after both Motorsport Network and Motorsport Games issue their respective earnings releases for the 3rd quarter, giving 24 hours for these results to be adequately disseminated to the public. Please keep in mind that these restricted periods may change from time to time;

- **Trades Exceeding $25,000:** Motorsport Games People must pre-clear in writing all transactions (or series of transactions) in Company securities exceeding $25,000 with the PCO; and

- **Trades by Senior Management:** All executive officers, directors and other officers and senior management employees designated in writing of such status by the PCO must pre-clear in writing all transactions that they propose to engage in involving the Company's securities, regardless of the amount involved and regardless of timing, with the PCO.

Additionally, there may be other periods when, because of special circumstances (for example, a pending material transaction), trading in the Company's securities may be restricted; the PCO will circulate notices of these special restricted periods.

The Company prohibits the misuse of confidential information gained in the course of your dealings with the Company, including: (i) trading securities on the basis of any such confidential information; or (ii) disclosing such information to another person who uses it for the purpose of trading securities. Information is considered to be confidential if it has not been adequately disclosed to the public. Examples of adequate disclosure include public filings with securities authorities such as the U.S. Securities and Exchange Commission (the "SEC"), issuance of press releases and meetings with members of the press and the public. If you are aware of confidential information relating to the Company or relating to firms with which we do business or are negotiating or competing, you may not buy or sell securities of Motorsport Network or Motorsport Games or such other firm or disclose this information to any person who uses it for the purpose of trading securities. If you have a question as to whether a trade is permissible, you must contact the PCO and refrain from trading in the affected securities and disclosing the information until you have been authoritatively informed by the PCO that you are not prohibited from trading.

MOTORSPORT GAMES PEOPLE MUST ENSURE THAT ITS RESULTS, PUBLIC RELATIONS & OTHER PUBLICITY EVENTS ARE PROPERLY DISCLOSED: The Company's periodic reports and other documents filed with the SEC, including all financial statements and other financial information, must comply with applicable federal securities laws and SEC rules. To achieve this objective, Motorsport Games People who contribute in any way to the preparation or verification of the Company's financial statements and other financial information must ensure that the Company's books, records and accounts are accurately maintained and must cooperate fully with the Company's accounting and internal audit departments, as well as the Company's independent public accountants and counsel. Motorsport Games People involved in the Company's external reporting and financial reporting disclosure process must: (i) be familiar with and comply with the Company's disclosure controls and procedures and its internal control over financial reporting; and (ii) take all necessary steps to ensure that its filings with the SEC and all other public communications about the Company's operating results and financial condition provide full, fair, accurate, timely and understandable disclosure.

Unless it has been discussed with and pre-approved in writing by the Company's Chief Financial Officer (CFO) and PCO, Motorsport Games People should not engage in any types of publicity, that relate to, or could be interpreted as related to, the Company or any of its subsidiaries or any of the Company's or its subsidiaries forward-looking information, budgets, finances, business or financial performance, financial results, planned or pending debt or equity transactions, any potential acquisitions, joint ventures or business combinations, any financial projections or forecasts, any objectives for future operations, the existence of or status of litigation and threatened proceedings, any opinions regarding the Company's valuation or any other similar financial information.

When responding to inquiries from the press, news media, securities analysts, investors, governmental bodies and other external parties who may have a legitimate interest in inquiring about the Company's affairs (collectively, "External Parties"), to ensure that our communications with these External Parties is accurate and consistent with applicable laws, the Company limits the individuals who may communicate with these External Parties. If a Motorsport Games Person receives an inquiry from an External Party about the Company's affairs, either directly or through another person, they should follow these procedures:

- Requests for financial or business information about the Company from any member of the investment community, including securities analysts, fund and portfolio managers, directors of research and brokers, or any member of the business or financial press or any other news media must be immediately referred to the Company's Chief Financial Officer or the PCO;
- Requests from the press and other media outlets about the Company's services, products, marketing, philanthropic efforts and the like must be immediately referred to the Chief Executive Officer (the "CEO"), Director of PR or the PCO. The CEO and PCO should also be consulted on all press releases, speeches, interviews with the financial or popular press, website or social media postings and other forms of communications;
- Requests for information generally or other contacts from any government or regulatory body (U.S. or non-U.S.) must be immediately referred to the PCO. If the agent or representative asks any Motorsport Games Person to provide information or copies of any data or documents relating to any of the Company's transactions or other activities, they must inform the agency representative that they are not authorized to provide such materials, but that an authorized Company representative will respond to their request and refer the agent to the PCO. Motorsport Games People are not permitted to respond to a request for Company information or documents without specific consultation with, and direction by, the PCO.
- If any Motorsport Games Person receives any form of subpoena, Civil Investigative Demand or any other form of legal process, they must promptly inform PCO and immediately scan and email the subpoena to the PCO. Motorsport Games People must not take any other action until further advised by the PCO.

Similarly, requests for proposed interviews with any Motorsport Games People by the financial community or news media, and the issuance of any press releases related to financial matters, must be reviewed and approved in advance by each of the following: (1) the Chief Executive Officer; (2) the Chief Financial Officer; and (3) CPO. Company-initiated interviews discussing or potentially discussing the Company's financial results, financial condition or financial and/or capital market activities also must be approved by such officers before they may be scheduled with the media. To ensure that the Company complies with applicable laws and preserves its legal privileges and positions, it is important that Motorsport Games People follow these directives and immediately contact the aforementioned individuals, rather than respond to any such inquiries or contacts themselves.

MOTORSPORT GAMES PEOPLE MUST COMPLY WITH LABOR & EMPLOYMENT LAWS: Motorsport Games People must comply with all applicable laws concerning labor and employment. The Company is bound by these laws and has established policies and programs, including equal employment opportunity policies, affirmative action plans, safety and health programs and wage and hour procedures, to ensure compliance with all applicable legal requirements. All Motorsport Games People must comply with anti-discrimination and equal opportunity laws and if they have questions about anti-discrimination and equal opportunity laws generally, or the principles summarized in this Code, they may contact their local Human Resources Department or the PCO.

- **Equal Employment Opportunity:** We are dedicated to the goal of providing equal employment opportunity for all Motorsport People without discrimination or harassment based on any impermissible classification, including, but not limited to, race, color, creed, religion, sex, gender identity or expression, national origin, citizenship, age, disability, marital status, veteran status, sexual orientation or any other legally protected classification. We will not tolerate discrimination against any Motorsport Games People by any other Motorsport Games People or by any individual or firm with which we do business based upon any impermissible classification. If any Motorsport Games Person believes that they have been subjected to unlawful employment discrimination or harassment, they should immediately contact the PCO.

- **Sexual Harassment:** As part of our equal employment opportunity policy, we are committed to protecting the right of all Motorsport Games People to work in an environment that is free from all forms of harassment including, but not limited to, sexual harassment. Sexual harassment may include any differential treatment because of gender, unwelcome sexual advances, requests for sexual favors, and verbal, physical or visual conduct or conditions of a sexual nature that have the effect of unreasonably interfering with a Motorsport Games Person's work performance or which create an intimidating, hostile or offensive work environment for a reasonable individual. If any Motorsport Games Person believes that they have been the victim of harassment, including sexual harassment, they should immediately contact the PCO.

- **Safety and Health:** We are committed to eliminating hazards from the workplace, providing all Motorsport Games People with a safe and healthy work environment and complying with all applicable occupational safety and health laws. Motorsport People are required to report any adverse health or safety incidents or conditions, including broken equipment or machinery and accidents, to the PCO.

- **Violence-Free Workplace:** We will not tolerate any level of violence, or threats of violence, in the workplace. Motorsport Games People are required to report any suspected threats of workplace violence to the PCO. In the event of an emergency, you should dial 911 or the applicable emergency services number.

- **Substance Abuse:** To promote productivity, protect the safety of others, and ensure compliance with the law, illegal drugs are strictly forbidden, nor may you perform your job under the influence of any illegal drugs or alcohol.

MOTORSPORT GAMES PEOPLE MUST NOT ENGAGE IN ANY IMPROPER PAYMENTS OR GIFTS OR IN MONEY-LAUNDERING: The purpose of business entertainment and gifts in a commercial setting is to create

goodwill and build effective working relationships. The sale and marketing of our services should be free from perceptions that favorable treatment was sought, received, or given in exchange for gifts or favors. No gift or favor should be given, provided, or accepted by any Motorsport Games People or their family members or agents unless it complies with these provisions of the Code.

- **Improper Payments:** Offering, making or accepting improper gifts or payments (e.g., bribes or kickbacks) of any kind on the Company's behalf or in connection with the Company's business, whether directly or indirectly through a third party, is strictly prohibited. Improper payments include payments that would violate anti-corruption laws, such as the U.S. Foreign Corrupt Practices Act or the U.K. Bribery Act or any other payments made with an improper or corrupt intent. Improper payments need not be in the form of money, but may include gifts, services or amenities or other types of consideration. It is not necessary that a gift or payment actually be given; the promise or offer alone is prohibited. This applies regardless of the country in which the payment is made, and regardless of whether the recipient is a government official or private citizen. This prohibition also includes payments to expedite or facilitate routine government actions. While the Company prohibits all improper payments, it is important to know that anti-corruption laws around the world provide serious civil and criminal penalties for improper payments related to government officials. The definition of a "government official" is broad and can include individuals who are employed by any public entity or institution or who perform any official acts on behalf of a government, regardless of status or seniority. Violations of these laws can have severe consequences for the Company, as well as for the individual Motorsport Games People involved.

