Confidential Draft Submission No. 4 submitted to the Securities and Exchange Commission on December 11, 2020. This draft registration statement has not been filed publicly with the Securities and Exchange Commission and all information herein remains strictly confidential.

Registration Statement No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM S-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

MOTORSPORT GAMING US LLC
to be converted as described herein to a corporation named

MOTORSPORT GAMES INC.
(Exact name of registrant as specified in its charter)

Delaware	**7372**	**83-1463958**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

5972 NE 4th Avenue
Miami, FL 33137
(305) 507-8799
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Dmitry Kozko
Chief Executive Officer
Motorsport Games Inc.
5972 NE 4th Avenue
Miami, FL 33137
(305) 507-8799
(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box: [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: [ ]

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 [X]	Smaller reporting company [X]
	Emerging growth company [X]

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 7(a)(2)(B) of the Securities Act: [ ]

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Offering Price(1)(2)	Amount of Registration Fee
Class A common stock, $0.0001 par value per share	$	$

(1) Includes shares that may be sold if the underwriters' option to purchase additional shares is exercised.
(2) Estimated solely for purposes of calculating the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

EXPLANATORY NOTE

Motorsport Gaming US LLC, the registrant whose name appears on the cover of this registration statement, is a Florida limited liability company. Immediately prior to the effectiveness of this registration statement, Motorsport Gaming US LLC intends to convert into a Delaware corporation pursuant to a statutory conversion and change its name to Motorsport Games Inc. As a result of the corporate conversion, the sole holder of 100% of the membership interests of Motorsport Gaming US LLC will become a holder of Class A common stock and Class B common stock of Motorsport Games Inc. See "Business—Corporate Conversion." Except as disclosed in the accompanying prospectus, the consolidated financial statements and selected historical consolidated financial data and other financial information included in this registration statement are those of Motorsport Gaming US LLC and do not give effect to the corporate conversion.

The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and we are not soliciting offers to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED , 2020

PRELIMINARY PROSPECTUS

Shares

Class A Common Stock

This is an initial public offering of shares of Class A common stock of Motorsport Games Inc. We currently operate as a Florida limited liability company under the name Motorsport Gaming US LLC. Immediately prior to the effectiveness of the registration statement of which this prospectus forms a part, we intend to convert into a Delaware corporation pursuant to a statutory conversion and change our name to Motorsport Games Inc. This is our initial public offering and no public market currently exists for shares of our Class A common stock. We anticipate that the initial public offering price will be between $ and $ per share. We have applied to have our Class A common stock listed on the Nasdaq Capital Market under the symbol "MSGM."

Following this offering, we will have two classes of common stock: Class A common stock and Class B common stock. Each share of Class A common stock is entitled to one vote, while each share of Class B common stock is entitled to ten votes. Motorsport Network, LLC ("Motorsport Network") will be the only holder of shares of Class B common stock and will not have any transfer, conversion, registration or economic rights with respect to such shares of Class B common stock.

Immediately prior to the closing of this offering, Motorsport Network will be our only stockholder. Upon our corporate conversion, we expect to issue to Motorsport Network an equal number of shares of both Class A common stock (the "MSN Initial Class A Shares") and Class B common stock. Accordingly, upon the closing of this offering, Motorsport Network will own (i) shares of our Class A common stock and (ii) shares of our Class B common stock, representing all of the outstanding shares of Class B common stock, which together will represent approximately % of the combined voting power of both classes of our common stock outstanding immediately after this offering (or % if the underwriters exercise in full their option to purchase additional shares of our Class A common stock). In the event Motorsport Network or its affiliates relinquish beneficial ownership of any of the MSN Initial Class A Shares at any time, one share of Class B common stock held by Motorsport Network will be cancelled for each such MSN Initial Class A Share no longer beneficially owned by Motorsport Network or its affiliates.

Upon the closing of this offering, we will be a "controlled company" as defined under the corporate governance rules of The Nasdaq Stock Market LLC ("Nasdaq"). However, we do not currently expect to rely upon the "controlled company" exemptions. See "Principal Stockholders."

We are an "emerging growth company," as defined in Section 2(a) of the Securities Act of 1933, as amended, and will be subject to reduced public reporting requirements. This prospectus complies with the requirements that apply to an issuer that is an emerging growth company.

Investing in our Class A common stock involves risks. See "Risk Factors" beginning on page 14 to read about factors you should consider before buying our Class A common stock.

	Per Share	Total
Initial public offering price	$	$
Underwriting discounts and commissions[(1)]	$	$
Proceeds, before expenses, to us	$	$

(1) See "Underwriting" for additional information regarding compensation payable to the underwriters.

We have granted the underwriters an option for a period of 45 days to purchase up to an additional shares of Class A common stock from us at the initial public offering price less the underwriting discounts and commissions.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of Class A common stock to purchasers on or about , 2020.

Joint Book-Running Managers

Canaccord Genuity **The Benchmark Company**

Prospectus dated , 2020.

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Through and including , 2020 (the 25th day after the date of this prospectus), all dealers that buy, sell, or trade shares of our Class A common stock, whether or not participating in our initial public offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriter and with respect to its unsold allotments or subscriptions.

Neither we nor the underwriters have authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We are offering to sell, and seeking offers to buy, shares of our Class A common stock only in jurisdictions where offers and sales are permitted. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of shares of our Class A common stock. Our business, financial condition, results of operations, and prospects may have changed since that date.

For investors outside the United States: Neither we nor any of the underwriters have done anything that would permit this offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside of the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, this offering and the possession and distribution of this prospectus outside of the United States.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information in this prospectus concerning economic conditions, our industry, our markets and our competitive position is based on a variety of sources, including information from independent industry analysts and publications, as well as our own estimates and research.

Our estimates are derived from publicly available information released by third party sources, as well as data from our internal research, and are based on such data and our knowledge of our industry, which we believe to be reasonable. The independent industry publications used in this prospectus were not prepared on our behalf. While we are not aware of any misstatements regarding any information presented in this prospectus, forecasts, assumptions, expectations, beliefs, estimates and projects involve risk and uncertainties and are subject to change based on various factors, including those described under the headings "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors."

TRADEMARKS AND TRADE NAMES

We own or have rights to trademarks, service marks and trade names that we use in connection with the operation of our business. Other trademarks, service marks and trade names appearing in this prospectus are the property of their respective owners. Solely for convenience, some of the trademarks, service marks and trade names referred to in this prospectus are listed without the ® or ™ symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, service marks and trade names.

FINANCIAL STATEMENT PRESENTATION

As a result of Motorsport Gaming US LLC's acquisition of a 53.5% equity interest in 704Games Company on August 14, 2018, Motorsport Gaming US LLC was the acquirer for accounting purposes and 704Games Company was the acquiree and the accounting predecessor. The financial statement presentation contained in this prospectus distinguishes the results into two distinct periods: the period up to the acquisition date of August 14, 2018 for 704Games Company, which we refer to as the "Predecessor Period," and the periods including and after that date for Motorsport Gaming US LLC, which we refer to as the "Successor Period."

Immediately prior to the effectiveness of the registration statement of which this prospectus forms a part, we intend to complete a corporate conversion pursuant to which Motorsport Games Inc. will succeed to the business of Motorsport Gaming US LLC and its consolidated subsidiaries, and the sole holder of 100% of the membership interests of Motorsport Gaming US LLC will become a holder of Class A common stock and Class B common stock of Motorsport Games Inc., as described under the heading "Business—Corporate Conversion." In this prospectus, we refer to this transaction as the "corporate conversion." We expect that our conversion from a Florida limited liability company to a Delaware corporation will not have a material effect on our consolidated financial statements at the time of the corporate conversion.

We have made rounding adjustments to some of the figures included in this prospectus. Accordingly, numerical figures shown as totals in some tables may not be an arithmetic aggregation of the figures that precede them.

PROSPECTUS SUMMARY

This summary highlights information contained in greater detail elsewhere in this prospectus. This summary is not complete and does not contain all of the information you should consider in making your investment decision. You should read the entire prospectus carefully before making an investment in our Class A common stock and should carefully consider, among other things, our consolidated financial statements and the related notes and the sections entitled "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" included elsewhere in this prospectus. Unless the context requires otherwise, references in this prospectus to the "Company," "Motorsport Games," "we," "us" and "our" refer to Motorsport Games Inc., a Delaware corporation, and its consolidated subsidiaries.

Company Overview

Motorsport Games is a leading racing game developer, publisher and esports ecosystem provider of official motorsport racing series throughout the world, including NASCAR, the iconic 24 Hours of Le Mans endurance race ("Le Mans") and the associated FIA World Endurance Championship (the "WEC"), the British Touring Car Championship (the "BTCC") and others. Through the support of our sole member, Motorsport Network, LLC ("Motorsport Network"), the largest global media company in the motorsport industry, Motorsport Games' corporate mission is to create the preeminent motorsport gaming and esports entertainment ecosystem by delivering the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. Our products and services target a large and underserved global motorsport audience. For 2019, Formula 1 estimates that its total global television audience reached 471 million unique viewers. Further, Le Mans estimates its total reach was approximately 100 million homes worldwide in 2019, while NASCAR reached approximately 475 million households in 2019 and the BTCC reached approximately 62 million households in 2019. For the nine months ended September 30, 2020, our total net revenue was $16.1 million compared to $9.6 million for the nine months ended September 30, 2019.

Started in 2018 as a wholly-owned subsidiary of the Motorsport Network, we are currently the official developer and publisher of the NASCAR video game racing franchise and have obtained the exclusive license to develop multi-platform games for the BTCC. Through a joint venture with Automobile Club de l'Ouest ("ACO"), we are also in the process of obtaining the exclusive license to develop multi-platform games for the Le Mans race and the WEC, which we have entered into a binding letter of intent for and expect to obtain in the fourth quarter of 2020. We develop and publish multi-platform racing video games including for game consoles, personal computer (PC) and mobile platforms through various retail and digital channels, including full-game and downloadable content (sometimes known as "games-as-a-service"). Since our formation, our NASCAR video games have sold over one million copies for game consoles and PCs. For fiscal year 2019 and the nine months ended September 30, 2020, substantially all of our net revenue was generated from sales of our racing video games.

With a projected 2.6 billion total mobile gamers globally for 2020 according to data from NewZoo, an industry source for games market insight and analytics, we continue to focus on developing and further enhancing our multi-platform games for mobile phones. We believe an important component of scaling our gamers and esports viewers is to offer a suite of official mobile games for each of our various motorsport racing series. Currently, we offer NASCAR Heat Mobile for iOS and Android, which has had approximately five million installs to date, and are in the process of developing two other NASCAR mobile games with projected release dates in 2021. In addition, we have a roadmap for the development of more than a dozen anticipated mobile games, including multiple mobile products for each of our racing series.

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. Through the nine months ended September 30, 2020, we have facilitated 53 esports events, up from 22 esports events in all of 2019, which have included official esports events for NASCAR, 24 Hours of Le Mans, the Official World Rallycross Esports Championship, FIA Formula E and other race series. The total number of people that have watched our esports events in 2020 to date is approximately 51 million, up from a total of approximately 1.9 million viewers throughout 2019. Our net revenue attributable to esports and other services comprised 0.6% and 1.8% of our total net revenue during fiscal year 2019 and the nine months ended September 30, 2020, respectively, but we expect that net revenue from this line of business will continue to increase and become material to our business moving forward.

We believe 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. To that end, we are in the process of developing a go-to destination for the virtual racing community, which we internally call APEX. We are designing APEX with the functionality to enable users to run their own esports competitions in a simple, turn-key format, allowing groups to assemble around racing games, leagues, individual ability, and various other metrics. We currently anticipate launching APEX in beta in the first quarter of 2021.

Company Background

Motorsport Games was formed in 2018 by Motorsport Network as a wholly-owned subsidiary in connection with the acquisition by Motorsport Games of a controlling interest in 704Games Company ("704Games"), which holds the exclusive license to be the official video game developer and publisher for the NASCAR video game racing franchise. Simultaneously with the acquisition of 704Games in 2018, we extended the license for 10 years until December 31, 2029, subject to certain limited exceptions. In addition, we have the exclusive right to create and organize esports leagues and events for NASCAR using our NASCAR racing video games, subject to certain limited exceptions. Prior to this offering, Motorsport Games remained a wholly-owned subsidiary of Motorsport Network and, following the completion of this offering, Motorsport Network will continue to be our majority stockholder.

In 2018, following the acquisition of 704Games, we acquired the leadership team of Virtually Entertained Limited, a UK-based esports specialist. Subsequently, we entered into an agreement to facilitate the Le Mans Esports Series as part of a joint venture with ACO, the organizer of the 24 Hours of Le Mans endurance race. Through our 45% ownership interest in this joint venture, we are in the process of obtaining the rights to be the exclusive video game developer and publisher for the Le Mans race and the WEC, which the Le Mans race is a part of. In addition, through this joint venture with ACO, we expect to be granted the right to create and organize esports leagues and events for the Le Mans Esports Series, which would continue so long as we have an ownership interest in this joint venture. We have entered into a binding letter of intent for these licensing rights, which we expect to obtain in the fourth quarter of 2020.

In 2019, Motorsport Network entered into an exclusive partnership with The Codemasters Software Company Limited ("Codemasters") granting Motorsport Network worldwide rights (excluding China) to organize and manage official DiRT Rally 2.0 World Championship and official GRiD eSport World Championship esports events. Through our relationship with Motorsport Network, we have organized and managed these esports events on behalf of Motorsport Network, including the DiRT World Championship held at Autosport International in January 2020, which attracted a large live crowd on site and audience of more than 75,000 online. In March 2020, we also announced a partnership with Codemasters and International Management Group to create the Official World Rallycross Esports Championship.

In May 2020, we secured a multi-year licensing agreement to exclusively develop and publish the video games for the BTCC racing series across console, mobile and casual gaming channels. In addition, through this license, we have the right to create and organize esports leagues and events for the BTCC racing series. The agreement expires on December 31, 2026.

Motorsport Games has offices in Miami and Orlando, Florida, Silverstone, England, and Moscow, Russia.