- **Improper Gifts:** The Company also prohibits Motorsport Games People from giving or receiving excessive or uncustomary gifts or services to or from others with whom the Company does business, whether or not such gifts or services constitute improper payments as described above. Without approval from the PCO, Motorsport Games People may not give or accept gifts unless they are: (i) consistent with customary business practices; (ii) not excessive in value; (iii) not reasonably capable of being perceived or construed as a bribe or payoff; and (iv) are not in violation of any laws. Motorsport Games People may accept small gifts or favors that would be considered common business courtesies; however, Motorsport Games People should not accept a gift or favor that might be intended to influence, or appear to influence, a business decision. Motorsport Games Employees must report their receipt of gifts or favors to their supervisor. Under no circumstances may cash or gift cards in lieu of cash be given to a customer, vendor, business contact or other Motorsport Games People without the prior written approval of the Company's Chief Financial Officer and the PCO. In addition, all gifts must comply with the Company's Conflicts of Interest rules discussed below. You or the Company may on occasion, receive a request for a monetary or in-kind charitable donation. All such requests must be referred to the PCO, and no donation of any kind may be made without their prior written approval. The prohibition on improper gifts and payments applies equally to actions taken by a third party on the Company's behalf or in connection with the Company's business. Indeed, the Company and individual Motorsport Games People could face civil and criminal liability for the actions of our third parties. It is therefore critical to remember that we cannot use a third party to take any action on our behalf that Motorsport Games People would be prohibited from taking directly.

- **Money-Laundering:** In addition, people engaged in unlawful conduct may try to conceal their illegal earnings or make them look legitimate. This activity—money laundering—is a crime of its own. You may not facilitate it or engage in it in any way, and we may have an obligation to report transactions that are suspicious or unusual. "Red flags" that may be indicative of improper payments or money laundering include payments structured in an unusual way or coming from a strange account, overpayments, large payments in cash and payments made in unusual currencies.

- **Lobbying:** The Company sometimes engages in direct advocacy with lawmakers and other government officials, and we sometimes engage third parties to advocate on our behalf. You may not contact any

government officials or engage others to do so unless you are expressly authorized in writing by the PCO. Among other things, this will help ensure that we remain fully compliant with all applicable lobbying laws.

- **Reporting:** Motorsport Games People must immediately report to the PCO any suspected improper payment, any offer or request made to Motorsport Games People related to an improper gift or payment, or any suspicious transactions. If you have questions about anti-corruption laws generally, please contact the PCO.

MOTORSPORT GAMES PEOPLE MUST AVOID & REPORT CONFLICTS OF INTEREST: Conflicts of interest can occurs under many different circumstances, such as: (1) when the private interests, relationships or activities of Motorsport Games People (or those of their immediate family members) interferes, or even appears to interfere, with the interests of the Company as a whole; (2) when Motorsport Games People (or their immediate family members) take actions or have interests that may make it difficult to perform their duties to the Company in a loyal and effective manner to the best of their ability and in the Company's best interest; and (3) when Motorsport Games People (or their immediate family members) receive improper personal benefits as a result of their position with the Company.

Accordingly, Motorsport Games People must not enter into or permit there to continue any transaction, relationship, activity or other interest that creates an actual, apparent or potential conflict of interest with the Company, unless such situation is reported to and approved in advance by the PCO. For instance, the PCO may approve such transaction, relationship, activity or other interest if, upon reviewing the particular facts and circumstances, the PCO finds that notwithstanding the appearance of a conflict of interest, in fact, the transaction, relationship, activity or other interest is at least as favorable to the Company as terms that would be available at the time for a comparable transaction in arm's length dealings with an unrelated party and is therefore substantively fair to all involved parties. In particular, Motorsport Games People must disclose in writing to the PCO any financial interest they or their immediate family have in any firm which does business with the Company, or which competes with the Company so that the Company may determine if a conflict of interest exists. Following are guidelines for certain conflict of interest situations that may arise from time to time:

- **Investments:** The Company discourages Motorsport Games People and their immediate families, and persons with whom they have a close personal relationship from investing in firms that compete with the Company or with which we or our business partners have business relations. Because of the risk of creating divided loyalty, or its appearance to other Motorsport Games People and to other firms with which we deal, Motorsport Games People and their immediate family members may not have a substantial investment in a present or potential competitor, customer or supplier of the Company or any other firm with which we or our suppliers, customers or competitors deals or reasonably might deal. This would exclude an investment otherwise determined by the PCO not to constitute a conflict of interest in accordance with the guidelines set forth in the Code. Normally, a substantial investment would not include an equity interest which is 5% or less of the capital stock or other equity of a publicly traded company.

- **Outside Activities:** Except as otherwise required by applicable law, Motorsport Games People may not serve as a consultant to, or as a director, officer, employee, partner, agent or representative of, an organization that is or potentially is a competitor, customer, supplier or other business account of the Company or a supplier or customer of any such firm, except to the extent determined by the PCO not to constitute a conflict of interest. Even if the Motorsport Games Person receives no pay from such an organization and/or has no direct or indirect contact with such organization in the performance of its services for the Company, such a relationship can create the appearance of divided loyalty and the risk that the Motorsport Games Person may inadvertently disclose proprietary information to such organization or allow such organization to benefit through the Motorsport Games Person's identification with the Company. A conflict of interest may also exist if the Motorsport Games Person's outside activities are so demanding on the Motorsport Games Person's time or attention that they interfere with their performance.

In addition, Motorsport Games People cannot use Company property in connection with their outside business activities except in very limited (de minimis) ways, nor can they use their position at the Company to benefit their outside business activities in any other way. Finally, if a Motorsport Games Person might receive public attention for work they do in connection with any outside employment or outside volunteer activity, they must notify the PCO before undertaking such activity.

- **Motorsport People's Personal Relationships:** Since individuals tend to identify their interests with those of their family members and persons with whom they have a close personal relationship, immediate family members of Motorsport Games People and other persons with whom Motorsport Games People have a close personal relationship (such as a significant other or longtime friend) generally should refrain from engaging in transactions, relationships, activities and other interests which would be improper for the Motorsport Games Person to engage in.

- **Workplace Relationships:** Personal relationships in the workplace can give rise to actual or potential conflicts of interest. If a Motorsport Games Person is a manager or is involved with making employment decisions, they must disclose to the PCO any actual or potential conflicts of interest that they may have with respect to any individual that such Motorsport Games Person is managing or about whom employment decisions are being made by such Motorsport Games Person, including where they have substantial input into any such decision. Note: while romantic relationships sometimes develop at work, they too can give rise to actual or potential conflicts, and they must also be disclosed to the PCO. At no time may any manager supervise another Motorsport Person with whom they have a romantic relationship; accordingly, such relationships must be disclosed to the PCO, so that remedial actions may be taken, such as a change in reporting structures.

- **Loans:** Loans by the Company to, or guarantees by the Company of obligations of, Motorsport Games People or their family members are of special concern and could constitute improper personal benefits to the recipients of such loans or guarantees, depending on the facts and circumstances. Loans by the Company to, or guarantees by the Company of obligations of, any Motorsport Games People or their family members are expressly prohibited.

Whether or not a conflict of interest exists or will exist oftentimes can be unclear. Due to the complexities involved in conflict-of-interest situations, Motorsport Games People are obligated to review their own personal and investment situations, as well as those of their immediate family members and people with whom they have a close personal relationship and discuss with the PCO any actual, apparent or potential conflicts of interest that may or could reasonably be expected to arise by virtue of their own activities or the activities of their immediate family members. For purposes of interpretation, it shall not be considered a waiver of the Code if the PCO determines that any interest, relationship or activity does not constitute a conflict of interest, such as where the transaction, relationship or interest is on terms at least as favorable to the Company as terms that would be available at the time for a comparable transaction in arm's length dealings with an unrelated third party.

Motorsport Games People must seek determinations and prior authorizations or approvals of potential conflicts of interest exclusively from the PCO. Neither a Manager nor a Human Resources employee may authorize or approve conflict of interest matters or make determinations as to whether a problematic conflict of interest exists without first providing the Company's PCO with a written description of the activity and obtaining the PCO's written approval. If the Manager or other individual is themselves involved in the potential or actual conflict, the matter should be discussed directly with the PCO.

MOTORSPORT GAMES PEOPLE MUST KEEP ACCURATE & COMPLETE BOOKS & RECORDS: Honest, accurate and understandable recording and reporting of information is critical to the Company's ability to make responsible business decisions. The Company's financial statements and the books and records on which they are based must fully, fairly and accurately reflect all corporate transactions and conform to all legal and accounting requirements

and our internal accounting control policies and procedures for financial reporting, as in effect from time to time. Motorsport Games People are responsible for maintaining accurate and complete records in their respective area of operations (e.g., finance, sales, information technology, customer service, engineering, human resources, etc.). Motorsport Games People are prohibited from taking any of the following actions:

- Knowingly providing false, misleading or inaccurate information, financial or otherwise, to any Company official;
- Fraudulently or improperly influencing, coercing, manipulating or misleading any independent public or certified accountant engaged in performing an audit of the Company's financial statements for the purpose of rendering such financial statements materially misleading or any action that could be reasonably expected, if successful, to result in rendering such financial statements materially misleading;
- Manipulating financial/customer/vendor accounts, records or reports or taking any action or causing any person to take any action to influence, coerce, manipulate or mislead auditors for the purpose of rendering the financial statements misleading;
- Knowingly altering, destroying, mutilating, concealing, covering up, falsifying or making a false entry in any record, document or tangible object; and/or
- Obstructing, impeding, directing or influencing the investigation or proper administration of any matter within the jurisdiction of any U.S. department or agency.

Employees who prepare, maintain or have custody of the Company's records and reports should endeavor to ensure that these documents are: (i) accurate and complete; (ii) safeguarded from loss or destruction; (iii) retained for specified periods of time in accordance with state and federal requirements: and (iv) maintained in confidence. All transactions must be approved and executed in accordance with the Company's internal control procedures and must be recorded in such a manner that facilitates the preparation of accurate financial statements.

Motorsport Games People must comply with all laws relating to records preservation, requiring that certain documents be retained for varying periods. In particular, if Motorsport Games People become aware that there is an impending government investigation or threatened litigation or that the Company has been served with a subpoena or has reason to believe a subpoena may be served, they must contact the PCO and cooperate with an agreed plan of action. If the PCO has issued a Hold Order, you must retain all records that are covered by a Hold Order until the Hold Order has been lifted by the PCO. If any Motorsport Games Person has any reason to suspect that the Company's books and records may not be accurate or in accordance with the Code, they must immediately report the matter to the PCO.

MOTORSPORT GAMES PEOPLE MUST PROTECT & PROPERLY USE THE COMPANY'S ASSETS: Motorsport Games People have a responsibility to protect the Company's assets, ensure their efficient use and use them only for legitimate business purposes (although customary incidental personal use may be permitted). Motorsport Games People must not misappropriate any of the Company assets, provide unauthorized services or products to any person or entity and/or retain for their personal benefit any business opportunity from a customer, supplier or other person with whom the Company does business. This prohibition includes unauthorized use of the Company's communications equipment, computers, related facilities or other Company assets, including proprietary information and trade secrets. Such Company assets must not be used for any illegal purpose.

Various laws govern the use of material and/or information which may be the subject of a trademark, patent or copyright or which may be treated as a trade secret. The Company owns (and/or uses under license) numerous trademarks, patents, copyrights and trade secrets ("intellectual property") that are vital to its success. Proprietary information includes all such intellectual property, as well as business and marketing plans, engineering and manufacturing ideas, designs, databases, records and any nonpublic financial data or reports. Unauthorized use or distribution of this information is prohibited and could also be illegal and result in civil or criminal penalties. To

protect our rights, use of all intellectual property by Motorsport Games People must be in accordance with all applicable laws and Company processes. In addition, we are committed to not infringing the legal rights of third parties with respect to intellectual property owned by them. If any Motorsport Games People have any questions about copyright, trademark, trade secret or patent laws or about the patentability of a product or idea, they should contact the PCO.

The Company has developed and uses confidential and proprietary information in its daily operations, and in some instances, Motorsport Games People have access to the confidential and proprietary information of other parties. Such information consists of, among other things, any valuable, confidential information which is used in the Company's business. Motorsport Games People may not improperly disclose or use any confidential or proprietary information learned as a result of their relationship with the Company, nor may they use such information for their own purposes or disclose such information to unauthorized persons, such as other Motorsport Games People who have not been authorized to access such information, as well as competitors, customers, clients or outside contractors. Motorsport Games People must also not improperly use confidential or proprietary information obtained from former employers or other third parties. Theft, carelessness and waste of Company assets have a direct impact on the Company's profitability and are prohibited. Motorsport Games People must report any suspected incidence of theft, fraud, embezzlement, misuse or misappropriation of Company property or resources to the PCO.

MOTORSPORT GAMES PEOPLE MUST NOT MISAPPROPRIATE THE COMPANY'S CORPORATE OPPORTUNITIES: All Motorsport Games People owe a duty to the Company to advance its interests when the opportunity arises, and they must not take for themselves personally (or for the benefit of friends or family members) opportunities that are discovered through the use of Company assets, property, information or position. Motorsport Games People may not use Company assets, property, information or position for personal gain (including gain of friends or family members). In addition, Motorsport Games People must not compete with the Company during the term of their employment.

MOTORSPORT GAMES PEOPLE MUST PROTECT THE CONFIDENTIALITY OF THE COMPANY'S PROPRIETARY INFORMATION: Motorsport Games People must maintain the confidentiality of information entrusted to them by the Company or by its customers, suppliers or partners, except when disclosure is expressly authorized or is required or permitted by law. Confidential information includes all nonpublic information (regardless of its source) that might be of use to the Company's competitors or harmful to the Company or its customers, suppliers or partners if disclosed. This includes, but is not limited to, confidential technology, financial information (such as forward-looking information, budgets, finances, business or financial performance, financial results, planned or pending debt or equity transactions, any potential acquisitions, joint ventures or business combinations, any financial projections, any forecasts, any objectives for future new products, business lines and/or operations, any opinions regarding the Company's valuation or any other similar financial information), the existence of or status of litigation and threatened proceedings, proprietary information, trade secrets, business plans, documents, pricing and records.

Motorsport Games People must not, without prior written authorization from the Company's Chief Executive Officer or its PCO, acquire, use, access, copy, remove, modify, alter or disclose to any third parties, any confidential information for any purpose. Suppliers, customers and competitors may divulge information to Motorsport Games People that is proprietary to their business and Motorsport Games People must respect the confidential nature of this information. Similarly, all Motorsport Games People must respect the confidentiality of any former employer's proprietary information and should not divulge or use such information, unless appropriate permission has been obtained.

This policy does not prohibit Motorsport Games People from confidentially disclosing trade secret, proprietary or confidential information to federal, state and local government officials, or to an attorney, when done to report or

investigate a suspected violation of the law. Motorsport Games People may also disclose the information in certain court proceedings if specific procedures to protect the information are followed. Nothing in this policy is intended to conflict with applicable laws that, generally speaking, provide for limited immunity for those disclosing trade secrets in the course of reporting alleged violations of the law) or create liability for disclosures of trade secrets that are expressly allowed by appliable laws.

MOTORSPORT GAMES PEOPLE MUST PROVIDE TRUTHFUL INFORMATION & ENGAGE IN FAIR DEALING: The Company's reputation and integrity is central to it business growth and existence. Truth and honesty are bedrock foundational principles to achieve those objectives. Accordingly, Motorsport Games People must not knowingly and willfully make false statements or conceal a material fact in any communication to the Company related to official Company action, including statements related to employment, services for the Company, employee benefits, statements made in connection with investigations and required employee reports. Similarly, Motorsport Games People should endeavor to deal fairly with the Company's customers, suppliers, competitors and other Motorsport Games People and anyone else with whom they have contact while performing their job. Motorsport People may not engage in any scheme to defraud the Company or a customer, supplier or other person with whom the Company does business out of money, property or services or to wrongfully withhold or misappropriate the property of others. Motorsport Games People also may not take unfair advantage of anyone through manipulation, concealment, abuse or privileged information, misrepresentation of facts or any other unfair dealing practice in their dealings on behalf of the Company.

Motorsport Games People must not knowingly and willfully make or cause to be made any false statement, orally or in writing, to a government official, nor may they knowingly and willfully conceal or cause to be concealed a material fact called for in a governmental report, application or other filing. These prohibitions extend to all communications with any federal, state, local or foreign government agency. If any Motorsport Games Person becomes aware that false information has been provided to anyone on behalf of the Company, they must immediately contact the PCO. The Company will not tolerate fraud or dishonesty of any kind—whether it is committed against the Company itself or anyone else. The commission of these acts may arise to a criminal offense punishable by fines and imprisonment.

MOTORSPORT GAMES PEOPLE MUST COMPLY WITH ADVERTISING LAWS: Advertising is regulated by laws enacted in various countries in which the Company conducts business. Generally, these laws prohibit false, misleading or deceptive advertising and related activities in the promotion and sale of Company services and products. All advertising claims about our services and products must be truthful and have a reasonable basis in fact. In particular, in the U.S., the Federal Trade Commission (the "FTC") requires that all advertising claims be substantiated in advance of their publication or dissemination. Fair and accurate advertising is essential not only to comply with applicable laws, but also to preserve the Company's goodwill and reputation. Motorsport Games People must not create, approve or disseminate any advertising materials for the Company's our services or products which are false, misleading or deceptive or not in compliance with applicable laws.

MOTORSPORT GAMES PEOPLE MUST MAINTAIN THE INTEGRITY OF ALL THIRD PARTIES THAT THEY ENGAGE: Business integrity is a key standard for the selection and retention of consultants, agents and representatives (collectively, "Third Parties"). Third Parties should be informed that the Company conducts business with high ethical standards, and that it expects the Third Parties to conduct themselves in an equivalent manner when providing services to or on behalf of the Company. When deemed appropriate or required, Motorsport Games People should ensure that the contracts that the Company enters into with their Third Parties require the Third Party to comply with this Code.