Market Opportunity

We believe that the broad popularity of racing sports and video games, along with favorable consumer dynamics and strong long-term trends (i.e., ubiquity of mobile devices, widespread acceptance and use of social media and mobile platforms, cloud gaming and video game streaming), together with the lack of a dominant global racing community organizer, present a significant opportunity for us to connect and monetize a large fanbase for motorsports by converting some of this audience into racing gamers and esports participants and spectators.

Global Motorsports Marketplace

We believe that motorsports will increase in popularity across generations of gamers and viewers because of their anticipated enthusiasm for racing games and esports. According to a report published by IndustryARC, the entire motorsports market is expected to reach $30 billion by 2025, which we believe is primarily the result of strong campaigning, broadcasting, social networking, related events, sponsorships and the introduction of advanced technologies by automotive companies. The 2017 acquisition of Formula 1 by Liberty Media Corporation and its intent to invest heavily in the promotion of the sport and to create several "Super Bowl-like" events in the United States is anticipated to also lead to an increase in motorsport popularity and attract a burgeoning audience, which we believe will allow us to convert an increasing number of racing fans into gamers and motorsport esports fans. For 2019, Formula 1 estimates that its total global television audience reached 471 million unique viewers. Further, Le Mans estimates its total reach was approximately 100 million homes worldwide in 2019, while NASCAR reached approximately 475 million households in 2019 and the BTCC reached approximately 62 million households in 2019.

Video Games

Video games have increasingly become one of the leading forms of entertainment on a global scale. The video game industry continues to benefit from powerful demographic shifts as new players enter the market, due in large part to gaming entertainment becoming ubiquitous across all age groups and geographies. In 2020, the Entertainment Software Association reported that within the United States:

- there are 214 million video game players, with three quarters of all households having at least one person who plays video games;
- 64% of all adults and 70% of those under 18 regularly play video games;
- the average age of video game players is 35 to 44; and
- adult video game players spend 6.6 hours per week playing with other gamers online and 4.3 hours per week playing with others in person.

Additionally, according to NewZoo, there are currently 2.7 billion persons that play video games worldwide who are projected to spend $174.9 billion on video games in 2020, with this number forecasted to surpass $200 billion by 2023. Industry growth is expected to be further strengthened by the release of next generation consoles, with the recent release of PlayStation 5 and Xbox Series X.

We also believe that video games in the racing genre will increase in popularity globally across generations of gamers and viewers because the format benefits from being family-friendly and can appeal to multiple generations. According to the Entertainment Software Association, of the 65% of gamers in the United States who play with others, 31% of them are playing with parents or other family members. Moreover, 26% of males between the ages of 55 and 64 and 50% of females between the ages of 18 and 34 who play video games classified racing games as their favorite genre of games. Additionally, 92% of parents pay attention to the games their children play, and 87% are aware of Entertainment Software Rating Board (ESRB) ratings. Our entire product lineup is currently rated E (Everyone), and we expect our future portfolio of games will also be rated E, thereby increasing the marketability of our products for parents who are conscientious of ratings, when compared to other genres, such as first-person shooter games. We believe these dynamics will help support the continued growth of games in the racing genre, which represented 5.8% of all 2018 video game sales in the United States as reported by Statista.

Mobile Games

Consumers are increasingly using their mobile devices for entertainment, including for playing mobile games. Digital game design in the casual game market has evolved as new game types and business models address expanding gaming audiences. In addition, the widespread adoption of smartphones and the availability of mobile app stores has increased the total accessible audience for gaming experiences, as it allows for gaming to occur more widely outside the home. According to Barclays, mobile gaming is estimated to represent 47% of current industry revenues and is expected to reach 60% by 2025. Further, with a projected 2.6 billion total mobile gamers for 2020 according to data from NewZoo, mobile games are forecasted to generate revenues of $86.3 billion in 2020.

Esports

The popularity of esports continues to grow rapidly, with an engaged and passionate fan base across the globe. According to recent data from NewZoo, the global esports audience is expected to reach 495 million in 2020, up from 395 million in 2018, which would surpass the global audience for many traditional sports. NewZoo also estimates that esports will generate approximately $950.3 million in global revenues in 2020, which will include approximately 61% from sponsorships, 17% from media rights, 11% from publisher fees and 6% from merchandise and ticketing revenue.

The proliferation of new streaming technologies in content distribution has also fueled growth in the popularity and engagement of esports, including the rise of live streaming and over-the-top channels and social networking and interaction within games. For example, according to Streamlabs, consumers viewed 4.7 billion hours of content on Twitch, 1.6 billion hours on YouTube Gaming Live and over 1 billion hours on Facebook during the third quarter of 2020, representing year-over-year growth of 70%, 132% and 297%, respectively.

Additionally, the popularity of esports is evidenced by the growth of professional esports associations and leagues. According to Greenman Gaming, tournament prize money in esports is increasing at an average of 42% per year, and the number of pro athletes in esports has been growing at a rate of 43% per year since 1998.

Our Competitive Strengths

Since our founding as a wholly-owned subsidiary of Motorsport Network in 2018, we have been developing our capabilities to be the preeminent motorsport gaming and esports entertainment ecosystem. We believe the following key strengths provide us with a significant competitive advantage to achieve this mission.

Exclusive licensing and partnership rights that provide unique and defensible access to iconic racing series. Our video game licensing and esports portfolio generally provides us exclusive and defensible rights to some of the most prestigious and popular global racing brands, providing for a large and growing core audience of fans to purchase and participate in our growing product and services portfolio. Specifically:

- Through our acquisition of 704Games in 2018, we obtained the exclusive license to be the official video game developer and publisher for the NASCAR video game racing franchise, subject to certain limited exceptions. In addition, we have the exclusive right to create and organize esports leagues and events for NASCAR using our NASCAR racing video games, subject to certain limited exceptions. Our current license arrangement with NASCAR, which was extended 10 years simultaneously with the acquisition of 704Games, expires on December 31, 2029.

- In March 2019, we established a joint venture with ACO, the organizer of the iconic 24 Hours of Le Mans endurance race. Through this joint venture, we are in the process of obtaining the rights to be the exclusive video game developer and publisher for the Le Mans race and the WEC, which we have entered into a binding letter of intent for and expect to obtain in the fourth quarter of 2020. Once granted, we anticipate this license would expire ten years beginning from the date of our first release of a Le Mans video gaming product. In addition, through this joint venture with ACO, we expect to be granted the right to create and organize esports leagues and events for the Le Mans Esports Series, which would continue so long as we have an ownership interest in this joint venture.

- In May 2020, we secured a multi-year licensing agreement to exclusively develop and publish the video games for the BTCC racing series across console, mobile and casual gaming channels. In addition, through this license, we have the right to create and organize esports leagues and events for the BTCC racing series. Our current license with the BTCC expires on December 31, 2026.

Portfolio of quality racing games developed by an experienced in-house development team specializing in racing games. Since our founding, we have invested in our in-house development team and have developed a portfolio of quality racing games for various platforms (PC, console, handheld and mobile). Our experienced development team consisting of approximately 56 employees specializes in racing games and has a deep understanding of games in this genre. This includes the crucial development of car physics, tracks, tire models, general racing rules and other components that are found across racing games. This specialization serves as a scalable foundation for the development of future racing games in our portfolio, which we believe also allows us to utilize the best available methods and technologies to help achieve higher quality products through an efficient development process. In turn, this allows us to more effectively control game development and in-game updates along with reducing the time and costs of developing and launching new games. Our development team serves as the strong cornerstone for the development of our future virtual racing franchises, particularly as we progress towards launching our next generation of NASCAR games on our proprietary racing-focused gaming engine, which we refer to as the "MSG Engine."

Strategic alliance and support from Motorsport Network, including access to a vast target audience. Motorsport Network is a leading global motorsport and automotive data-driven digital platform that owns and operates a collection of valuable digital media motorsport and automotive brands. As of July 2020, Motorsport Network had approximately 11 million social media followers and over 55 million unique visitors generating over 326 million monthly page views on its flagship platforms, including motorsport.com, autosport.com and motor1.com. Approximately 200 leading journalists and trusted experts in the world are creating daily content that seeks to capture and retain user attention through comprehensive distribution channels for Motorsport Network. Pursuant to an agreement with Motorsport Network, we have digital access rights to this audience to enable us to market, communicate, and engage with them regarding our games and esports series. We believe this access to a large, highly engaged and affluent target audience with an active lifestyle and passion for motorsports and automobiles creates strong engagement and distribution channel opportunities for our products and services. In addition, our strategic alliance and relationship with Motorsport Network uniquely provides us the ability to leverage the broad industry relationships and market clout of Motorsport Network, particularly due to its vast audience and reach. It is this relationship with Motorsport Network that we believe helped us to secure our current joint ventures, game development and/or esports related rights for various racing series, including for NASCAR, Le Mans and the BTCC.

Experienced game and technology-focused management team. Our senior management team has developed extensive experience across a broad range of disciplines in the gaming, esports and racing industries, including through prior roles at Codemasters, Electronic Arts, Sega, NaturalMotion, Sony and Motorsport Network. With an average of approximately 18 years of experience in these industries, including at public companies, our senior management team has strong creative and operational experience and a successful track record. For example, certain members of our management core team participated in the development and publishing of the official Formula 1 game franchise, as well as many other successful game titles, such as DiRT Rally and Forza Horizon. Further, prior to joining us, the majority of our senior management team have successfully worked together in the past, including our Chief Executive Officer and Chief Financial Officer, who have previously teamed together while serving as President and Chief Financial Officer, respectively, at a prior public company. This extensive experience extends beyond our senior management team and deep into our organization. We pair traditional games veterans with non-traditional expertise to push how games are customarily developed, published and operated.

The existing users of our console and mobile games, when combined with our officially licensed esports initiatives, joint ventures and the anticipated launch of APEX, cultivate a reinforcing flywheel of content that will enhance our offerings and grow our audience for future products and services. Given our track record and management team, we believe we are well positioned to continually create innovative and reinforcing gaming products that generate user excitement and naturally foster a competitive camaraderie amongst gamers. By harvesting the reinforcing nature of our product portfolio and the competition our products drive in our users, we believe we will be able to propel user engagement on APEX, our platform for the virtual racing community that we expect to launch in beta in the first quarter of 2021, and will increasingly be able to produce successful esports events centered around our popular licensed racing series. As a sign of the momentum we are generating, we had over 51 million viewers of our esports events in 2020 to date, which enabled us to prominently display and reinforce our branding with the racing community. This includes one of the largest events in virtual racing history, the Le Mans 24 Virtual held in June 2020, which we produced. We also have entered into a joint venture with an affiliate of the Race Team Alliance ("RTA"), an organization consisting of 13 NASCAR Cup Series teams, to develop the eNASCAR Heat Pro League (the "eNHPL"). The RTA teams include the eNHPL and NASCARHeat.com logos on the contingency space on each of their NASCAR Cup Series vehicles for a number of NASCAR events, leading to increased awareness about the eNHPL through this unique promotional channel. We believe these milestones and achievements, combined with the current users of our console and mobile games and our access to the vast audience of Motorsport Network, uniquely positions us to be the preeminent motorsport gaming and esports entertainment ecosystem.

Our Strategy

Our mission is to create the preeminent motorsport gaming and esports entertainment ecosystem by delivering the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. We believe we have put in place a solid foundation to achieve this mission since our founding in 2018, including each of our strengths listed above. To continue to build on this foundation and our growing momentum, we plan to focus on the following four key strategies:

- ***Continue to enhance the depth and breadth of our industry-leading motorsport gaming product portfolio***

In 2018, we, through our subsidiary 704Games, extended our license as the official video game developer and publisher for NASCAR through the end of 2029. To maximize the potential of the NASCAR gaming franchise, we have made significant investments in both technology and human talent to create a best-in-class racing game experience. In 2021, we plan to introduce our next generation NASCAR console game, offering fans of the sport and racing a "AAA" comparable game that will provide the most authentic and engaging experience possible. This new game has been internally built from the ground up on our new proprietary racing-focused MSG Engine and will utilize Unreal Engine's game engine, paired with the latest car physics and other components. The Unreal Engine is widely recognized within the industry and has been utilized in many notable games, such as *Borderlands 3, Fortnite Battle Royale, Gears 5, MotoGP 18, PlayerUnknown's Battlegrounds* and many others.

In conjunction with the launch of our new NASCAR console game, we plan to launch a new, redesigned NASCAR Heat Mobile in 2021, which is our NASCAR mobile racing game that will also be developed internally. Given the recent popularity and fast growing nature of the branded casual game experience, we also plan to introduce a slate of NASCAR branded casual gaming options, starting with the officially licensed NASCAR "match three" game in 2021. In addition, we have a roadmap for the development of more than a dozen anticipated mobile games, including multiple mobile products for each of our racing series.

Combined with exclusive licenses and unique partnerships with iconic motorsport brands, we aspire to control the majority of the motorsport virtual racing segment to develop, publish, market, and distribute our games and organize unique esports events to help promote such games. We have been in discussions with numerous internationally recognized racing series license holders to develop video games and esports based upon their intellectual property, including using the same technology that will power our next generation NASCAR console game, as well as our upcoming games for the Le Mans and BTCC racing series that we anticipate releasing in 2022. For any new additional motorsport series with which we partner, we believe our new proprietary racing-focused game engine will allow us to quickly and cost effectively produce new, modern games (building on our existing game technology and know-how with such new series) and market it through existing distribution channels.

- ***Invest and harness the power of technology to focus on digital delivery and mobile platforms with interactive social engagement***

Driven by fast and convenient digital delivery, the widespread use of mobile devices and mobile games, and the ease of streaming and cloud computing, players increasingly purchase our games digitally or spend time playing our games on mobile devices. Downloadable-extra content and microtransactions have higher profit margins than traditional retail one-time sales of games and offer meaningful ways of generating revenues in free-to-play games and create monetization capabilities of existing games beyond the initial game purchase. Increasing opportunities for players to interact and socialize among peers around esports make games a major social outlet for players, which helps to develop a relationship between our game content and consumers, and provides higher margins and greater revenue visibility relative to prior years when revenues were dependent on the original game purchase.

- ***Continue to develop a full competitive esports ecosystem alongside franchise properties and a new gaming community on our APEX platform***

Underpinning our growth strategy is the integration between our licensed video game properties and our fully built-out esports platform and capabilities. As we continue to add to our existing portfolio of games centered around popular licensed racing series, this will provide us the opportunity to further grow our esports business by having more titles to produce our esports events. Further, by cultivating a vibrant and growing viewer and gamer community on APEX, we aim to build an easily accessible audience, which we believe will further drive interest for our future games and esports events. Ultimately, we believe this will allow us to not only reach and appeal to a larger audience, but to turn gamers into esports participants and vice versa by providing functionality to encourage and incentivize players of all abilities and skill levels to take part and compete online, which increases their level of engagement with our licensed gaming products and services. As our portfolio of official race franchise games grows, we also plan to launch a direct-to-customer subscription model that will allow privileged access to this portfolio of products as well as other loyalty perks. We have also grown, and expect to continue to grow, our esports business by using our esports platform to host and organize other motorsport tournaments and events on behalf of third-party video game license holders.

With this goal of cultivating a gaming community in mind, we are in the process of developing and building APEX, our esports “as a service” platform for our virtual racing community. We are designing APEX with the functionality to enable users to customize and run their own esports competitions in a simple, turn-key format, allowing groups to form around specific games, consoles, individual ability, and various other metrics. We plan to drive further user engagement and enhance the participant experience by providing players and fans with facts and statistics from particular racing games to give definitive performance and ability benchmarks. We currently anticipate launching APEX in beta in the first quarter of 2021.

- ***Further leverage our strategic alliance and support with Motorsport Network***

Utilizing the unique global reach, broad industry relationships and market clout of Motorsport Network, we plan to further leverage this strategic alliance with Motorsport Network with the goal of adding more game development and esports related rights for racing series in addition to the iconic NASCAR, Le Mans and BTCC titles to which we have already obtained, or are in the process of obtaining, licensing rights. As of July 2020, Motorsport Network had approximately 11 million social media followers and over 55 million unique visitors generating over 326 million monthly page views on its flagship platforms, including motorsport.com, autosport.com and motor1.com. Motorsport.com and Autosport.com are the largest online global motorsport content producers, offering around-the-clock news and analysis services in 21 editions and 15 languages. Additionally, we believe that being backed by the largest global media company in the motorsport industry that targets the same audience with different but related content provides us with a unique advantage in our industry, which will allow us to engage racing fans globally, attract new active participants, and deliver differentiated and proprietary content and experiences. Mike Zoi is the manager of Motorsport Network and has extensive experience in the motorsport industry through his business development and media related activities in the sport, and we expect Mr. Zoi’s valuable industry relationships, in particular, to benefit the Company as described above.

Summary Risk Factors

Participating in this offering involves substantial risk. Our ability to execute our strategy is also subject to certain risks. The risks described under the heading “Risk Factors” included elsewhere in this prospectus, among others, may cause us to be unable to successfully execute all or part of our strategy. Some of the most significant challenges and risks include the following:

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

- The recent coronavirus ("COVID-19") pandemic has impacted our operations and could adversely affect our business operations, financial performance and results of operations, the extent of which is uncertain and difficult to predict.
- Declines in consumer spending and other adverse changes in the economy 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 sports titles, affects our revenue and profitability. Competition for these licenses may make them more expensive and increase our costs.
- The importance of retail sales to our business exposes us to the risks of that business model.
- We primarily depend on a single third-party distribution partner to distribute our games for the retail channel, and our ability to negotiate favorable terms with such partner and its continued willingness to purchase our games is critical for our business.
- 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 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 heavily on our marketing and branding efforts, and these efforts may not be successful.
- If we do not adequately address the shift to mobile device technology by our customers, operating results could be harmed and our growth could be negatively affected.
- Failure to adequately protect our intellectual property, technology and confidential information could harm our business and operating results.
- Motorsport Network controls the direction of our business and its ownership of our Class A common stock and Class B common stock will prevent you and other stockholders from influencing significant decisions.
- If we are no longer controlled by or affiliated with Motorsport Network, 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.
- We have incurred significant losses since our inception, and we may continue to experience losses in the future.
- 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.
- The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.

Implications of Being an Emerging Growth Company

As a company with less than $1.07 billion in revenue during our last fiscal year, we qualify as an "emerging growth company" as defined in the Jumpstart Our Business Startups Act (the "JOBS Act"), under the rules and regulations of the Securities and Exchange Commission (the "SEC"). An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include:

- a requirement to have only two years of audited financial statements and only two years of related management's discussion and analysis of financial condition and results of operations disclosure;
- reduced disclosure obligations regarding executive compensation under Item 402 of Regulation S-K;
- no requirement for non-binding advisory votes on executive compensation or golden parachute arrangements; and
- an exemption from the auditor attestation requirement in the assessment of internal control over financial reporting pursuant to the Sarbanes-Oxley Act of 2002.

We may take advantage of these provisions until the end of the fiscal year in which the fifth anniversary of this offering occurs, or such earlier time that we no longer qualify as an emerging growth company. In future years, we will cease to be an emerging growth company if we have $1.07 billion in annual revenue or more, become a "large accelerated filer" as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or issue more than $1.0 billion of non-convertible debt securities over a three-year period. We may choose to take advantage of some but not all of these reduced requirements. Even after we no longer qualify as an emerging growth company, we may still qualify as a "smaller reporting company," which would allow us to take advantage of many of the same exemptions from disclosure requirements discussed above.

We have elected to take advantage of some of the reduced disclosure obligations regarding financial statements and executive compensation in this prospectus and may elect to take advantage of other reduced requirements in future filings. As a result, the information we provide to our stockholders may be different than you might receive from other public reporting companies in which you hold equity interests.

The JOBS Act permits an emerging growth company, like us, to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies. We are choosing to take advantage of this provision and, as a result, we will not be required to comply with new or revised accounting standards until those standards would otherwise apply to private companies.

Corporate Conversion and Organizational Structure

We currently operate as a Florida limited liability company under the name Motorsport Gaming US LLC. Immediately prior to the effectiveness of the registration statement of which this prospectus forms a part, Motorsport Gaming US LLC will be converted into a Delaware corporation pursuant to a statutory conversion and change its name to Motorsport Games Inc. In order to consummate the corporate conversion, a certificate of conversion will be filed with the Secretary of State of the State of Delaware.

Following and effective upon the consummation of the corporate conversion, 100% of the membership interests currently held by the Company's sole member, Motorsport Network, will convert into an aggregate of (i) shares of Class A common stock, based upon the value of the Company at the time of this offering with a value implied by the offering price of the shares of Class A common stock sold in this offering, and (ii) shares of Class B common stock, representing all of the outstanding shares of Class B common stock. Motorsport Network will be the only holder of shares of our Class B common stock and will not have any transfer, conversion, registration or economic rights with respect to such shares of Class B common stock. In the event Motorsport Network or its affiliates relinquish beneficial ownership of any of the MSN Initial Class A Shares at any time, one share of Class B common stock held by Motorsport Network will be cancelled for each such MSN Initial Class A Share no longer beneficially owned by Motorsport Network or its affiliates. Any pledge of MSN Initial Class A Shares by Motorsport Network or its affiliates will not constitute a relinquishment of such beneficial ownership. The MSN Initial Class A Shares and shares of Class B common stock held by Motorsport Network will be adjusted in equal proportions for any stock dividend, stock split or similar transaction undertaken by the Company.

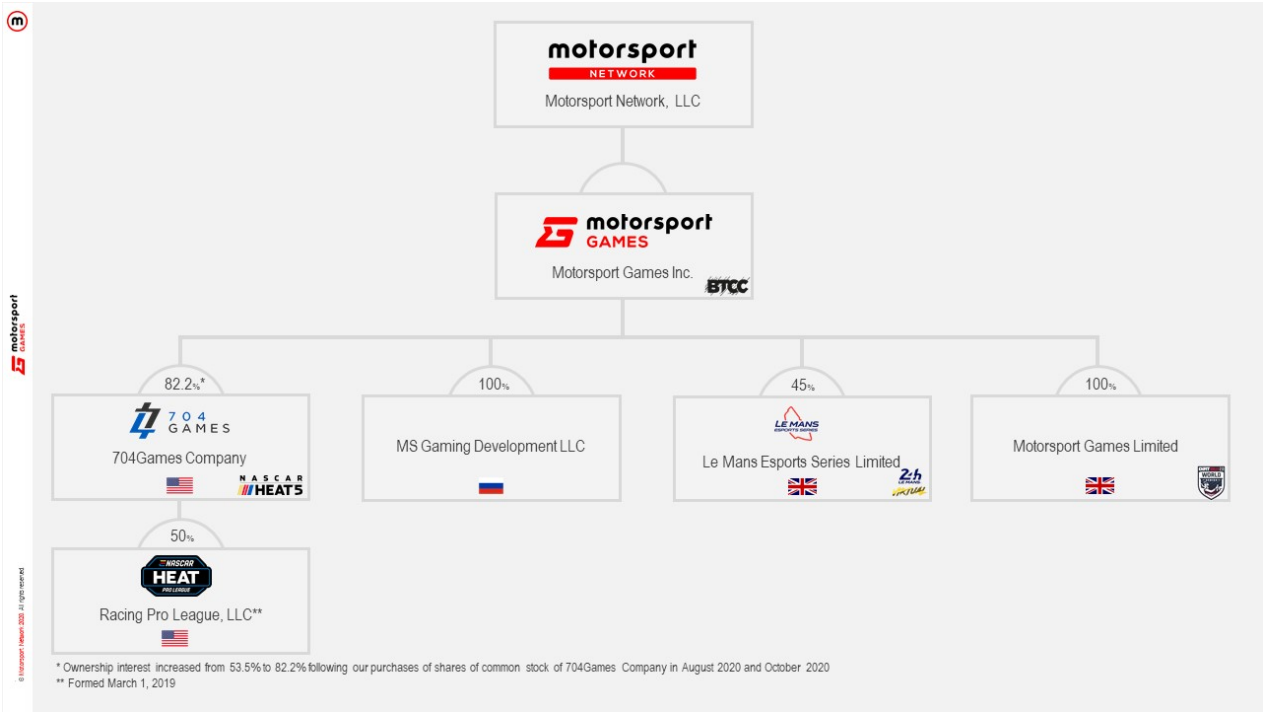
In connection with the corporate conversion, Motorsport Games Inc. will hold all property and assets of Motorsport Gaming US LLC, and all of the debts and obligations of Motorsport Gaming US LLC will become the debts and obligations of Motorsport Games Inc. by operation of law. Motorsport Games Inc. will be governed by a certificate of incorporation filed with the Delaware Secretary of State and bylaws, the material portions of each of which are described under the heading "Description of Capital Stock."

On the effective date of the corporate conversion, the members of the board of managers of Motorsport Gaming US LLC will become the members of Motorsport Games Inc.'s board of directors, and the officers of Motorsport Gaming US LLC will become the officers of Motorsport Games Inc.

The purpose of the corporate conversion is to reorganize our corporate structure so that the entity that is offering the Class A common stock to the offerees in this offering is a corporation rather than a limited liability company and so that our existing investor, Motorsport Network, will own our Class A common stock and our Class B common stock rather than membership interests in a limited liability company. References in this prospectus to our capitalization and other matters pertaining to our equity, membership interests or shares prior to the corporate conversion relate to the capitalization, equity and membership interests of Motorsport Gaming US LLC, and after the corporate conversion, to the capitalization, equity and shares of Motorsport Games Inc.

The consolidated financial statements included elsewhere in this prospectus are those of Motorsport Gaming US LLC and its subsidiaries. We expect that our conversion from a Florida limited liability company to a Delaware corporation will not have a material effect on our consolidated financial statements at the time of such conversion.

The diagram below depicts our expected organizational structure upon completion of this offering and the corporate conversion.



Corporate Information

Motorsport Gaming US LLC was formed in Florida in August 2018. Immediately prior to the effectiveness of the registration statement of which this prospectus forms a part, we intend to complete a corporate conversion pursuant to which Motorsport Games Inc. will succeed to the business of Motorsport Gaming US LLC and its consolidated subsidiaries, and the sole holder of 100% of the membership interests of Motorsport Gaming US LLC will become a holder of Class A common stock and Class B common stock of Motorsport Games Inc. See "—Corporate Conversion and Organizational Structure." Our principal executive offices are located at 5972 NE 4th Avenue, Miami, FL 33137, and our telephone number is (305) 507-8799. Our website address is *motorsportgames.com*. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.