MOTORSPORT GAMES PEOPLE MUST USE SOCIAL MEDIA RESPONSIBLY: Motorsport Games People must use good judgment and common sense when using your personal social media. You must never disclose the Company's confidential information or about any of its subsidiaries, affiliates or other Motorsport Games People in your personal social media and other online postings; unless it is part of your job function and is being done in

furtherance of such responsibilities, you must never appear to be speaking for the Company or for any of its services or products in your personal social media postings; and you must never do anything that would be illegal, violate this Code or cause serious reputational damage to the Company; provided that the foregoing will not be interpreted so broadly so as to prevent you from engaging in activities that are protected under the law.

MOTORSPORT GAMES PEOPLE MUST NOT MAKE PROHIBITED POLITICAL CONTRIBUTIONS: Motorsport Games People must comply with applicable campaign finance and ethics laws. The Company prohibits the use of Company funds, assets, services or facilities on behalf of a political party or candidate, except under certain limited circumstances. Our policies are not intended to discourage or prohibit Motorsport Games People from voluntarily making personal political contributions, participating in the political process on their own time and at their own expense, expressing their personal views on legislative or political matters or engaging in any other lawful political activities. However, the Company prohibits Motorsport Games People from compensating or reimbursing any Motorsport Games People or individuals associated with the Company, in any form, for a political contribution that these persons intend to make or have made. Any personal solicitations of Motorsport Games People and individuals associated with the Company for contributions to a political party, candidate or political action committee must be approved in advance by the PCO and any such solicitations must communicate that all contributions are voluntary, that no one will be adversely affected as a result of their decision not to contribute, and that the political contributions are not tax deductible.

MOTORSPORT GAMES PEOPLE MUST COMPLY WITH INTERNATIONAL TRADE REGULATIONS: The Company and all Motorsport Games People must comply with U.S. trade regulations, regardless of the country in which they are operating. If a Motorsport Games Person is operating in a country outside of the U.S., they must also comply with the trade regulations and other laws of that country. The fact that, in some countries, certain laws may not be aggressively enforced in practice, or that certain violations are not subject to public criticism or penalty, will not excuse any instances of non-compliance. If you have a question as to whether certain activities are prohibited, contact the PCO and abstain from the activity in question until they inform you that the activity may be conducted. All Motorsport Games People and its operations worldwide must comply with the following U.S. trade regulations:

- **Anti-boycott Laws:** Anti-boycott laws are designed to prevent businesses from cooperating with unsanctioned boycotts, whether by way of: (i) refusal to do business with another person; (ii) discriminatory employment practices; (iii) furnishing information on the race, religion, sex or national origin of any U.S. person; (iv) furnishing information concerning any person's affiliations or business relationships with a boycotted country or any person believed to be restricted from doing business in the boycotting country; or (v) utilization of letters of credit containing boycott provisions. The Company is prohibited from participating in or complying with unsanctioned boycotts and is required to promptly report any boycott-related requests. Any such requests must be immediately reported to the PCO.

- **U.S. Trade Sanctions:** The Company and all Motorsport Games People comply with U.S. trade sanctions regardless of where we operate in the world. Currently, trade restrictions or prohibitions are in effect with respect to Cuba, Iran, North Korea, Sudan and Syria, and additional restrictions apply with respect to certain other countries. In addition, business dealings with "Specially Designated Nationals," or other "Denied Persons" as designated by the U.S. government, are prohibited. These prohibitions and restrictions are subject to change and may affect exports, imports, travel, currency transactions, and assets and accounts. The civil and criminal sanctions that may be imposed for violations are severe. Accordingly, Motorsport Games People with responsibility for international activities should consult frequently with the PCO and ensure that third parties are appropriately screened against sanctions lists.

MOTORSPORT GAMES PEOPLE MUST COMPLY WITH ENVIRONMENTAL LAWS: Motorsport Games People must comply strictly with the letter and spirit of applicable environmental laws and the public policies they represent. The Company seeks ways to ensure that its activities not only meet, but exceed, applicable environmental

laws. We are committed to evaluating all potential environmental impacts in corporate decision-making with a view to enhancing conservation of energy and natural resources, minimizing the release of any pollutant that may cause environmental damage, minimizing the creation of waste, disposing of waste through safe and responsible methods, and minimizing environmental risks by employing safe technologies and operating procedures and by being prepared for emergencies. All Motorsport People are required to fully cooperate in the implementation of the Company's environmental compliance program, as follows:

- It is each Motorsport Person's responsibility to ensure that their business activities strictly adhere to all applicable environmental laws and to the requirements, limitations and conditions of all environmental permits;
- By-passing any environmental control or monitoring device is strictly prohibited;
- The Company prohibits, without exception, the entry of information known to be false on any governmental environmental form, on any monitoring report or in response to any request for environmental information from any governmental agency. Tampering with or dilution of samples, or otherwise providing false information about the results of sampling, testing or analysis, as well as intentional failure to follow permit conditions or applicable protocols for collecting, sampling, testing, analyzing or recording of environmental data, are also strictly prohibited; and
- Motorsport Games People must immediately report any spill or other unpermitted release of a hazardous substance to their supervisor and in accordance with the specific spill reporting policy in effect at their facility.

If any Motorsport Games Person becomes aware of any violation or possible violation of any environmental law, any provision of false information or data, any by-passing of any environmental control or monitoring device, or any other violation or possible violation of the Company's environmental or worker safety and health policies and procedures, such information must immediately be reported to the PCO.

MOTORSPORT GAMES PEOPLE MUST NOT ENGAGE IN ANTI-COMPETITIVE BEHAVIOR: Competition laws (known as "antitrust" laws in the U.S.) are designed to promote free and open competition. All Motorsport Games People must comply with applicable antitrust and competition laws, to, among other things, ensure that the Company competes aggressively, but fairly, within the limits of legally acceptable business practices, and to protect the Company from the consequences of any non-compliance. If Motorsport Games People have questions about antitrust laws generally, they should contact the PCO.

- **Pricing:** We must always make independent pricing decisions for each of our services and products based on factors such as value to the customer, costs and competitive pressure in the marketplace. The exchange of confidential information with competitors, such as prices, fees charged, promotional allowances, promotional plans, discounts and allowances, profit margins or credit and billing practices, is prohibited. In addition, in the U.S., all promotional allowances and discounts, including, without limitation, volume discounts and advertising assistance, must be offered, on functionally equivalent, proportionately equal terms, to all customers who compete in selling the Company's like services and products. If you have questions about fair pricing, please contact the PCO.

- **Resale Price Maintenance:** We may from time to time recommend resale prices to customers, but we must not set or enforce minimum resale prices. Motorsport Games People must not use any threats or coercion or otherwise interfere with a customer's right to establish its own resale prices, which practices are illegal.

- Tying: Tying may occur when a buyer is required, as a condition of purchasing one service or product, to also purchase a second, distinct service or product. Tying arrangements should never be implemented without first consulting the PCO.

- **Competitors:** Any agreement, whether formal or informal, or any joint activity involving the Company and any other party, the intent or effect of which is to reduce competition, may violate antitrust and competition laws. Any communication with a competitor or its representative is particularly susceptible to antitrust scrutiny. For example, trade association meetings and other industry gatherings often provide a potential pitfall under the antitrust laws because they bring together competitors – people with common interests and problems – who may discuss matters of mutual concern, which could pose a significant risk of an antitrust violation, and thus should be avoided. If any Motorsport Games People plan on attending any trade association meeting or happen to attend any such meeting or find themselves in such circumstances, they should immediately consult the PCO.

Motorsport Games People must avoid any discussion, action or transaction, directly or indirectly, which may involve prohibited anticompetitive conduct, and must immediately report any knowledge of such conduct or raise any questions about the scope of permissible conduct to the PCO, before any action is taken. Motorsport Games People should further consult with the PCO whenever they have any concerns about proposed conduct that may have an anticompetitive purpose or effect or have the appearance of such.

MOTORSPORT GAMES PEOPLE MUST USE THE COMPANY'S IT RESOURCES APPROPRIATELY: All Motorsport Games People and other individuals granted access to the Company's IT resources (including, but not limited to, e-mail, instant messaging and the internet), should only access and utilize those resources for appropriate business purposes in a professional, ethical and lawful manner. All users who have been provided with Company-owned devices must use these devices and handle Company information on the devices in accordance with the Company's policies. Motorsport Games People should not use personal email addresses to transact Company business or to send, transmit, or receive Company information without prior approval from the Company's IT Department. A limited exception will apply if the Company's network is temporarily unavailable, but when such network resumes functioning, such communications and/or information should be promptly deleted from your personal email. Limited personal use of Company resources (e.g., e-mail systems or access to the Company's intranet or internet websites) and use of instant messaging services and access to personal e-mail accounts from the Company's network is permitted if:

- All requirements of Company policies are followed;
- Company information is not disclosed or posted to the internet or the Company's intranet other than for legitimate business purposes;
- Use is not for personal gain or profit that conflict with the Company's interests or is a violation of Company policies;
- Use is appropriate in terms of time and content and does not detract from the employee's business responsibilities; and
- The Company's IT resources are not used for inappropriate, harmful or illegal purposes.

The Company does not confer any guarantee of privacy to Motorsport Games People for their personal or professional use of the Company's IT resources. The Company owns or licenses rights to its IT resources and the Company owns all information that is stored or processed on those IT resources, including, without limitation, documents, spreadsheets, ideas, inventions, processes, designs, concepts, formulas, algorithms, data, programs, applications, documentation, studies, tests, literary work, audiovisual work and any other work of authorship or other information created, sent, received, deleted, stored or otherwise associated in any way with the Company's business. As the owner of such data and information, the Company, in its sole discretion, may access, monitor, review, intercept, quarantine, copy, delete or disclose any information stored on or transmitted through the Company's IT resources, including, without limitation, software, electronically stored documents, e-mail, telephone messages, instant messages, text or SMS messages, internet access and communications and information captured, stored or synced to the cloud using Company-issued devices, in accordance with local laws. Motorsport Games

People may be required to provide their Company-issued devices or any personal device that may be determined to contain Company information in connection with any Company or investigative matter, subject to applicable laws.

MOTORSPORT GAMES PEOPLE MUST KEEP COMPANY COMMUNICATIONS PROFESSIONAL: Internal Company documents and electronic communications are frequently one of the most important factors in governmental investigations, litigations or similar proceedings. All documents and communications created by Motorsport Games People on or using the Company's IT resources or in connection with the Company's business may be considered corporate records that are subject to production and review in governmental investigations, court proceedings or similar proceedings. It is therefore important that Motorsport People exercise professionalism in all communications and consider purpose and context when creating documents or other communications. Motorsport Games People should keep communications professional and avoid attempts at humor or sarcasm in their electronic communications that could be later misconstrued if they become subject to review by regulators, opposing litigants, courts or similar parties or bodies.

MOTORSPORT GAMES PEOPLE MUST PROTECT THE PRIVACY OF COMMUNICATIONS UNDER APPLICABLE DATA PRIVACY AND DATA PROTECTION LAWS: The Company respects the privacy of all Motorsport Games People, as well as that of our consumers, customers, suppliers and other 3rd Parties with whom we have a business relationship and therefore, Motorsport People must handle personal data responsibly and in accordance with all applicable data privacy and data protection laws. For example, Motorsport Games People may provide certain personal data to the Company, such as their home and e-mail addresses, and other family information, for the administration of their relationship with the Company. Similarly, our consumers may provide personal data, such as their name, home and e-mail addresses, in connection with their relationship with the Company. During the course of their business relationships with the Company, customers, suppliers and other 3rd Parties may provide personal data, such as their names, telephone numbers, fax numbers, street addresses, e-mail addresses and credit card information, to the Company. With respect to all of this information, and other information regarded as protected private information under applicable laws, Motorsport Games People are expected to:

- Provide adequate notice prior to collecting personal data;
- Collect voluntary consent where required by applicable law;
- Only collect, process, use and retain personal data for the reason it was provided to us, unless we have another lawful basis for other uses, and as necessary for our recordkeeping purposes;
- Take reasonable steps to safeguard personal data to prevent unauthorized disclosure or use; and
- Comply with all applicable privacy laws.

Laws regarding data privacy and data protection are frequently being developed and modified. We are committed to monitoring evolving data privacy and data protection laws and may, from time to time, develop specific policies in light of them.

Motorsport Games People must also comply fully with all laws governing wiretapping and other forms of electronic surveillance. Unless otherwise expressly approved by the PCO, Motorsport Games People must not use any electronic, mechanical or other device to intercept or record the contents of any telephonic, facsimile, modem-transmitted, electronic mail or other electronic communication, unless all of the parties to the communication consent to the interception. This includes, without limitation, the use of telephone extensions to overhear other individuals' conversations. Unless otherwise expressly approved by the PCO, Motorsport Games People must not use or disclose communications that have been intercepted or recorded in violation of these standards, regardless of whether the Motorsport Games Person was responsible for the interception or recording of the communication. Without the express permission of the PCO, Motorsport Games People must not use any device on Company property or in connection with Company business to make any sound, photographic or other video recording of another person, unless all persons being recorded are aware of the recording and consent to it.

MOTORSPORT GAMES PEOPLE ASK QUESTIONS ABOUT THE CODE, REPORT CODE VIOLATIONS & COOPERATE WITH INVESTIGATIONS: If a Motorsport Games Person has questions regarding the application of this Code to a particular situation, they are encouraged to ask questions and seek advice from the PCO before, rather than after, acting. If any Motorsport Games People know of, or suspect, a possible violation of applicable laws, or any provisions of this Code, they must report that information immediately to the PCO, [to the Motorsport Games Compliance Line] or to your Manager (who must then report such matter to the PCO), or as otherwise directed in this Code. The contact information of the PCO and [the Motorsport Games Compliance Line] is set forth in the introduction portion of the Code. Reports of possible violations may be submitted anonymously; however, it is preferred that the reporting Motorsport Games Person give their identity when reporting possible violations, to allow the PCO to contact the reporting Motorsport Games Person if further information is needed to pursue an investigation.

The reporting Motorsport Games Person will be afforded the maximum possible confidentiality consistent with enforcing this Code. If the reporting Motorsport Games Person is involved in the possible violation covered by the complaint, the fact that they reported the possible violation, together with their degree of cooperation, and whether the possible violation is intentional or unintentional, will be given consideration by the Company in its investigation and any resulting disciplinary action. No Motorsport Games Person reporting a possible violation will be made to suffer public embarrassment or be subject to retaliation because of a good faith report made by such person. Any Motorsport Games Person responsible for reprisals against any individual who in good faith reports known or suspected possible violations will be subject to disciplinary action, including termination where appropriate. However, the submission of a report which is known to be false or with reckless disregard as to its truth constitutes a violation of the Code and will result in disciplinary action, up to termination of employment, where appropriate.

All reported violations of applicable laws, the Code or the Company's related policies will be promptly and thoroughly investigated and will be treated confidentially to the extent consistent with enforcing the Code. All such investigations will be coordinated by the Company's PCO. Motorsport Games People must not conduct their own investigations. Acting on your own may compromise the integrity of an investigation and adversely affect both you and the Company. Motorsport Games People are expected to cooperate fully and truthfully in the investigation of any alleged violation of applicable laws, the Code or related Company policies. Providing false information in connection with any Code investigation, or refusing to cooperate in any Code investigation, is itself a violation of the Code and will result in disciplinary action, up to termination of employment, where appropriate.

If the investigation indicates that corrective action is required, the Company will decide what steps it should take to rectify the problem and avoid its recurrence. Disciplinary actions, including, without limitation, termination of employment, removal from position, discontinuation of services or other action as may be appropriate, may be taken:

- Against Motorsport Games People who authorize or participate directly, and in certain circumstances indirectly, in actions which are a violation of applicable laws, the Code or the Company's related Policies;
- Against Motorsport Games People who fail to report a violation of applicable laws, the Code or the Company's related Policies or withhold information concerning a violation of which they become aware or should have become aware;
- Against Motorsport Games People who make a report of a violation which is known by the reporting Motorsport Games Person to be false or of which the reporting Motorsport Games person has reckless disregard as to its truth;
- Against Motorsport Games People who provide false information or otherwise fail to cooperate in an investigation of a Code matter;
- Against the violator's supervisor(s), to the extent that the circumstances of the violation reflect inadequate supervision or lack of diligence by the supervisor(s); and

- Against Motorsport Games People who attempt to retaliate, directly or indirectly, or encourage others to do so, against a Motorsport Games Person who reports in good faith a violation of applicable laws, the Code or the Company's related policies.

The Company is committed to promoting and ensuring compliance with our Code and all applicable laws, including those designed to protect whistleblowers who may report fraudulent activity that can damage the Company or its investors pursuant to the Sarbanes-Oxley and Dodd-Frank Acts. To that end, the Company strictly prohibits retaliation against any individual who, in good faith, reports a potential violation or participates in a compliance investigation. Specifically, it is a violation of our Code for any Motorsport Games Person to discharge, demote, suspend, threaten, harass or in any other manner retaliate or discriminate against another Motorsport Games Person with regard to their terms and conditions of employment because of any lawful act done by a Motorsport Games Person in good faith to initiate or cooperate in an internal investigation or in an investigation of misconduct conducted by any federal law enforcement or administrative agency.

If, after investigating a particular report, the Company's PCO determines that a violation of this Code has occurred, they will report such determination to Company's principal executive officer (the "PEO") and provide periodic reports of such investigations to the Company's Board of Directors or such committee of the Board as the Board may designate to assist it in its oversight of the Code (the "Committee"). After completing the applicable investigation, if it is determined that there has been a violation of this Code, the Company's PCO, after consultation with the PEO and the Board and/or the Committee, the Company's PCO will take, or cause to be taken, such preventative or disciplinary action as it deems appropriate, including, but not limited to, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of law, notification of appropriate governmental authorities.