THE OFFERING

Issuer	Motorsport Games Inc., a Delaware corporation
Class A common stock offered by us	shares
Underwriters' option to purchase additional shares of Class A common stock from us	shares
Total Class A common stock to be outstanding after this offering	shares (shares if the option to purchase additional shares from us is exercised in full)
Total Class B common stock to be outstanding after this offering	shares
Total Class A common stock and Class B common stock to be outstanding after this offering	shares (shares if the option to purchase additional shares from us is exercised in full)
Use of proceeds	We estimate that our net proceeds from the sale of our Class A common stock that we are offering will be approximately $ million (or approximately $ million if the underwriters' option to purchase additional shares of our Class A common stock from us is exercised in full), assuming an initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering for working capital and general corporate purposes, including product development, such as for mobile products and additional racing series, the buildout of APEX, our go-to destination for the virtual racing community, the development of our proprietary racing-focused gaming engine, which we refer to as the "MSG Engine," sales and marketing activities, capital expenditures and strategic acquisitions and investments. See "Use of Proceeds" for additional information.
Voting rights	Following this offering, we will have two classes of common stock: Class A common stock and Class B common stock. Class A common stock will be entitled to one vote per share and Class B common stock will be entitled to ten votes per share. Holders of Class A common stock and Class B common stock will generally vote together as a single class, unless otherwise required by law or our certificate of incorporation that will be in effect on the completion of this offering. Upon the closing of this offering, Motorsport Network will own (i) shares of our Class A common stock and (ii) shares of our Class B common stock, representing all of the outstanding shares of Class B common stock, which together will represent approximately % of the combined voting power of both classes of our common stock outstanding immediately after this offering (or % if the underwriters exercise in full their option to purchase additional shares of our Class A common stock). As a result, Motorsport Network will have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of our directors and the approval of any change in control transaction. Motorsport Network will be the only holder of shares of our Class B common stock and will not have any transfer, conversion, registration or economic rights with respect to such shares of Class B common stock. In the event Motorsport Network or its affiliates relinquish beneficial ownership of any of the MSN Initial Class A Shares at any time, one share of Class B common stock held by Motorsport Network will be cancelled for each such MSN Initial Class A Share no longer beneficially owned by Motorsport Network or its affiliates. See the sections titled "Principal Stockholders" and "Description of Capital Stock" for additional information.
Risk factors	See "Risk Factors" to read about factors you should consider before buying shares of our Class A common stock.
Proposed trading symbol	"MSGM"

The number of shares of our Class A common stock and Class B common stock to be outstanding immediately after this offering is based on shares of our Class A common stock and shares of our Class B common stock outstanding as of , 2020 (as adjusted to give effect to the corporate conversion), and excludes the following:

- shares of our Class A common stock issuable upon exercise of stock options that will be granted to certain of our employees and our non-employee directors in connection with this offering under the Motorsport Games Inc. 2020 Equity Incentive Plan (the "2020 Plan"), which we expect will become effective immediately prior to the consummation of this offering, at an exercise price per share equal to the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- shares of our Class A common stock to be issued to each of Neil Anderson and Rob Dyrdek, members of our board of directors, in connection with this offering under the 2020 Plan, which represents a stock award equal to $50,000 to each of Messrs. Anderson and Dyrdek divided by the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- shares of our Class A common stock to be issued to Francesco Piovanetti, a member of our board of directors, in connection with this offering under the 2020 Plan and for his continuing service as chair of our audit committee and as an "audit committee financial expert" (subject to his qualification and appointment, as applicable), which represents a stock award equal to $100,000 divided by the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- additional shares of our Class A common stock reserved for future issuance under the 2020 Plan;

- shares of our Class A common stock to be issued to Fernando Alonso pursuant to a promotional services agreement entered into with Mr. Alonso, representing 3.0% of the issued and outstanding shares of our Class A common stock as of the closing date of this offering (see "Business—Marketing, Sales, and Distribution—Promotional Services Agreement with Fernando Alonso"); and

- shares of our Class A common stock that may be issued outside of the 2020 Plan to Dmitry Kozko, our Chief Executive Officer, subject to the satisfaction of certain conditions as set forth in his employment agreement with us, including (i) up to shares that may be issued in connection with this offering representing 1.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering and (ii) shares issuable upon exercise of stock options that may be granted in connection with this offering representing 2.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering (see "Executive Compensation—Executive Employment Arrangements—Employment Agreement with Dmitry Kozko").

In addition, unless we specifically state otherwise, the information in this prospectus assumes:

- the completion of our corporate conversion, as a result of which 100% of the membership interests currently held by the Company's sole member will convert into an aggregate of (i) shares of our Class A common stock and (ii) shares of our Class B common stock;

- an initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover of this prospectus; and

- no exercise by the underwriters of their option to purchase an additional shares of our Class A common stock.

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following tables set forth a summary of our historical consolidated financial data as of, and for the periods ended on, the dates indicated. On August 14, 2018, Motorsport Gaming US LLC acquired a 53.5% equity interest in 704Games. The summary historical financial data below includes (i) the summary historical consolidated financial data of Motorsport Gaming US LLC for the year ended December 31, 2019 and for the period from August 15, 2018 to December 31, 2018 (the "Successor Period") and; (ii) the summary historical financial data of 704Games for the period from January 1, 2018 to August 14, 2018 (the "Predecessor Period"), which are derived from our audited consolidated financial statements and related notes appearing elsewhere in this prospectus. To assist with the period-to-period comparison, we have combined amounts from the Predecessor Period and the portion of the Successor Period from August 15, 2018 to December 31, 2018 along with a pro forma adjustment to recognize additional amortization expense of $637,658 associated with certain acquired license agreements with NASCAR and software intangible assets. We refer to this combined period as the pro forma combined year ended December 31, 2018. This combination does not comply with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The summary historical pro forma combined financial data for the year ended December 31, 2018 has been prepared to give effect to Motorsport Gaming US LLC's acquisition of a 53.5% equity interest in 704Games as if it had occurred on January 1, 2018. The summary historical pro forma combined financial data does not purport to represent what our results of operations would have been if the acquisition had occurred as of the dates indicated, or what such results will be for any future period.

The summary historical consolidated statement of operations data for the nine months ended September 30, 2020 and 2019 and the summary consolidated balance sheet data as of September 30, 2020 are derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus. These unaudited interim financial statements have been prepared in accordance with U.S. GAAP and on the same basis as the audited consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly our financial position as of September 30, 2020 and the results of operations for the nine months ended September 30, 2020 and 2019.

Our historical results are not necessarily indicative of our future results, and our results for the nine months ended September 30, 2020 are not necessarily indicative of results to be expected for the full year. You should read this data together with our consolidated financial statements and related notes appearing elsewhere in this prospectus and the information contained under the headings "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	Successor Period	Successor Period	Pro Forma Combined	Successor Period	
Statement of Operations Data	For the Year Ended December 31, 2019	For the Period From August 15, 2018 to December 31, 2018	For the Year Ended December 31, 2018	For the Nine Months Ended September 30, 2020	2019
			(Unaudited)	(Unaudited)	(Unaudited)
Revenues	$ 11,850,787	$ 10,768,629	$ 14,756,777	$ 16,111,581	$ 9,566,873
Cost of revenues	4,888,877	4,184,569	5,598,395	5,261,483	3,776,696
Gross profit	6,961,910	6,584,060	9,158,382	10,850,098	5,790,177
Operating expenses	12,138,023	5,229,711	10,957,920	8,037,552	9,587,263
(Loss) income from operations	(5,176,113)	1,354,349	(1,799,538)	2,812,546	(3,797,086)
Other (expense) income, net (1)	(579,451)	4,904	8,381	(438,894)	(444,017)
(Loss) income before provision for income taxes	(5,755,564)	1,359,253	(1,791,157)	2,373,652	(4,241,103)
Income tax benefit	-	-	2,323	-	-
Net (loss) income	(5,755,564)	1,359,253	(1,788,834)	2,373,652	(4,241,103)
Less: Net (loss) income attributable to noncontrolling interest	(2,191,418)	859,461	859,461	1,498,233	(1,294,908)
Net (loss) income attributable to Motorsport Gaming US, LLC	$ (3,564,146)	$ 499,792	$ (2,648,295)	$ 875,419	$ (2,946,195)
Pro forma net (loss) income per share - basic and diluted (2)	$			$	

(1) For the purpose of presenting summary historical consolidated financial data, we have aggregated interest income (expense), loss attributable to equity method investment, and other (expense) income, net from our consolidated statements of operations for the years ended December 31, 2019 and 2018 and for the nine months ended September 30, 2020 and 2019 into a single caption.

(2) We have presented pro forma basic and diluted net loss per share for the year ended December 31, 2019 and for the nine months ended September 30, 2020, which consists of our historical net loss attributable to Motorsport Gaming US LLC, divided by the pro forma basic and diluted weighted average number of shares of our common stock outstanding after giving effect to the corporate conversion.

Balance Sheet Data	December 31, 2019	December 31, 2018	September 30, 2020 Actual	Pro Forma (1)	Pro Forma As Adjusted (2)
			(Unaudited)	(Unaudited)	(Unaudited)
Total cash	$ 1,960,279	$ 3,413,427	$ 3,050,693		
Total current assets	$ 7,129,632	$ 8,699,604	$ 12,007,652		
Total assets	$ 12,777,274	$ 15,670,258	$ 18,590,207		
Total liabilities	$ 9,165,314	$ 6,302,734	$ 13,804,595		
Total member's/stockholders' equity	$ 3,611,960	$ 9,367,524	$ 4,785,612		
Total liabilities and member's/stockholders' equity	$ 12,777,274	$ 15,670,258	$ 18,590,207		
Working capital (deficiency)	$ (2,035,682)	$ 2,396,870	$ (946,350)		

(1) The pro forma consolidated balance sheet data gives effect to the corporate conversion.

(2) The pro forma as adjusted balance sheet data gives effect to the pro forma adjustments described in footnote (1) and additionally gives effect to the issuance and sale of shares of our Class A common stock in this offering at an assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwritten discounts and commissions and estimated offering expenses payable by us.

Each $1.00 increase (decrease) in the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) pro forma as adjusted cash, working capital, total assets, and total stockholders' equity by $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual initial public offering price and other terms of our initial public offering determined at pricing.

Use of Non-GAAP Financial Measures

EBITDA, a measure used by management to assess our operating performance, is defined as net loss plus interest (income) expense and depreciation and amortization, less income tax benefit. Adjusted EBITDA is defined as EBITDA adjusted to exclude (i) certain acquisition related expenses, (ii) stock-based compensation expenses and (iii) charges or gains resulting from non-recurring events. We use Adjusted EBITDA to manage our business and evaluate our financial performance, as it has been adjusted for items that affect comparability between periods that we believe are not representative of our core business. Additionally, management believes that EBITDA and Adjusted EBITDA are useful to investors because they enhance investors' understanding and assessment of our performance, facilitate comparisons to prior periods and our competitors' results and assist in forecasting performance for future periods.

Each of the above described measures is not a recognized term under U.S. GAAP and does not purport to be an alternative to revenue, loss from operations, net loss or any other measure derived in accordance with U.S. GAAP as a measure of operating performance or to cash flows from operations as a measure of liquidity. Additionally, each such measure is not intended to be a measure of free cash flows available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Such measures have limitations as analytical tools, and you should not consider any of such measures in isolation or as substitutes for our results as reported under U.S. GAAP. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement U.S. GAAP results to provide a more complete understanding of the factors and trends affecting the business than U.S. GAAP results alone. Because not all companies use identical calculations, our measures may not be comparable to other similarly titled measures of other companies. This section includes reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP.

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

Adjusted EBITDA	Successor Period For the Year Ended December 31, 2019	Successor Period For the Period From August 15, 2018 to December 31, 2018	Pro Forma Combined For the Year Ended December 31, 2018	Successor Period For the Nine Months Ended September 30, 2020	Successor Period For the Nine Months Ended September 30, 2019
			(Unaudited)	(Unaudited)	(Unaudited)
GAAP net (loss) income	$ (5,755,564)	$ 1,359,253	$ (1,788,834)	$ 2,373,652	$ (4,241,103)
GAAP interest (income) expense	(35,728)	-	26,250	448,325	(33,744)
GAAP depreciation and amortization	861,872	408,078	1,099,147	457,729	729,983
GAAP income tax benefit	-	-	(2,323)	-	-
EBITDA	(4,929,420)	1,767,331	(665,760)	3,279,706	(3,544,864)
Acquisition related expense	-	10,000	127,000	-	-
Stock-based compensation expense	-	-	546,546	-	-
Adjusted EBITDA	$ (4,929,420)	$ 1,777,331	$ 7,786	$ 3,279,706	$ (3,544,864)

RISK FACTORS

This offering and investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including our consolidated financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding to invest in our Class A common stock. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of our Class A common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also adversely affect our business.

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. 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, our business 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. 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.

If we fail to deliver products in a timely manner, our business may be negatively impacted.

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, 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.

The recent COVID-19 pandemic has impacted our operations and could adversely affect our business operations, financial performance and results of operations, the extent of which is uncertain and difficult to predict.

The global spread of the COVID-19 pandemic has created significant business uncertainty for us and others, resulting in volatility and economic disruption. Additionally, the outbreak has resulted in government authorities around the world implementing numerous measures to try to reduce the spread of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place, stay-at-home or total lock-down (or similar) orders and business limitations and shutdowns.

As a result of the COVID-19 pandemic, including the related responses from government authorities, our business and operations have been impacted, including the temporary closure of our offices in Orlando, Florida, Silverstone, England, and Moscow, Russia, which has resulted in our employees working remotely. During the COVID-19 outbreak, several retailers have experienced, and continue to experience, closures, reduced operating hours and/or other restrictions as a result of the COVID-19 pandemic, which has negatively impacted the sales of our products from such retailers. Additionally, in our esports business, the COVID-19 pandemic has resulted in the postponing of certain events to later dates or shifting events from an in-person format to online only.

Our business operations, financial performance and results of operations could be further adversely affected in a number of ways, including, but not limited to, the following:

- reduced consumer demand for our products and adverse effects on the discretionary spending patterns of our customers, including the ability of our customers to pay for our products;
- the operations and seasons of the motorsports industry may be further altered or even canceled due to the COVID-19 pandemic, which may further affect the demand for our products and esports business;
- further disruptions to our operations, including any additional closures of our offices and facilities, which may affect our ability to develop, market, and sell our products;
- disruptions to the operations of our counterparties, including the physical retail, digital download online platforms, and cloud streaming services we rely on for the distribution of our products, the suppliers who manufacture our physical products and other third parties with which we partner (e.g., to market or ship our products);
- limitations on employee resources and availability, including due to sickness, government restrictions, the desire of employees to avoid contact with large groups of people or mass transit disruptions;
- a fluctuation in foreign currency exchange rates, which could impact our operations in the United Kingdom and Russia, or interest rates could result from market uncertainties; and
- an increase in the cost or the difficulty of obtaining debt or equity financing could affect our financial condition or our ability to fund operations or future investment opportunities.

Additionally, an increase in the number of employees working remotely due to the COVID-19 pandemic also increases the potential adverse impact of risk associated with information technology systems and networks, including cyber-attacks, computer viruses, malicious software, security breaches, and telecommunication failures, both for systems and networks we control directly and for those that employees and third-party developers rely on to work remotely. Any failure to prevent or mitigate security breaches or cyber risks or detect, or respond adequately to, a security breach or cyber risk, or any other disruptions to our information technology systems and networks, can have adverse effects on our business.

The spread of COVID-19 has caused us to modify our business practices (including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers and business partners. Further, key personnel could contract COVID-19, hindering their availability and productivity.

The degree to which the COVID-19 pandemic impacts our operations, business, financial results, liquidity, and financial condition will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted. This includes, but is not limited to, the duration and spread of the pandemic, its severity, actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume.

Declines in consumer spending and other adverse changes in the economy could have a material adverse effect on our business, financial condition and operating results.

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 conditions, such as a prolonged U.S. or international general economic downturn, whether or not caused by COVID-19, including periods of increased inflation, unemployment levels, tax rates, interest rates, energy prices, or declining consumer confidence, could 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. As a result of COVID-19, our counterparty credit risk may be particularly exacerbated, as certain of our counterparties may face financial difficulties in paying owed amounts on a timely basis or at all. 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.

The video game and esports industry is significantly dependent on the popularity of a small number of games, and we may not have access to "hit" games or titles.

The video game and esports industries have generally been dominated by a select few "hit" game titles. Accordingly, the success of our esports events will be closely linked to the quality and popularity of the games we publish or support for our esports events. Further, if we are unable to produce engaging and popular games, we may fail to sell the expected number of console games, meet our target install number for our mobile games, attract sufficient numbers of gamers to participate in our esports events and our live esports streams may not attract a growing audience, all of which may have a material and adverse impact on our results of operations and financial conditions.

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. These products are responsible for a disproportionately high percentage of our profits. For example, revenues associated with the NASCAR Heat franchise accounted for approximately 99% of our total net revenue for the years ended December 31, 2019 and 2018 and the nine months ended September 30, 2020, and we expect this franchise to continue to account for the majority of our revenue for the year ended December 31, 2020. 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. 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 could negatively impact our business. 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.

Our ability to acquire and maintain licenses to intellectual property, especially for sports titles, 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 an exclusive license for our NASCAR racing video games and related-esports franchise (subject to certain limited exceptions), and, through a series of joint ventures with various racing series, we own, or are in the process of obtaining, exclusive rights to operate various esports tournaments and leagues, including the Le Mans Esports tournament and the eNHPL. Competition for these licenses and rights is intense. 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. Competition for these licenses also may increase minimum guarantees and royalty rates payable to licensors and developers, which could significantly increase our costs and reduce our profitability.

The importance of retail sales to our business exposes us to the risks of that business model.

While our customer base is increasingly purchasing our games as digital downloads, retail sales will remain important to our business. These products are sold primarily through a distribution network with exclusive partners who specialize in the distribution of games, including 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). The loss of, or a significant reduction in sales by, any of these retailers could have adverse consequences to our business and results of operations.

Moreover, the importance of retail sales to our business exposes us to the risk of price protection with respect to our distribution partners and retailers. Price protection, when granted, allows these distribution partners and retailers to receive a credit from us against amounts owed to us with respect to merchandise unsold by them. We typically grant price protection to distribution partners and retailers who meet certain conditions, which include compliance with applicable payment and marketing terms, delivery of weekly inventory and sales information and consistent participation in the launches of premium title releases. We may also consider other factors, including the facilitation of slow-moving inventory and other industry factors. Although we maintain a reserve for price protection, and although we may place limits on price protection, we may be required to provide substantial price protection to maintain our relationships with retailers and our distribution partners.

Further, retailers typically have a limited amount of "brick and mortar" shelf space and promotional resources, and there is intense competition for high-quality retail shelf space and promotional support from retailers. Similarly, for online retail sales, there is increasing competition for premium placement on websites. Competition for shelf space or premium online placement may intensify and require us to increase our marketing expenditures. Additionally, retailers with limited shelf space typically devote the most and highest quality shelf space to those products expected to be best sellers, such as those perceived to be "AAA" titles. We cannot be certain that our new products will achieve such "best seller" status. Due to increased competition for limited shelf space, retailers and distribution partners are in an increasingly strong position to negotiate favorable terms of sale, including price discounts, price protection and marketing and display fees, as applicable. Our products constitute a relatively small percentage of most retailers' sales volume. We cannot be certain that retailers will continue to purchase our products or provide those products with adequate levels of shelf space and promotional support on acceptable terms.

We primarily depend on a single third-party distribution partner to distribute our games for the retail channel, and our ability to negotiate favorable terms with such partner and its continued willingness to purchase our games is critical for our business.

As discussed above, our products are sold primarily through a distribution network with exclusive partners that specialize in the distribution of games and, in turn, sell our products to retailers. We currently derive, and expect to continue to derive, significant revenues from sales of our products to a very limited number of distribution partners. For the year ended December 31, 2019 and the nine months ended September 30, 2020, we had one distribution partner through which we sold substantially all of our products for the retail market, which represented approximately 40% and 38% of our total net revenue for the year ended December 31, 2019 and the nine months ended September 30, 2020, respectively. This concentration of sales to a single distribution partner could lead to a disruption to our business if this partner significantly reduces its purchases or ceases to offer our products. We also could be more vulnerable to collection risk if this partner experiences a deterioration of its business or declares bankruptcy. Having a significant portion of our retail sales concentrated through a single distribution partner could also reduce our negotiating leverage. Accordingly, if we are unable to negotiate favorable terms with our existing or future distribution partners, our business and results of operations could be adversely affected.

Our digital entertainment and social platform, www.motorsportgames.com, and our other current and future digital entertainment and social platforms, are dependent on our ability to provide interesting and useful high-quality content.

The quality of the content offered on *www.motorsportgames.com* and our other current and future digital entertainment and social platforms is critical to the success of such platforms. In order to attract and retain users, we must offer interesting and useful high-quality content and enhance our users' viewing experience. Further, we must remain sensitive to and responsive to evolving user preferences and offer content that appeals to our users. For example, in 2021, we plan to develop and produce live original reality television shows that include interactive broadcasts, live streaming, and social media-oriented programs (including on Twitch.tv, YouTube, Facebook, Motorsport.tv and other potential partners) for our own over-the-top ("OTT") racing esports channel, which we expect to host on APEX, our go-to destination for the virtual racing community that we are currently developing. If we are unable to generate quality content satisfactory to our users, we may suffer from reduced user traffic, which could negatively impact our business.

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, 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.

Currently, only our NASCAR Heat Mobile title is a free-to-play game, but 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 may 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 deprioritization 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 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 founders, 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, 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 heavily on our marketing and branding efforts, and these efforts may not be successful.

Because we are a consumer brand, we rely heavily 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. We recorded approximately $3.8 million and $2.3 million of sales and marketing expenses for the year ended December 31, 2019 and the nine months ended September 30, 2020, respectively.

Our business model is dependent in part on the success of our marketing and branding efforts. 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 U.S. 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 Inc.'s ("Apple") 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.

We rely on Internet search engines and social networking sites to help drive traffic to our website, and if we fail to appear prominently in search results or fail to drive traffic through paid advertising, our traffic would decline and our business would be adversely affected.

We depend in part on Internet search engines such as Google, Bing and Yahoo! and social networking sites such as Facebook to drive traffic to our websites. Our ability to maintain and increase the number of visitors directed to our websites is not entirely within our control. Our competitors may increase their search engine optimization efforts and outbid us for search terms on various search engines, resulting in their websites receiving a higher search result page ranking than ours. Additionally, Internet search engines could revise their methodologies in a way that would adversely affect our search result rankings. If Internet search engines modify their search algorithms in ways that are detrimental to us, or if our competitors' efforts are more successful than ours, overall growth in our customer base could slow or our customer base could decline. Our websites have experienced fluctuations in search result rankings in the past, and we anticipate similar fluctuations in the future. Any reduction in the number of users directed to our website through Internet search engines could harm our business and operating results.

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, OTT 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 averse 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.

Companies and governmental agencies may restrict access to platforms, our website, mobile applications or the Internet generally, which could lead to the loss or slower growth of our player base.

Our players generally need to access the Internet and platforms such as the Apple App Store, Google Play Store, Facebook, or our gaming platform to play many of our games. Companies and governmental agencies could block access to any platform, our website, mobile applications or the Internet generally for a number of reasons such as security or confidentiality concerns or regulatory reasons, or they may adopt policies that prohibit employees from accessing Apple, Google, Facebook, and our website or any social platform. If companies or governmental entities block or limit access or otherwise adopt policies restricting players from playing our games, our business could be negatively impacted and we could lose or experience slower growth in our player base.

If we do not adequately address the shift to mobile device technology by our customers, operating results could be harmed and our growth could be negatively affected.

Consumers are increasingly using their mobile devices for entertainment, including for playing mobile games. According to Barclays, mobile gaming is estimated to represent 46% of current industry revenues and is expected to reach 60% by 2025. Further, with a projected 2.6 billion total mobile gamers for 2020 according to data from NewZoo, mobile games are forecasted to generate revenues of $86.3 billion in 2020. As a result, our future success depends in part on our ability to provide adequate functionality for mobile gamers. The shift to mobile technology by our users may harm our business in the following ways:

- Customers visiting our website from a mobile device may not accept mobile technology as a viable long-term platform to play. This may occur for a number of reasons, including our ability to provide the same level of website functionality to a mobile device that we provide on a desktop computer, the actual or perceived lack of security of information on a mobile device and possible disruptions of service or connectivity.

- We may not continue to innovate and introduce enhanced products that can be suitably conveyed on mobile platforms.

- Consumers using mobile devices may believe that our competitors offer superior products and features based in part on our inability to provide sufficient website functionality to convince a mobile device user to transact with us.

If we do not develop suitable functionality for users who visit our website using a mobile device or consumers do not play our mobile gaming products, our business and operating results could be harmed.

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

The interactive entertainment industry is seasonal, with the highest 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 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 our online games and 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.

Any errors, defects, disruptions, or other performance or reliability problems with our network operations could interrupt our customers' access to our inventory and our access to data that drives our inventory listing operations, as well as cause delays and additional expense in arranging access to video and digital content and services, any of which could harm our reputation, business, operating results and financial condition.

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.

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 patent, 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, domain names, and patents 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 NASCAR, the BTCC and/or 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 and Unity™, 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 Russia and may seek to further expand our international operations. Our ability to expand our business and to attract talented employees and players in an increasing number of international markets will require 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. Expanding our international focus may increase risks that we currently face, including risks associated with:

- 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;
- public health crises, such as the COVID-19 pandemic, which can result in varying impacts to our employees, players, vendors and commercial partners internationally;
- higher costs associated with doing business internationally;
- export or import regulations; and
- trade and tariff restrictions.

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.

The exit by the United Kingdom from the European Union could harm our business, financial condition and results of operations.

The United Kingdom left the European Union on January 31, 2020 (commonly referred to as "Brexit") and entered into a transition period in which the United Kingdom and the European Union are negotiating their future relationship, including the terms of trade between the United Kingdom and the European Union. The effects of Brexit will depend on any agreements the United Kingdom makes to retain access to European Union markets after the transitional period. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which European Union laws to replace or replicate.

The announcement of Brexit caused (and the post-transition period relationship between the United Kingdom and the European Union is expected to cause future) significant volatility in global stock markets and significant fluctuations in foreign currency exchange rates, which will affect our financial results as we report in U.S. dollars. The announcement of Brexit also created (and the post-transition period relationship between the United Kingdom and the European Union may create future) global economic uncertainty, which may cause our players to reduce the amount of money they spend on our games. The post-transition period relationship between the United Kingdom and the European Union could cause disruptions to and create uncertainty surrounding our business, including affecting our United Kingdom operations and relationships with existing and future players, suppliers and employees. Any of these effects of Brexit, and others we cannot anticipate, 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 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, players, third-party organizations with whom we partner or regulatory agencies on which we rely could be also affected, which may prevent us from executing our business strategies or cause a decrease in consumer demand for our products and services. 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. For example, several of our key locations have experienced temporary closures as a result of the COVID-19 pandemic. Additionally, several retailers have experienced, and continue to experience, closures, reduced operating hours and/or other restrictions as a result of the COVID-19 pandemic, which has negatively impacted the sales of our products from such retailers. 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 Motorsport Network

Motorsport Network controls the direction of our business and its ownership of our Class A common stock and Class B common stock will prevent you and other stockholders from influencing significant decisions.

Upon the closing of this offering, Motorsport Network will own all of the shares of our Class B common stock and shares of our Class A common stock, which together will represent approximately % of the combined voting power of both classes of our common stock outstanding immediately after this offering (or % if the underwriters exercise in full their option to purchase additional shares of our Class A common stock). Our Class B common stock has ten times the voting power of our Class A common stock. As long as Motorsport Network 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 Motorsport Network 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 Motorsport Network or its affiliates relinquish beneficial ownership of any of the MSN Initial Class A Shares at any time, one share of Class B common stock held by Motorsport Network will be cancelled for each such MSN Initial Class A Share no longer beneficially owned by Motorsport Network or its affiliates. If, however, Motorsport Network does not dispose of its MSN Initial Class A Shares, it could remain our controlling stockholder for an extended period of time or indefinitely.

Motorsport Network's interests may not be the same as, or may conflict with, the interests of our other stockholders. Investors in this offering will not be able to affect the outcome of any stockholder vote while Motorsport Network controls the majority of the voting power of our outstanding common stock. As a result, Motorsport Network 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; and
- determinations with respect to tax matters.

Because Motorsport Network's interests may differ from ours or from those of our other stockholders, actions that Motorsport Network 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 Motorsport Network, 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.

Motorsport Network is a leading global motorsport and automotive data-driven digital platform that owns and operates a unique collection of digital media motorsport and automotive brands. As of July 2020, Motorsport Network had approximately 11 million social media followers and over 55 million unique visitors generating over 326 million monthly page views on its flagship platforms, including motorsport.com, autosport.com and motor1.com. We rely, in part, on Motorsport Network to provide digital access to this audience to market, communicate and engage with users regarding our product offerings and services. Pursuant to a promotion agreement we entered into with Motorsport Network in August 2018, Motorsport Network will provide us with exclusive promotion services consisting of the use of its and its affiliates' various media platforms to promote our business, organizations, products and services in the racing video game market and related esports activities. The promotion agreement will remain in effect until such date that Motorsport Network no longer holds at least 20% of the voting interest in Motorsport Games. If this occurs, we cannot assure you that we will continue to have access to Motorsport Network's digital audience in the future. In the event that we no longer have access to Motorsport Network's digital audience, our business, results of operations and financial conditions could be adversely affected.