The Company's PCO, after consultation with the PEO and the Board and/or the Committee, may determine that mitigating circumstances warrant a waiver of the Code. Under certain circumstance, Board approval will be required before any such waiver is issued and it will be publicly disclosed as required under applicable law. To the extent required by applicable NASDAQ rules, any waiver of the Code for an executive officer or director must be made by the Company's Board of Directors or a designated committee of the Board. Any such waiver of the Code will be disclosed if and to the extent required by applicable laws.

CODE ISSUANCE DATE: January 1, 2022

LAST REVIEWED DATE: January 1, 2022

Exhibit 19.2

Motorsport Games Inc.

Amended and Restated Insider Trading Policy

This Amended and Restated Insider Trading Policy ("Policy") provides the standards of Motorsport Games Inc. ("Motorsport" or the "Company") with respect to transactions in securities of the Company and the handling of

confidential information about Motorsport and the companies with which Motorsport does business. The federal securities laws prohibit insider trading. Insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to engage in transactions in the Company's securities or transmits such information to any other person who may trade on the information. It is Motorsport's policy that the Company and its directors, officers and employees comply with all federal and state securities laws and regulations and any listing standards applicable to the purchase and sale of the Company's securities.

This Policy applies to all transactions in the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company (referred to in this Policy as the "Company's securities"). The term "transactions" or "trading" means broadly any purchase, sale or other transaction to acquire, transfer or dispose of securities, including market option exercises, gifts or other contributions, exercises of stock options granted under the Company's stock plans, sales of stock acquired upon the exercise of options and the vesting of restricted stock and restricted stock units and trades made under an employee benefit plan.

Section 1 hereof applies to all members of the Company's board of directors and all officers and employees of the Company and its subsidiaries. Section 1 of this Policy also applies to such persons' family members who live in such persons' households, other members of such persons' households and entities controlled by such persons, as described in more detail below. The Company may also determine that other persons should be subject to Section 1 of this Policy, such as contractors or consultants. Section 2 hereof applies to all directors and executive officers of the Company, the employees listed in Appendix A hereto and any other individuals designated from time to time. Section 2 of this Policy also applies to such persons' family members who live in such persons' households, other members of such persons' households and entities controlled by such persons, as described in more detail below. Section 3 hereof sets forth additional requirements applicable to directors and executive officers of the Company under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

If this Policy applies to you, it also applies to family members who reside with you (including a spouse, a child, a child away at college, stepchildren, grandchildren, parents, stepparents, grandparents, siblings, in-laws and adoptive relationships) or are financially dependent on you, and also includes other family members whose transactions in securities are directed by you or are subject to your influence or control. This Policy does not apply to other family members who do not reside with you, who are not financially dependent on you, and whose transactions in securities are not directed by you and are not subject to your influence or control. This Policy also applies to any other person who lives in your household and to any legal entities (such as a corporation, partnership or trust) that are influenced or controlled by you or other persons who have a relationship with you and are subject to this Policy.

Transactions by your family members subject to this Policy and other persons subject to this Policy who have a relationship with you should be treated for the purposes of this Policy as if they were for your own account. ***Accordingly, all references to you with regard to all trading restrictions and pre-clearance procedures in this Policy also apply to your family members or other persons with whom you have a relationship who are subject to this Policy. You are personally responsible for the actions of your family members or other persons with whom you have a relationship who are subject to this Policy.***

The Company has appointed the Chief Financial Officer as the Compliance Officer for this Policy. All determinations and interpretations by the Compliance Officer shall be final and not subject to further review. The Compliance Officer's approval of a transaction submitted for pre-clearance does not constitute legal advice, does not constitute confirmation that you do not possess material nonpublic information and does not relieve you of any of your legal obligations.

Any violation of this Policy may result in immediate dismissal and may subject you to both civil and criminal penalties. This is an extremely important matter, and we urge you to read the following with care. If you have any questions about this Policy, including its application to any proposed transaction, you may obtain additional guidance from the Compliance Officer. Do not try to resolve uncertainties on your own, as the rules relating to insider trading are often complex, not always intuitive and carry severe consequences.

Section 1: Trading Restrictions and Guidelines

A. General Policy - Prohibition Against Trading On or Tipping Material Nonpublic Information

It is the policy of Motorsport that no director, officer or other employee of the Company (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) who is aware of material nonpublic information relating to Motorsport may, directly, or indirectly through family members or other persons or entities:

1. Engage in transactions in Company securities, except as otherwise specified in this Policy under the heading "Certain Exceptions to the Trading Restrictions in this Policy."

2. Recommend the purchase or sale of any Company securities; or

3. Communicate material nonpublic information concerning Motorsport to any other person (including relatives, friends or business associates), except to the extent necessary to perform authorized work for Motorsport or as required or specifically permitted by law or legal process. Nor should such information be discussed with any person within Motorsport under circumstances where it could be overheard. Written information should be appropriately safeguarded and should not be left where it may be seen by persons not entitled to the information.

In addition, it is the policy of the Company that no director, officer or other employee of the Company (or any other person designated by this Policy or by the Compliance Officer as subject to this Policy) who learns, in the course of employment with the Company or the performance of services on the Company's behalf, material nonpublic information about another company with which the Company proposes to, or does, business, including a vendor, customer or supplier of the Company, may (i) trade in that company's securities until the information becomes public or is no longer material, or (ii) communicate that information or make any recommendation relating to the buying or selling of securities of such company to any other person, including family and friends, business associates, or in any consulting capacity.

There are no exceptions to this Policy, except as specifically noted herein. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure), or small transactions, are not excepted from this Policy. The securities laws do not recognize any mitigating circumstances, and, in any event, even the appearance of an improper transaction must be avoided to preserve the Company's reputation for adhering to the highest standards of conduct. This means that you may have to forgo a proposed transaction in the Company's or another company's securities even if you planned to make the transaction before learning the material nonpublic information and even though you believe that waiting may cause you to suffer an economic loss or not realize anticipated profit.

This Policy continues to apply to transactions in Company securities even after termination of service to Motorsport. If an individual is in possession of material nonpublic information when his or her service terminates, that individual may not trade in Company securities until that information has become public or is no longer material. Unless notified otherwise by the Company, for persons described in Section 2 of this Policy who leave during a closed window period, the trading window and pre-clearance requirements set forth in Section 2 continue to apply until the opening of the next quarterly window period after termination of service to Motorsport.

B. Blackout periods for any or all personnel

The Compliance Officer may issue instructions from time to time advising some or all personnel that they may not engage in transactions in Company securities for certain periods, or that our securities may not be traded without prior approval. Due to the confidential nature of the events that may trigger these sorts of blackout periods, the Compliance Officer may find it necessary to inform affected individuals of a blackout period without disclosing the reason. If you are made aware of such a blackout period, do not disclose its existence to anyone.

C. Definitions

Material Information. Material information is any information that a reasonable investor would consider important in determining whether to buy, sell or hold securities. Positive or negative information may be material to investors. A determination as to whether information is material depends on all of the related facts and circumstances. Material information is not limited to historical facts but may also include projections and forecasts.

Information that you should consider material includes, but is not limited to:

- earnings information and annual and quarterly results;
- financial forecasts, including earnings estimates;
- changes in previously released forecasts;
- significant merger, acquisition or divestiture proposals, negotiations or agreements;
- new joint venture or a new contract;
- changes in auditors;
- major supplier delays, negotiations or agreements;
- significant changes in the Company's prospects;
- significant or unusual borrowing or liquidity issues;
- equity or debt offerings;
- purchases or redemptions of securities;
- changes in management or the Company's board of directors;
- significant related party transactions;
- a significant disruption in the Company's operations or loss, potential loss, breach or unauthorized access of its property or assets, including its facilities and information technology infrastructure;
- significant cybersecurity incidents; and
- pending or threatened significant litigation or government agency investigation, or the resolution of such litigation or investigation.

Nonpublic Information. Information that has not been disclosed to the public is generally considered to be nonpublic information. Information is considered to be public when it has been released in a manner that is reasonably designed to provide broad, non-exclusionary distribution (e.g., by means of a press release or an SEC filing) and after enough time has elapsed to permit the investment market to absorb and evaluate the information. As a general rule, information should not be considered fully absorbed by the market until after the second business day after the day on which the information is released. Note that the information disseminated must be some form of "official" announcement. In other words, the fact that rumors, speculation, or statements attributed to unidentified sources are public is insufficient to be considered broadly distributed even when the information is accurate.

Officer. Officer means the individuals classified by the Company as officers for purposes of SEC rules under Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

D. Certain Exceptions to the Trading Restrictions in this Policy

The trading restrictions in this Policy, including those set forth in Section 2, do not apply in the case of the following transactions, except as specifically noted:

Exercise of Stock Options. The trading restrictions in this Policy do not apply to the exercise of an employee stock option acquired pursuant to the Company's plans, or to the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option to satisfy tax withholding requirements, provided, however, that if you are subject to the pre-clearance procedures discussed in Section 2(B) below, you must obtain pre-clearance prior to any exercise of stock options. The trading restrictions in this Policy ***do*** apply, however, to any sale of stock received upon exercise, including as part of a broker-assisted cashless exercise of an option, or any other market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Vesting of Restricted Stock and Restricted Stock Unit Awards. The trading restrictions in this Policy do not apply to the vesting of restricted stock or restricted stock units, or the exercise of a tax withholding right pursuant to which you elect to have the Company withhold shares of stock to satisfy tax withholding requirements upon the vesting of any restricted stock or restricted stock unit. The trading restrictions in this Policy ***do*** apply, however, to any market sale of restricted stock and shares of stock received upon the vesting of restricted stock units.