If Motorsport Network 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 and we may become subject to the control of a presently unknown third party.

Motorsport Network will have 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 Motorsport Network 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 shares of our Class A common stock that will be publicly traded hereafter, could prevent you from realizing any change-of-control premium on your shares of our Class A common stock that may otherwise accrue to Motorsport Network on its private sale of our Class A common stock. Additionally, if Motorsport Network either privately sells its significant equity interest in our Company or pledges such shares in the future and secured parties foreclose on any or all of the shares of our common stock beneficially owned by Motorsport Network, 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 Motorsport Network 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.

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

Sales of substantial amounts of our Class A common stock in the public market after this offering, or the perception that these sales could occur, 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. The shares of our Class A common stock offered in this offering will be 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 Motorsport Network, which may not be sold in the public market unless the sale is registered under the Securities Act or an exemption from registration is available.

We, our officers and directors and Motorsport Network expect to enter into separate agreements whereby, without the prior written consent of the underwriter, we and they will not, subject to limited exceptions, directly or indirectly sell or dispose of any shares of our common stock or any securities convertible into or exchangeable or exercisable for shares of our common stock for a period of 180 days after the date of this prospectus. See "Underwriting—No Sales of Common Stock" for additional information. After these lock-up agreements expire, additional shares of our Class A common stock may become eligible for sale in the public market upon the satisfaction of certain conditions as set forth therein, of which shares would be held by affiliates and subject to the volume and other restrictions of Rule 144 under the Securities Act.

We will be a "controlled company" within the meaning of the rules of Nasdaq and, as a result, will qualify for exemptions from certain corporate governance requirements. We do not currently expect or intend to rely of any of these exemptions, but there can be no assurance that we will not rely on these exemptions in the future.

Upon completion of this offering, Motorsport Network will continue to control a majority of the voting power of our outstanding common stock. As a result, we will be 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:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that our nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that our compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of our corporate governance and compensation committees.

We do not currently expect or intend to rely on any of these exemptions, but there can be no assurance that we will not rely on these exemptions in the future. If we were to utilize some or all of these exemptions, you will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq rules regarding corporate governance.

Motorsport Network'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 partner in the future with companies that compete with Motorsport Network in certain markets relating to the motorsport industry. Motorsport Network'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 Motorsport Network and to avoid indirectly supporting Motorsport Network.

Our inability to resolve in a manner favorable to us any potential conflicts or disputes that arise between us and Motorsport Network 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 Motorsport Network 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 Motorsport Network or its subsidiaries;
- business combinations involving us;

- business opportunities that may be attractive to us and Motorsport Network or its subsidiaries;
- intellectual property or other proprietary rights; and
- joint sales and marketing activities with Motorsport Network or its subsidiaries.

The resolution of any potential conflicts or disputes between us and Motorsport Network 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

We have incurred significant losses since our inception, and while we reported net income for the nine months ended September 30, 2020, we may experience losses in the future.

Although we reported positive net income of approximately $2.4 million for the nine months ended September 30, 2020, we previously had not been profitable since our inception and had an accumulated loss of approximately $3.1 million as of December 31, 2019. We incurred a net loss of $5.8 million for the year ended December 31, 2019. We may incur losses in the near term as we invest in and strive to grow our business. For example, we expect to make significant investments to further develop and expand our business, and these investments may not result in increased revenue or growth on a timely basis or at all. Additionally, we expect our expenses to increase due to the additional operational and reporting costs associated with being a public company. If we are unable to generate adequate revenue growth and manage our expenses, we may not be able to maintain profitability and the share price of our Class A common stock may decline as a result.

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 or unique visitors to our digital platform www.motorsportgames.gg;
- 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;
- further improve the quality of our product offerings, features and complementary products and services, and introduce high-quality new products, services and features;
- introduce additional third-party products and services; or
- create popular OTT content at an attractive cost and high quality to meet the increasing demand of viewers.

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 have hired and expect to continue hiring additional personnel to support our business growth. Our organizational structure is becoming more complex as we add staff, and as a result, we will need to improve our operational, financial and management controls as well as our reporting systems and procedures. 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.

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.

Prior to this offering, we were a private company and had limited accounting and financial reporting personnel and other resources with which to address our internal controls and procedures. In connection with the audit of our consolidated financial statements for the year ended December 31, 2019, we and our independent registered public accounting firm identified certain material weaknesses in our internal control over financial reporting. 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.

The material weaknesses we identified relate to (i) the documentation of significant accounting positions, estimates and conclusions that were not contemporaneously formalized and reviewed independently of the preparer and (ii) the segregation of duties. We have taken steps toward remediating these material weaknesses, which to date have included: (1) the hiring of additional qualified finance and accounting personnel, including the hiring of a new Chief Financial Officer with SEC reporting experience; and (2) the implementation of formal policies, procedures and controls, training on standards of documentary evidence, as well as implementation of controls designed to ensure the reliability of critical spreadsheets and system generated reports.

We believe these actions will allow management to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements. Although, we've taken these actions, our internal control over financial reporting has not been subjected to audit. See "—Risks Related to Our Company—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."

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.

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

We are actively investing to capitalize on new trends (e.g., tracking and experimenting with other casual gaming formats, such as a "match three" game, adopted for our audience) 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 virtual currency, 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.

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 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the notes to consolidated financial statements included in this prospectus. 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.

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 JOBS Act, and we expect to take advantage 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 will not be required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"); we will be 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 will be subject to reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and we will 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 this offering, though we may cease to be an emerging growth company earlier under certain circumstances, including if (i) we have $1.07 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.

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.

After the completion of this offering, we will be subject to a requirement, pursuant to Section 404 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 beginning with the year following our first annual report required to be filed with the SEC. However, for as long as we are an emerging growth company or a smaller reporting company that is 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. 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 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.

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

Once we become a public company, we will be 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 this prospectus and in other 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.

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

We intend to continue to make significant investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new games and features or enhance our existing games, improve our operating infrastructure or acquire complementary businesses, personnel and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. 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.

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. We may not be able to obtain additional financing on terms favorable to us, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be harmed.

We intend to grant equity incentive awards, which may result in increased share-based compensation expenses.

We plan to adopt the Motorsport Games Inc. 2020 Equity Incentive Plan, which we refer to as the 2020 Plan, concurrently with the closing of this offering for purposes of granting equity compensation awards to employees, directors and consultants to incentivize their performance and better align their interests with ours. Under the 2020 Plan, we will be authorized to grant equity-based awards, including options to purchase shares of our Class A common stock, restricted stock units to receive shares of Class A common stock and restricted shares of Class A common stock. The number of shares of Class A common stock available for issuance under the 2020 Plan will be . In connection with the consummation of this offering, we intend to grant equity awards under the 2020 Plan to certain of our employees and our non-employee directors, as described further under "Executive Compensation—Actions Taken in Connection with This Offering." We believe the granting of equity incentive awards is important to our ability to attract and retain employees, and we expect to continue to grant equity incentive awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

We are, and may in the future be, subject to legal proceedings in the ordinary course of our business. If the outcomes of these proceedings are adverse to us, it could have a material adverse effect on our business, results of operations and financial condition.

We are subject to various legal proceedings, claims, litigation and government investigations or inquiries from time to time, which could have a material adverse effect on our business, results of operations and financial condition. Claims 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. These claims could be asserted under a variety of laws, including but not limited to consumer finance laws, consumer protection laws, intellectual property laws, privacy laws, labor and employment laws, securities laws and employee benefit laws. These actions could expose us to adverse publicity and to substantial monetary damages and legal defense costs, injunctive relief and criminal and civil fines and penalties, including but not limited to suspension or revocation of licenses to conduct business.

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.

Risks Related to This Offering and Ownership of Our Class A Common Stock

We have broad discretion in how we use the proceeds of this offering and may not use them effectively.

We will have considerable discretion in the application of the net proceeds of this offering. We intend to use the net proceeds from this offering for working capital and general corporate purposes, including product development, such as for mobile products and additional racing series, the buildout of APEX, the development of our proprietary racing-focused MSG Engine, sales and marketing activities, capital expenditures and strategic acquisitions and investments. See “Use of Proceeds” for additional information. Our management will have considerable discretion in the application of the net proceeds, and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. We may use the net proceeds for purposes that do not yield a significant return or any return at all for our stockholders. In addition, pending their use, we may invest the net proceeds from this offering in a manner that does not produce income or that loses value.

There is no existing market for our Class A common stock, and we cannot ensure that one will ever develop or be sustained.

Prior to this offering there has been no trading market for our Class A common stock. We cannot predict the extent to which investor interest in our Company will lead to the development of a trading market for our Class A common stock or how liquid that market might become. The offering price for the shares of our Class A common stock has been determined by the Company in connection with this offering and may not be indicative of the price that will prevail in any trading market following this offering, if any. If an active trading market does not develop or is not maintained, the market price and liquidity of our Class A common stock may be adversely affected. In that case, you may not be able to sell your Class A common stock shares at a particular time, at a favorable price or at all.

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

Our certificate of incorporation will limit 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 corporate bylaws will provide that we will indemnify our directors, officers and employees to the fullest extent permitted by law. Our bylaws will also provide 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 bylaw provisions are necessary to attract and retain qualified persons as directors and officers. The limitation of liability in our certificate of incorporation and bylaws 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, which are to be adopted prior to the effective time of this offering, and under 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, which are to be adopted prior to the effective time of this offering, may have the effect of delaying or preventing changes in our board of directors or management. Our certificate of incorporation and bylaws will include provisions that:

- establish 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;
- create a classified board of directors;
- prohibit cumulative voting in the election of directors; and
- reflect 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 will be incorporated in Delaware, we will be 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 will 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 will 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 will 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.

Our stock price may be volatile, and you could lose all or part of your investment.

The trading price of our Class A common stock following our offering may fluctuate substantially and may be higher or lower than the initial public offering price. The trading price of our Class A common stock following our offering will depend on 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. These fluctuations could cause you to lose all or part of your investment in our Class A common stock because you might be unable to sell your shares at or above the price you paid in the offering. 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;
- competitive pricing pressures;
- our ability to obtain 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, geo-political 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, may seriously affect the market price of our Class A common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following our offering. If the market price of our Class A common stock after our offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment.

If you purchase shares of our Class A common stock in our initial public offering, you will experience substantial and immediate dilution.

The initial public offering price is substantially higher than the net tangible book value per share of our outstanding common stock immediately following the completion of this offering. Based on the assumed initial public offering price of $ per share, which is the midpoint of the price range set forth on the cover page of this prospectus, if you purchase shares of common stock in this offering, you will experience substantial and immediate dilution in the pro forma as adjusted net tangible book value per share of $ per share as of September 30, 2020. That is because the price that you pay will be substantially greater than the pro forma net tangible book value per share of the Class A common stock that you acquire. This dilution is due in large part to the fact that our earlier investor, Motorsport Network, paid substantially less than the initial public offering price when it purchased its shares of our capital stock. You will experience additional dilution when those holding options exercise their right to purchase Class A common stock under our equity incentive plans, when options vest and settle, when we issue equity awards to our employees under our equity incentive plans, or when we otherwise issue additional shares of our Class A common stock. For more information, see "Dilution."

After the completion of this offering, we may be at an increased risk of securities class action litigation.

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 do not 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.

Any 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 do not currently have and may never obtain research coverage by securities industry analysts. If no securities industry analysts commence coverage of us, the market price and market trading volume of our Class A common stock could be negatively affected. In the event we are covered by analysts, and 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.

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.

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.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of federal securities laws and which are subject to certain risks, trends and uncertainties. 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. All of our forward-looking statements involve estimates and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Accordingly, any such statements are qualified in their entirety by reference to the information described under the caption “Risk Factors” and elsewhere in this prospectus.

The forward-looking statements contained in this prospectus 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 we believe are appropriate under the circumstances. As you read and consider this prospectus, 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. 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. We believe these factors include, but are not limited to, the following:

- our ability to consistently deliver popular products or whether consumers prefer competing products;
- the concentration of our products in the racing game genre;
- our ability to provide high-quality products in a timely manner;
- the duration and severity of the COVID-19 pandemic and its effects on our business operations, financial performance and results of operations;
- declines in consumer spending and other adverse changes in the economy;
- our dependence 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 sports titles;
- risks relating to the retail sales business model;
- our dependence on a single third-party distribution partner to distribute our games, and our ability to negotiate favorable terms with such partner and its continued willingness to purchase our games;
- our ability to attract advertisers and sponsors for our esports events;
- our reliance on the retention of certain key personnel and the hiring of strategically valuable personnel;
- our ability to market and brand our products and services;
- our ability to adequately address the shift to mobile device technology by our customers; and
- other factors and assumptions discussed in this prospectus under “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.”

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 prospectus 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.

USE OF PROCEEDS

We estimate that our net proceeds from the sale of our Class A common stock that we are offering will be approximately $ million, or approximately $ million if the underwriters exercise in full their option to purchase additional shares of our Class A common stock, assuming an initial public offering price of $ per share, which is the midpoint of the price range on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share of our Class A common stock, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from our initial public offering by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

We intend to use the net proceeds from this offering for working capital and general corporate purposes, including product development, such as for mobile products and additional racing series, the buildout of APEX, the development of our proprietary racing-focused MSG Engine, sales and marketing activities, capital expenditures and strategic acquisitions and investments. Pending these uses, we may invest the net proceeds from this offering in short-term, investment-grade, interest-bearing securities such as money market accounts, certificates of deposit, commercial paper and guaranteed obligations of the U.S. government.

This expected use of the net proceeds from this offering represents our intentions based upon our current financial condition, results of operations, business plans and conditions. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds to be received upon the closing of this offering or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering.

DIVIDEND POLICY

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.

CAPITALIZATION

The table below shows our cash and cash equivalents and capitalization as of September 30, 2020:

- on an actual basis;
- on a pro forma basis to give effect to the corporate conversion, based on the assumed initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus); and
- on a pro forma as adjusted basis to additionally give effect to (1) the pro forma adjustment described above and (2) the sale of shares of our Class A common stock in this offering, assuming an initial public offering price of $ per share (the midpoint of the price range set forth on the cover page of this prospectus), after deducting estimated underwritten discounts and commissions and estimated offering expenses payable by us.

The pro forma and pro forma as adjusted information below is illustrative only, and our capitalization following the corporate conversion and the closing of this offering will depend on the actual initial public offering price and other terms of this offering determined at pricing. You should read the following information together with the information contained under the headings "Selected Historical Consolidated Financial Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus.

	September 30, 2020		
	Actual	Pro Forma	Pro Forma As Adjusted
	(in thousands except share and per share amounts)		
Cash and cash equivalents	$ 3,051	$	$
Debt:			
Promissory Note	10,388		
Member's equity:			
Member's (deficiency) equity attributable to Motorsport Gaming US LLC	(1,262)		
Noncontrolling interest	6,048		
Total Member's Equity	4,786		
Stockholders' equity:			
Class A common stock, $0.0001 par value; no shares authorized, issued and outstanding, actual; shares authorized and shares issued and outstanding, pro forma; and shares authorized and shares issued and outstanding, pro forma, as adjusted	-		
Class B common stock, $0.0001 par value; no shares authorized, issued and outstanding, actual; shares authorized and shares issued and outstanding, pro forma; and shares authorized and shares issued and outstanding, pro forma, as adjusted	-		
Additional paid-in capital	-		
Noncontrolling interest	-		
Total stockholders' equity	-		
Total capitalization	$ 15,174	$	$

The number of shares of our Class A common stock and Class B common stock to be outstanding immediately after this offering is based on shares of our Class A common stock and shares of our Class B common stock outstanding as of , 2020 (as adjusted to give effect to the corporate conversion), and excludes the following:

- shares of our Class A common stock issuable upon exercise of stock options that will be granted to certain of our employees and our non-employee directors in connection with this offering under the 2020 Plan, which we expect will become effective immediately prior to the consummation of this offering, at an exercise price per share equal to the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- shares of our Class A common stock to be issued to each of Neil Anderson and Rob Dyrdek, members of our board of directors, in connection with this offering under the 2020 Plan, which represents a stock award equal to $50,000 to each of Messrs. Anderson and Dyrdek divided by the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- shares of our Class A common stock to be issued to Francesco Piovanetti, a member of our board of directors, in connection with this offering under the 2020 Plan and for his continuing service as chair of our audit committee and as an "audit committee financial expert" (subject to his qualification and appointment, as applicable), which represents a stock award equal to $100,000 divided by the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- additional shares of our Class A common stock reserved for future issuance under the 2020 Plan;

- shares of our Class A common stock to be issued to Fernando Alonso pursuant to a promotional services agreement entered into with Mr. Alonso, representing 3.0% of the issued and outstanding shares of our Class A common stock as of the closing date of this offering (see "Business—Marketing, Sales, and Distribution—Promotional Services Agreement with Fernando Alonso"); and

- shares of our Class A common stock that may be issued outside of the 2020 Plan to Dmitry Kozko, our Chief Executive Officer, subject to the satisfaction of certain conditions as set forth in his employment agreement with us, including (i) up to shares that may be issued in connection with this offering representing 1.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering and (ii) shares issuable upon exercise of stock options that may be granted in connection with this offering representing 2.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering (see "Executive Compensation—Executive Employment Arrangements—Employment Agreement with Dmitry Kozko").

DILUTION

If you invest in our Class A common stock in this offering, your interest will be diluted to the extent of the difference between the initial public offering price per share of Class A common stock and the pro forma as adjusted net tangible book value per share immediately after this offering.

Our pro forma net tangible book value as of September 30, 2020 was $ million, or $ per share of common stock. Our pro forma net tangible book value per share represents the amount of our total tangible assets less our total liabilities, divided by the number of our shares of common stock outstanding as of September 30, 2020, after giving effect to the automatic conversion of all the membership interests in Motorsport Gaming US LLC currently held by the Company's sole member, Motorsport Network, into an aggregate of (i) shares of Class A common stock and (ii) shares of Class B common stock, which will occur immediately prior to the completion of this offering.

After giving effect to the sale by us of shares of Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of September 30, 2020 would have been $ million, or $ per share. This amount represents an immediate dilution of $ per share to new investors purchasing Class A common stock in this offering. We determine dilution by subtracting the pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by investors purchasing Class A common stock in this offering. The following table illustrates this dilution on a per share basis:

Assumed initial public offering price per share		$
Historical net tangible book value per membership interest as of September 30, 2020	$	
Pro forma net tangible book value per share as of September 30, 2020		
Increase in pro forma as adjusted net tangible book value per share attributable to new investors purchasing shares in this offering	$	
Pro forma as adjusted net tangible book value per share after giving effect to this offering		$
Dilution per share to new investors in this offering		$

The dilution information discussed above is illustrative only and may change based on the actual initial public offering price and other terms of this offering. A $1.00 increase (decrease) in the assumed initial public offering price of $ per share of Class A common stock, the midpoint of the estimated price range set forth on the cover page of this prospectus, would increase (decrease) our pro forma as adjusted net tangible book value per share after this offering by $ per share and increase (decrease) the dilution to new investors by $ per share, in each case assuming the number of shares of Class A common stock offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions.

If the underwriters exercise their option to purchase additional shares of our Class A common stock from us in full, our pro forma as adjusted net tangible book value would be $ per share, and the dilution in pro forma net tangible book value per share to new investors in this offering would be $ per share.

The following table summarizes, as of September 30, 2020, on a pro forma as adjusted basis as described above, the number of shares of our Class A common stock, the total consideration and the average price per share (1) paid to us by the existing stockholder, Motorsport Network, and (2) to be paid by new investors acquiring our Class A common stock in this offering at an assumed initial public offering price of $ per share, the midpoint of the estimated price range set forth on the cover page of this prospectus, before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

Shares Purchased		Total Consideration		Average Price Per Share
Number	Percent	Amount	Percent	
Existing stockholder		%		%
New investors				
Total		100.0%		100.0%

The number of shares of our Class A common stock and Class B common stock to be outstanding immediately after this offering is based on shares of our Class A common stock and shares of our Class B common stock outstanding as of , 2020 (as adjusted to give effect to the corporate conversion), and excludes the following:

- shares of our Class A common stock issuable upon exercise of stock options that will be granted to certain of our employees and our non-employee directors in connection with this offering under the 2020 Plan, which we expect will become effective immediately prior to the consummation of this offering, at an exercise price per share equal to the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- shares of our Class A common stock to be issued to each of Neil Anderson and Rob Dyrdek, members of our board of directors, in connection with this offering under the 2020 Plan, which represents a stock award equal to $50,000 to each of Messrs. Anderson and Dyrdek divided by the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- shares of our Class A common stock to be issued to Francesco Piovanetti, a member of our board of directors, in connection with this offering under the 2020 Plan and for his continuing service as chair of our audit committee and as an "audit committee financial expert" (subject to his qualification and appointment, as applicable), which represents a stock award equal to $100,000 divided by the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering");

- additional shares of our Class A common stock reserved for future issuance under the 2020 Plan;

- shares of our Class A common stock to be issued to Fernando Alonso pursuant to a promotional services agreement entered into with Mr. Alonso, representing 3.0% of the issued and outstanding shares of our Class A common stock as of the closing date of this offering (see "Business—Marketing, Sales, and Distribution—Promotional Services Agreement with Fernando Alonso"); and

- shares of our Class A common stock that may be issued outside of the 2020 Plan to Dmitry Kozko, our Chief Executive Officer, subject to the satisfaction of certain conditions as set forth in his employment agreement with us, including (i) up to shares that may be issued in connection with this offering representing 1.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering and (ii) shares issuable upon exercise of stock options that may be granted in connection with this offering representing 2.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering (see "Executive Compensation—Executive Employment Arrangements—Employment Agreement with Dmitry Kozko").

To the extent that options or other securities are issued under our equity incentive plans, or we issue additional shares of our Class A common stock or securities convertible into Class A common stock in the future, there will be further dilution to investors participating in this offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible securities, the issuance of these securities could result in further dilution to our stockholders.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes included within this prospectus.

On August 14, 2018, Motorsport Gaming US LLC acquired a 53.5% equity interest in 704Games. The selected historical financial data below includes (i) the selected historical consolidated financial data of Motorsport Gaming US LLC for the year ended December 31, 2019 and for the period from August 15, 2018 to December 31, 2018 and; (ii) the selected historical financial data of 704Games for the period from January 1, 2018 to August 14, 2018, which are derived from our audited consolidated financial statements and related notes appearing elsewhere in this prospectus. To assist with the period-to-period comparison, we have combined amounts from the Predecessor Period and the portion of the Successor Period from August 15, 2018 to December 31, 2018 along with a pro forma adjustment to recognize additional amortization expense of $637,658 associated with certain acquired license agreements with NASCAR and software intangible assets. We refer to this combined period as the pro forma combined year ended December 31, 2018. This combination does not comply with U.S. GAAP. The summary historical pro forma combined financial data for the year ended December 31, 2018 has been prepared to give effect to Motorsport Gaming US LLC's acquisition of a 53.5% equity interest in 704Games as if it had occurred on January 1, 2018. The summary historical pro forma combined financial data does not purport to represent what our results of operations would have been if the acquisition had occurred as of the dates indicated, or what such results will be for any future period.

The selected historical consolidated statement of operations data for the nine months ended September 30, 2020 and 2019 and the selected historical consolidated balance sheet data as of September 30, 2020 are derived from our unaudited interim consolidated financial statements included elsewhere in this prospectus.

Our historical results are not necessarily indicative of our future results, and our results for the nine months ended September 30, 2020 are not necessarily indicative of results to be expected for the full year.

	Successor Period	Successor Period	Pro Forma Combined	Successor Period	
				For the Nine Months Ended September 30,	
Statement of Operations Data	**For the Year Ended December 31, 2019**	**For the Period From August 15, 2018 to December 31, 2018**	**For the Year Ended December 31, 2018**	**2020**	**2019**
			(Unaudited)	**(Unaudited)**	**(Unaudited)**
Revenues	$ 11,850,787	$ 10,768,629	$ 14,756,777	$ 16,111,581	$ 9,566,873
Cost of revenues	4,888,877	4,184,569	5,598,395	5,261,483	3,776,696
Gross profit	6,961,910	6,584,060	9,158,382	10,850,098	5,790,177
Operating expenses	12,138,023	5,229,711	10,957,920	8,037,552	9,587,263
(Loss) income from operations	(5,176,113)	1,354,349	(1,799,538)	2,812,546	(3,797,086)
Other (expense) income, net (1)	(579,451)	4,904	8,381	(438,894)	(444,017)
(Loss) income before provision for income taxes	(5,755,564)	1,359,253	(1,791,157)	2,373,652	(4,241,103)
Income tax benefit	-	-	2,323	-	-
Net (loss) income	(5,755,564)	1,359,253	(1,788,834)	2,373,652	(4,241,103)
Less: Net (loss) income attributable to noncontrolling interest	(2,191,418)	859,461	859,461	1,498,233	(1,294,908)
Net (loss) income attributable to Motorsport Gaming US, LLC	$ (3,564,146)	$ 499,792	$ (2,648,295)	$ 875,419	$ (2,946,195)
Pro forma net (loss) income per share - basic and diluted (2)	$	$		$	

(1) For the purpose of presenting selected historical consolidated financial data, we have aggregated interest income (expense), loss attributable to equity method investment, and other (expense) income, net from our consolidated statements of operations for the years ended December 31, 2019 and 2018 and for the nine months ended September 30, 2020 and 2019 into a single caption.

(2) We have presented pro forma basic and diluted net loss per share for the year ended December 31, 2019 and for the nine months ended September 30, 2020, which consists of our historical net loss attributable to Motorsport Gaming US LLC, divided by the pro forma basic and diluted weighted average number of shares of our common stock outstanding after giving effect to the corporate conversion.

	December 31,		September 30,
Balance Sheet Data	**2019**	**2018**	**2020**
			(Unaudited)
Total cash	$ 1,960,279	$ 3,413,427	$ 3,050,693
Total current assets	$ 7,129,632	$ 8,699,604	$ 12,007,652
Total assets	$ 12,777,274	$ 15,670,258	$ 18,590,207
Total liabilities	$ 9,165,314	$ 6,302,734	$ 13,804,595
Total members' equity	$ 3,611,960	$ 9,367,524	$ 4,785,612
Total liabilities and members' equity	$ 12,777,274	$ 15,670,258	$ 18,590,207
Working capital (deficiency)	$ (2,035,682)	$ 2,396,870	$ (946,350)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the information included under "Business," and our consolidated financial statements and the accompanying notes included elsewhere in this prospectus. The discussion and analysis below are based on comparisons between our historical financial data for different periods and include certain forward-looking statements about our business, operations and financial performance. These forward-looking statements are subject to risks, uncertainties, assumptions and other factors described in "Risk Factors." Our actual results may differ materially from those expressed in, or implied by, those forward-looking statements. See "Cautionary Note Regarding Forward-Looking Statements."

Overview

We are a leading racing game developer, publisher and esports ecosystem provider of official motorsport racing series throughout the world, including NASCAR, the iconic 24 Hours of Le Mans endurance race ("Le Mans") and the associated FIA World Endurance Championship (the "WEC"), the British Touring Car Championship (the "BTCC") and others. Through the support of our sole member, Motorsport Network, LLC ("Motorsport Network"), the largest global media company in the motorsport industry, our corporate mission is to create the preeminent motorsport gaming and esports entertainment ecosystem by delivering the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. Our products and services target a large and underserved global motorsport audience. For 2019, Formula 1 estimates that its total global television audience reached 471 million unique viewers. Further, Le Mans estimates its total reach was approximately 100 million homes worldwide in 2019, while NASCAR reached approximately 475 million households in 2019 and the BTCC reached approximately 62 million households in 2019.