Rule 10b5-1 Trading Plan. The trading restrictions in this Policy do not apply to purchases or sales of the Company's securities pursuant to a pre-approved Rule 10b5-1 trading program (a "Rule 10b5-1 Plan"). Implementation of a Rule 10b5-1 Plan under the Exchange Act provides an affirmative defense (which must be proven) from insider trading liability under Rule 10b-5. A Rule 10b5-1 Plan must be entered into at a time when the person entering into the plan is not aware of material non-public information. Once the plan is adopted, the person must not exercise any influence over the amount of securities to be traded, the price at which they are to be traded or the date of the trade. The plan must either specify the amount, pricing and timing of transactions in advance or delegate discretion on these matters to an independent third party. Entry into a Rule 10b5-1 Plan must comply with the requirements set forth in "Rule 10b5-1 Plans" below.

E. Rule 10b5-1 Plans

Entry into a Rule 10b5-1 Plan requires the prior written approval of the Compliance Officer (which approval may include an email confirmation). Any Rule 10b5-1 Plan must be submitted for approval five days prior to the entry into the Rule 10b5-1 Plan. No further pre-approval of transactions conducted pursuant to the Rule 10b5-1 Plan will be required. You may not adopt a Rule 10b5-1 Plan during any Event-Specific Blackout Period, or at a time when you are aware of material non-public information. Directors, executive officers and designated employees shall only adopt a Rule 10b5-1 Plan during an open trading window and are subject to the pre-clearance requirements of this Policy, as described in Section 2 below. The following requirements apply to all Rule 10b5-1 Plans:

- directors and Officers may not commence sales under a Rule 10b5-1 plan until the later of (i) 90 days following the date of adoption or modification of such plan; or (ii) two business days following the disclosure of the Company's financial results in a Form 10-K or Form 10-Q relating to the fiscal quarter in which the Rule 10b5-1 plan was adopted or modified (but not to exceed 120 days following plan adoption or modification);

- all persons other than directors and Officers, may not commence sales under a Rule 10b5-1 plan until 30 days following the date of adoption or modification of such plan;

- directors and Officers must provide a representation in the Rule 10b5-1 plan certifying that, on the date of adoption or modification of the plan, they (i) are not aware of material nonpublic information about the Company or its securities; and (ii) are adopting or modifying the plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5;

- subject to the limited exceptions set forth in Rule 10b5-1, you may not maintain multiple, overlapping plans;

- subject to the limited exceptions set forth in Rule 10b5-1, you can utilize only one single-trade plan (i.e. a plan designed to effect only a single transaction) during any 12 month period; and

- you must act in good faith with respect to the Rule 10b5-1 plan, not just in connection with entering into the plan.

The Company may impose additional restrictions on Rule 10b5-1 Plans, including without limitation:

- requiring that all plans be managed by an administrator selected by the Company;

- restrictions on termination or modification of plans;

- prohibition on entry into new plans for extended periods following termination of an existing plan; and

- prescribed periods during which persons may enter into plans.

Modification or termination of Rule 10b5-1 Plans are generally discouraged absent compelling circumstances. Any modification to any Rule 10b5-1 Plan is treated as the entry into a new plan and must comply with all of the above requirements.

F. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory. Individuals also may be prohibited from serving as directors or officers of the Company or any other public company. Keep in mind that there are no limits on the size of a transaction that will trigger insider trading liability; relatively small trades have in the past occasioned SEC investigations and lawsuits.

Legal Penalties. A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a penalty of several times the amount of profits gained or losses avoided. In addition, a person who tips others may also be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippers can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation," which could apply to the Company and/or management and supervisory personnel.

Company-imposed Penalties. An individual who violates this Policy may be subject to disciplinary action by the Company, including dismissal or removal for cause.

G. Additional Guidelines

The Company considers it improper and inappropriate for those employed by or associated with the Company to engage in short-term or speculative transactions in the Company's securities or in other transactions in the Company's securities that may lead to inadvertent violations of the insider trading laws. It therefore is the Company's policy that any persons covered by this Policy may not engage in any of the following transactions (even if they do not possess material nonpublic information):

Short Sales. You may not engage in short sales of the Company's securities (sales of securities that are not then owned), including a "sale against the box" (a sale with delayed delivery). Short sales of Company

securities may evidence an expectation on the part of the seller that the securities will decline in value, and therefore have the potential to signal to the market that the seller lacks confidence in the Company's prospects. In addition, short sales may reduce a seller's incentive to seek to improve the Company's performance. For these reasons, short sales of Company securities are prohibited.

Publicly Traded Options. You may not engage in transactions in publicly traded options related to the Company's securities, such as puts, calls and other derivative securities, on an exchange or in any other organized market. Given the relatively short term of publicly traded options, transactions in options related to the Company's securities may create the appearance that a director, officer or employee is trading based on material nonpublic information and focus a director's, officer's or other employee's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in publicly traded options related to the Company's securities on an exchange or in any other organized market are prohibited by this Policy.

Hedging Transactions. Hedging transactions (transactions that hedge or offset, or are designed to hedge or offset, any decrease in the market value of the Company's equity securities) can be accomplished through a number of possible mechanisms, including through the use of financial instruments such as prepaid variable forwards, equity swaps, collars and exchange funds. Such hedging transactions may permit a director, officer or employee to continue to own Company securities obtained through employee benefit plans or otherwise, but without the full risks and rewards of ownership. When that occurs, the director, officer or employee may no longer have the same objectives as the Company's other shareholders. Therefore, directors, officers and employees are prohibited from engaging in any such transactions.

Margin Accounts and Pledges. Securities held in a margin account or pledged as collateral for a loan may be sold without your consent by the broker if you fail to meet a margin call or by the lender in foreclosure if you default on the loan. A margin or foreclosure sale that occurs when you are aware of material nonpublic information may, under some circumstances, result in unlawful insider trading. Therefore, directors, officers and employees are prohibited from holding Company securities in margin accounts or pledging Company securities as collateral for a loan.

Section 2: Additional Restrictions on Trading Applicable to Directors, Executive Officers, and Designated Employees

Section 2 of this Policy imposes additional trading restrictions and applies to all directors and executive officers of the Company and the employees listed in Appendix A hereto ("Designated Employees") as well as certain other persons designated from time to time by the Compliance Officer. This section of the Policy also applies to family members who reside with persons subject to this section of the Policy, other members of such persons' households and entities controlled by a person subject to this section of the Policy.

A. Trading Window Periods

Quarterly Trading Windows. Directors, executive officers and Designated Employees, as well as their respective family members who reside with them, household members and entities controlled by such persons, can only engage in transactions in Company securities during an "open" "window period," ***and only so long as such person does not have any material nonpublic information about Motorsport*.** Motorsport has established four regular "trading windows" of time during the fiscal year. The "trading windows" generally open at market open one full trading day after the time at which Motorsport files its Quarterly Report on Form 10-Q or Annual Report on Form 10-K for the prior fiscal quarter or fiscal year, as the case may be, continuing through close of business on the 15th day of the final month of each fiscal quarter (i.e. March 15th, June 15th, September 15th, and December 15th). Because directors, executive officers, and Designated Employees are especially likely to receive regular nonpublic information regarding Motorsport's operations, limiting trading to this "window period" helps prevent trading that is based on material information that is not available to the public. ***Before trading in Company securities during the "window period," directors, executive officers, and Designated Employees, as well as their respective family members who reside with them, household members and entities controlled by such persons, must also comply with the pre-clearance procedures discussed below.***

Under certain very limited circumstances, a person subject to this restriction may request to trade when the quarterly trading window is closed, but only if the person does not in fact possess material nonpublic information.

Persons wishing to trade when the quarterly trading window is closed must contact the Compliance Officer for approval at least two business days in advance of any proposed transaction involving Company securities. Such request may be granted in the sole discretion of the Compliance Officer. Exceptions to the trading window period policy are granted infrequently and only in exceptional circumstances.

Event-Specific Trading Restriction Periods. As described in Section 1(B) above, from time to time, an event may occur that is material to the Company (such as negotiation of mergers, acquisitions or dispositions) and is known by only a few directors, officers and/or employees. So long as the event remains material and nonpublic, persons designated by the Compliance Officer may not engage in transactions in Company securities. The existence of an event-specific trading restriction period will not be announced to the Company as a whole and should not be communicated to any other person. If the Company declares an event-specific trading restriction period to which you are subject, a member of the legal department will notify you when the restricted period begins and ends. Even if the Compliance Officer has not designated you as a person who should not trade due to an event-specific restriction, you should not trade while aware of material nonpublic information. Exceptions will not be granted during an event-specific trading restriction period.

B. Pre-Clearance

Motorsport requires that all directors, executive officers and Designated Employees, as well as their respective family members who reside with them, household members and entities controlled by such persons, obtain prior written approval from the Compliance Officer (which approval may include an email confirmation) before engaging in any transaction in Company securities. A request for pre-clearance should be submitted to the Compliance Officer at least two business days in advance of the proposed transaction. The Compliance Officer is under no obligation to approve a transaction submitted for pre-clearance and may determine not to permit the transaction. If a person seeks pre-clearance and permission to engage in the transaction is denied, then he or she should refrain from initiating any transaction in Company securities and should not inform any other person of the restriction. If approved, the transaction must be completed within three business days, but in no event after the expiration of the applicable window period or after a pre-clearance has been withdrawn. If the transaction does not occur during the three-business day period, pre-clearance of the transaction must be re-requested. A form of "Request for Approval" is attached as Appendix B hereto and should be used to request approval hereunder, unless otherwise notified by the Compliance Officer.

The Compliance Officer's approval of a transaction submitted for pre-clearance does not constitute legal advice, does not constitute confirmation that you do not possess material nonpublic information and does not relieve you of any of your legal obligations.

The Compliance Officer himself or herself may not engage in a transaction in Company securities unless the Company's Chief Executive Officer has pre-cleared such transaction.

C. Exceptions

The quarterly trading window and event-specific trading restrictions do not apply to the exempt transactions described in Section 1(D) above.

Section 3: Additional Requirements Applicable to Directors and Officers Pursuant to Section 16 of the Exchange Act.

Directors and Officers of the Company (the "Section 16 Insiders") are also subject to the reporting and short-swing profit rules under Section 16 of the Exchange Act.

A. Reporting Requirements

Section 16(a) requires the directors and Officers of the Company to file reports with the SEC that identify their beneficial ownership of the Company's equity securities and any transactions they make in those securities. A Form 3 must be filed no later than the tenth (10th) calendar day after an individual becomes a director or Officer of the Company, and any subsequent change in beneficial ownership by a Section 16 Insider must, unless exempt from reporting or eligible for deferred reporting, be reported on a Form 4 filed within two business days. These reports must be filed with the SEC via EDGAR and are therefore immediately publicly available upon filing. Section 16(a) imposes the obligation to file ownership reports with the SEC on the individual insiders, not on the Company. However, the Company must disclose any delinquent Section 16 filers in its annual proxy statement and identify the trading information that was not properly filed. While it is not the Company's obligation to do so, it is the Company's practice to assist each of its Section 16 Insiders in filing their Section 16(a) reports. In order to facilitate timely compliance, a Section 16 Insider (or his or her broker) must immediately report (no later than the same day such Section 16 Insider engages in the transaction) detailed trade information, in writing, to the Company's Compliance Officer and Chief Financial Officer for all transactions made in Company securities by such insider, any family members, household members and entities that such insider controls. Although it is the individual responsibility and legal obligation of each director and Officer to comply with the reporting requirements described herein, the Compliance Officers will, upon being advised of a transaction, endeavor to prepare and, pursuant to a power of attorney, timely file Section 16(a) reports on behalf of each Section 16 Insider. A power of attorney (the "POA") that authorizes Company personnel to prepare, complete and file Section 16(a) reports, and otherwise act on a Section 16 Insider's behalf regarding Section 16(a) reports can be obtained from the Compliance Officer. Section 16 Insiders who would like the Company to assist them with their Section 16(a) reports should obtain and sign the POA and return it to the Company's Compliance Officer and Chief Financial Officer.

In addition to the disclosure requirements imposed by Section 16 of the Exchange Act, directors and Officers of the Company are required to file a Form 144 before making an open market sale of Motorsport securities. Form 144 notifies the SEC of your intent to sell Motorsport securities. This form is generally prepared and filed by your broker.

B. Short-Swing Profit Rules

Section 16(b) provides for the recovery of "short-swing" profits from a Section 16 Insider resulting from certain transactions in Company securities "beneficially owned" by them. Specifically, a Section 16 Insider is required by law to turn over to the Company any "profit" realized upon a purchase followed by a sale, or a sale followed by a purchase, of any equity security of the Company that is beneficially owned by him or her and made within a period of less than six months. A profit may result even if the purchase and sale involve different types of equity securities. Moreover, any sale or purchase may be matched with any purchase or sale within the period such that there may be recoverable "profit" even if there has been no economic benefit to the individual in question. The good faith of a director or Officer is irrelevant to whether recovery is required under Section 16.

Transactions in the Company's securities by persons related to a Section 16 Insider (e.g., spouse, children, grandchildren and in-laws), or by entities in which he or she may have an indirect interest (e.g., partnerships, corporations and trusts) may be attributed to the Section 16 Insider. Accordingly, such related persons or entities should be advised not to engage in trades within six months of trades engaged in by the Section 16 Insider, or engaged in by each other, without considering the implications of the short-swing profit rules.

Appendix A

DESIGNATED EMPLOYEES

Our current Designated Employees for purposes of our Insider Trading Policy are on file with the Compliance Officer. The Compliance Officer may alter this list of Designated Employees at any time, in which case the Compliance Officer will provide written notice to any individuals to be added or removed from this list.

Appendix B

REQUEST FOR APPROVAL TO TRADE COMPANY SECURITIES

Number of Securities (e. g., shares):

Type of Security [check all applicable boxes]

[ ] Common stock
[ ] Restricted stock
[ ] Stock Option
[ ] Debt Securities

Type of Transaction [check all applicable boxes]

[ ] Stock option exercise (must complete applicable exercise form)
[ ] Purchase
[ ] Sale (not under benefit plans)
[ ] Gift (Name of Donee)
[ ] Rule l0b5-1 Plan (attach a copy of the Rule 10b5-1 Plan to this request form)

Broker Contact Information

Company Name: _____
Contact Name: _____
Telephone: _____
Fax: _____
Account Number: _____

Social Security or other Tax Identification Number:

_____

Status (check all applicable boxes and complete blanks):

[ ] Employee –
Citizenship: _____
Country in which you are based: _____

[ ] Board Member

I am not currently in possession of any material nonpublic information relating to Motorsport Games Inc. I hereby certify that the statements made on this form are true and correct. I have also discussed any questions I had with respect to Motorsport Games Inc.'s securities trading policy and its applicability to the transactions contemplated hereby with Motorsport's Compliance Officer or his or her designee.

I understand that clearance may be rescinded prior to effectuating the above transaction if material nonpublic information regarding Motorsport arises and, in the reasonable judgment of Motorsport's Compliance Officer, or his or her designee, the completion of my trade would be inadvisable. I also understand that the ultimate responsibility for compliance with the insider trading provisions of the federal securities laws rests with me and that clearance of any proposed transaction should not be construed as a guarantee that I will not later be found to have been in possession of material non-public information.

Signature: _____
Print Name: _____
Date: _____

Telephone Number: _____

(office use only)

[ ] Request Approved (transaction must be completed within 3 business days after approval)
[ ] Request Denied
[ ] Request Approved with the following modification

Signature & Date: _____

Exhibit 21.1

Subsidiaries of the Registrant

Entity Name	State or Other Jurisdiction of Incorporation or Organization
704Games Company	Delaware
MS Gaming Development LLC (1)	Russia
Motorsport Games Limited	United Kingdom
Racing Pro League, LLC	Delaware
Motorsport Games Inc.	Delaware
Motorsport Games Australia PTY LTD	Australia
Le Mans Esports Series Limited	United Kingdom
Studio397 B.V.	Netherlands

(1) This entity is in the process of being dissolved and is currently dormant.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in Registration Statements on Form S-3 (File No. 333-283444) and Form S-8 (File No. 333-252054) of our report dated March 20, 2025 relating to the consolidated financial statements of Motorsport Games, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2024. Our report includes an explanatory paragraph regarding the existence of substantial doubt about the Company's ability to continue as a going concern.

/s/ GRASSI & CO., CPAs, P.C.

Jericho, New York
March 20, 2025

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated April 1, 2024 (except for Note 14, as to which the date is March 20, 2025), with respect to the consolidated financial statements included in the Annual Report of Motorsport Games Inc. on Form 10-K for the year ended December 31, 2024. We consent to the incorporation by reference of said report in the

Registration Statements of Motorsport Games Inc. on Form S-3 (File No. 333-283444) and Form S-8 (File No. 333-252054).
/s/ GRANT THORNTON LLP

Miami, Florida
March 20, 2025

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Stephen Hood, certify that:

1. I have reviewed this Annual Report on Form 10-K of Motorsport Games Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2025

/s/ Stephen Hood
Stephen Hood
Chief Executive Officer (Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(a) UNDER THE EXCHANGE ACT

I, Stanley Beckley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Motorsport Games Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d- 15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 20, 2025

/s/ Stanley Beckley
Stanley Beckley
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Annual Report on Form 10-K of Motorsport Games Inc. (the "Company") for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Stephen Hood, Chief Executive Officer of the Company, and Stanley Beckley, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 20, 2025

/s/ Stephen Hood
Stephen Hood
Chief Executive Officer (Principal Executive Officer)

Date: March 20, 2025

/s/ Stanley Beckley
Stanley Beckley
Chief Financial Officer
(Principal Financial and Accounting Officer)