Started in 2018 as a wholly-owned subsidiary of the Motorsport Network, we are currently the official developer and publisher of the NASCAR video game racing franchise and have obtained the exclusive license to develop multi-platform games for the BTCC. Through a joint venture with Automobile Club de l'Ouest ("ACO"), we are also in the process of obtaining the exclusive license to develop multi-platform games for the Le Mans race and the WEC, which we have entered into a binding letter of intent for and expect to obtain in the fourth quarter of 2020. We develop and publish multi-platform racing video games including for game consoles, personal computer (PC) and mobile platforms through various retail and digital channels, including full-game and downloadable content (sometimes known as "games-as-a-service"). Since our formation, our NASCAR video games have sold over one million copies for game consoles and PCs. For fiscal year 2019 and the nine months ended September 30, 2020, substantially all of our net revenue was generated from sales of our racing video games.

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. Through the nine months ended September 30, 2020, we have facilitated 53 esports events, up from 22 esports events in all of 2019, which have included official esports events for NASCAR, 24 Hours of Le Mans, the Official World Rallycross Esports Championship, FIA Formula E and other race series. The total number of people that have watched our esports events in 2020 to date is approximately 51 million, up from a total of approximately 1.9 million viewers throughout 2019. Our net revenue attributable to esports and other services comprised 0.6% and 1.8% of our total net revenue during fiscal year 2019 and the nine months ended September 30, 2020, respectively, but we expect that net revenue from this line of business will continue to increase and become material to our business moving forward.

Recent Developments

COVID-19

The global spread of the COVID-19 pandemic has created significant business uncertainty for us and others, resulting in volatility and economic disruption. Additionally, the outbreak has resulted in government authorities around the world implementing numerous measures to try to reduce the spread of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place, stay-at-home or total lock-down (or similar) orders and business limitations and shutdowns.

As a result of the COVID-19 pandemic, including the related responses from government authorities, our business and operations have been impacted, including the temporary closure of our offices in Orlando, Florida, Silverstone, England, and Moscow, Russia, which has resulted in our employees working remotely. During the COVID-19 outbreak, demand for our games has generally increased, which we believe is primarily attributable to a higher number of consumers staying at home due to COVID-19 related restrictions. Similarly, there has been a significant increase in viewership of our esports events since the initial impact of the virus, as these events began to air on both digital and linear platforms, particularly as we were able to attract many of the top "real world" motorsport stars to compete. However, several retailers have experienced, and continue to experience, closures, reduced operating hours and/or other restrictions as a result of the COVID-19 pandemic, which has negatively impacted the sales of our products from such retailers. Additionally, in our esports business, the COVID-19 pandemic has resulted in the postponing of certain events to later dates or shifting events from an in-person format to online only.

We continue to monitor the evolving situation caused by the COVID-19 pandemic, and we may take further actions required by governmental authorities or that we determine are prudent to support the well-being of our employees, suppliers, business partners and others. The degree to which the COVID-19 pandemic impacts our operations, business, financial results, liquidity, and financial condition will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted. This includes, but is not limited to, the duration and spread of the pandemic, its severity, actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Adverse economic and market conditions as a result of COVID-19 could also adversely affect the demand for our products and may also impact the ability of our customers to satisfy their obligations to us.

Refer to the section entitled "Risks Factors" in this prospectus for additional risks we face due to the COVID-19 pandemic.

British Touring Car Championship License

In May 2020, we secured a multi-year licensing agreement to exclusively develop and publish the video games for the BTCC racing series across console, mobile and casual gaming channels. In addition, through this license, we have the right to create and organize esports leagues and events for the BTCC racing series. Our license with the BTCC expires on December 31, 2026.

Stock Purchase Agreements – 704Games

On August 18, 2020, we entered into a stock purchase agreement with HC2 Holdings 2, Inc. ("HC2") and Continental General Insurance Company ("Continental") in which we agreed to purchase an aggregate of 106,307 shares of common stock of 704Games Company ("704Games"), which is equal to 26.2% of the outstanding equity interests of 704Games, at a price of $11.2881 per share for an aggregate consideration of approximately $1,200,000. If, within and including the date that is six months from the date of the agreement, we complete a purchase of some or all of the (i) 41,204 shares of common stock held by Gaming Nation, Inc. or its affiliates or transferees, (ii) 30,903 shares of common stock held by PlayFast Games, LLC or its affiliates or transferees and (iii) 10,301 shares of common stock held by Leo Capital Holdings, LLC ("Leo Capital") or its affiliates or transferees (the "Subject Shares") at a purchase price higher than $11.2881 per share, then, no later than five days following the completion of such purchase, we shall pay each of HC2 and Continental an amount per share equal to the amount by which such purchase price per Subject Share exceeds the greater of (a) $11.2881 or (b) the highest price per share previously paid by the Company for any Subject Shares.

On October 6, 2020, we entered into a stock purchase agreement with Leo Capital in which we agreed to purchase an aggregate of 10,301 shares of common stock of 704Games, which is equal to 2.5% of the outstanding equity interests of 704Games, at a price of $11.2881 per share for an aggregate consideration of approximately $116,000.

Following our purchases of shares from HC2, Continental and Leo Capital, our ownership interest in 704Games increased to 82.2% from 53.5%.

Letter of Intent with ACO

On November 23, 2020, we entered into a binding letter of intent with ACO, which, among other things, sets forth the basic terms and conditions under which we plan to amend the joint venture agreement entered into on March 15, 2019 with respect to the Le Mans Esports Series Limited joint venture. This includes certain terms and conditions of a license agreement under which ACO will grant the joint venture certain exclusive rights for a period of 10 years to develop, promote, advertise, distribute, manufacture and package video gaming products based on the WEC and the 24 Hours of Le Mans endurance race, as well as to use such video gaming products as the platform for conducting and administering esports leagues and events. Additionally, the amendment would require us to make an additional capital contribution to the joint venture, which will increase our ownership percentage in the joint venture from 45% to 51% upon such capital contribution being made. Pursuant to the letter of intent, the parties will use their reasonable efforts to execute the joint venture agreement amendment by January 22, 2021.

NASCAR Heat 5 Product Release

NASCAR Heat 5 is a racing video game simulating the 2020 NASCAR season. NASCAR Heat 5 was developed by 704Games and published by Motorsport Games on July 10, 2020 for PlayStation 4, Xbox One and Microsoft Windows via Steam. We are also expanding our supported platforms to include the Nintendo Switch and expect to launch NASCAR Heat 5 on the Nintendo Switch platform in time for the 2021 NASCAR race season.

Trends and Factors Affecting Our Business

Product Release Schedule

Our financial results are affected by the timing of our product releases and the commercial success of those titles. Our NASCAR Heat products have historically accounted for the majority of our revenue. We have recently obtained the exclusive license to develop multi-platform games for the BTCC, and we are in the process of obtaining the exclusive license to develop multi-platform games for the Le Mans race and the WEC, which we have entered into a binding letter of intent for and expect to obtain in the fourth quarter of 2020. Multi-platform games for the BTCC and Le Mans are currently under development, and we currently anticipate releasing games for these racing series in 2022. Going forward, we intend to expand our license arrangements to other internationally recognized racing series and the platforms we operate on. We believe that having a broader product portfolio will improve our operating results and provide a revenue stream that is less cyclical based on the release of a single game per year.

Economic Environment and Retailer Performance

Our physical gaming products are sold primarily through a distribution network with exclusive partners who specialize in the distribution of games, including 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). We currently derive, and expect to continue to derive, significant revenues from sales of our products to a very limited number of distribution partners. For the year ended December 31, 2019 and the nine months ended September 30, 2020, we had one distribution partner through which we sold substantially all of our products for the retail market, which represented approximately 40% and 38% of our total net revenue for the year ended December 31, 2019 and the nine months ended September 30, 2020, respectively. See “Risk Factors—Risks Related to Our Business and Industry—The importance of retail sales to our business exposes us to the risks of that business model” and “Risk Factors—Risks Related to Our Business and Industry—We primarily depend on a single third-party distribution partner to distribute our games for the retail channel, and our ability to negotiate favorable terms with such partner and its continued willingness to purchase our games is critical for our business” for additional information regarding the importance of retail sales and our distribution partners to our business.

Additionally, we continue to monitor economic conditions, including the impact of the COVID-19 pandemic, that may unfavorably affect our businesses, such as deteriorating consumer demand, delays in development, pricing pressure on our products, credit quality of our receivables and foreign currency exchange rates. The COVID-19 pandemic has affected and may continue to affect our business operations, including our employees, customers, partners, and communities, and there is substantial uncertainty in the nature and degree of its continued effects over time. For example, several retailers have experienced, and continue to experience, closures, reduced operating hours and/or other restrictions as a result of the COVID-19 pandemic, which has negatively impacted the sales of our products from such retailers. See “—Recent Developments—COVID-19” for additional information regarding the impact of COVID-19 on our business and operations.

Hardware Platforms

We derive most of our revenue from the sale of products made for video game consoles manufactured by third parties, such as Sony Interactive Entertainment Inc.’s (“Sony”) PS4 and Microsoft Corporation’s (“Microsoft”) Xbox One, which comprised approximately 85% of our total net revenue for each of the years ended December 31, 2019 and 2018 and the nine months ended September 30, 2020. For the years ended December 31, 2019 and 2018, the sale of products for Microsoft Windows via Steam comprised approximately 3% and 2% of our total net revenue, respectively, and the sale of products for mobile platforms comprised approximately 12% and 13% of our total net revenue, respectively. For the nine months ended September 30, 2020, the sale of products for Microsoft Windows via Steam comprised approximately 4% of our total net revenue, and the sale of products for mobile platforms comprised approximately 9% of our total net revenue. The success of our business is dependent upon consumer acceptance of video game console platforms and continued growth in the installed base of these platforms. When new hardware platforms are introduced, such as those recently released by Sony and Microsoft, 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 new Sony and Microsoft consoles are expected to 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.

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, 2019 and 2018, approximately 51% and 66%, respectively, of our revenue from sales of video games for game consoles was through retail channels and approximately 49% and 34%, respectively, was through direct digital downloads. For the nine months ended September 30, 2020, approximately 38% of our revenue from sales of video games for game consoles was through retail channels and approximately 62% was through direct digital downloads. We believe this trend of increasing direct digital downloads is primarily due to benefits relating to convenience and accessibility that digital downloads provide, which has been heightened during the COVID-19 outbreak. 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. Through the nine months ended September 30, 2020, we have facilitated 53 esports events, up from 22 esports events in all of 2019, which have included official esports events for NASCAR, 24 Hours of Le Mans, the Official World Rallycross Esports Championship, FIA Formula E and other race series. The total number of people that have watched our esports events in 2020 to date is approximately 51 million, up from a total of approximately 1.9 million viewers throughout 2019. As we continue to add to our existing portfolio of games centered around popular licensed racing series, this will provide us the opportunity to further grow our esports business by having more titles to produce our esports events. Our net revenue attributable to esports and other services comprised 0.6% and 1.8% of our total net revenue during fiscal year 2019 and the nine months ended September 30, 2020, respectively, but we expect that net revenue from this line of business will continue to increase and become material to our business moving forward.

Technological Infrastructure

As our digital business has grown, our games and services increasingly depend on the reliability, availability and security of our technological infrastructure. We are investing and expect to continue to invest in technology, hardware and software to support our games and services, including with respect to security protections. Our industry is prone to, and our systems and networks are subject to, cyberattacks, computer viruses, worms, phishing attacks, malicious software programs, and other information security incidents that seek to exploit, disable, damage, disrupt or gain access to our networks, our products and services, supporting technological infrastructure, intellectual property and other assets. As a result, 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.

Rapidly Changing Industry

We operate in a dynamic industry that regularly experiences periods of rapid, fundamental change. In order to remain successful, we are required to anticipate, sometimes years in advance, the ways in which our products and services will compete in the market. We adapt our business by investing in creative and technical talent and new technologies, evolving our business strategies and distribution methods and developing new and engaging products and services. For example, the global adoption of mobile devices and a business model for those devices that allows consumers to try new games with no up-front cost, and that are monetized through service associated with the game, has led to significant growth in the mobile gaming industry, which we believe is a continuing trend. Accordingly, in conjunction with the launch of our new NASCAR console game, we plan to launch a new, redesigned NASCAR Heat Mobile in 2021, which is our NASCAR mobile racing game that will also be developed internally. Given the recent popularity and fast growing nature of the branded casual game experience, we also plan to introduce a slate of NASCAR branded casual gaming options, starting with the officially licensed NASCAR “match three” game in 2021. In addition, we have a roadmap for the development of more than a dozen anticipated mobile games, including multiple mobile products for each of our racing series.

Recurring Revenue Sources

Our business model includes revenue that we deem recurring in nature, such as revenue from our annualized sports franchise (currently NASCAR Heat) for game consoles, PC and mobile platforms. We 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. 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.

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 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.

Our product and service offerings include, but are not limited to, full console and mobile games with both online and offline functionality, which generally include:

- the initial game delivered digitally or via physical disc at the time of sale and typically provides access to offline core game content;
- updates 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
- online hosting of esports events.

Cost of Revenues

Cost of revenues for our Gaming segment is primarily comprised of royalty expenses attributable to our license arrangement with NASCAR 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, disc manufacturing costs, packaging 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 with NASCAR and software intangible assets acquired with the acquisition of 704Games. Cost of revenues for our esports segment consists of the cost of producing esports events and paying prize money.

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, Motorsport Network and other websites where we market our products.

Development

Development expenses consist of the cost to develop the games we produce, as well as developing the content that we use in our esports leagues. Development expenses include 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 associated with our digital platform, software licenses, maintenance and development overhead.

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 definite lived intangible assets acquired with the acquisition of 704Games in August of 2018.

Results of Operations

The following results of operations are discussed herein:

- Historical consolidated results of operations of Motorsport Gaming US LLC for the nine months ended September 30, 2020 and 2019;
- Historical consolidated results of operations of Motorsport Gaming US LLC for the year ended December 31, 2019;
- Historical consolidated results of operations of Motorsport Gaming US LLC for the period from August 15, 2018 to December 31, 2018; and
- Pro forma combined results of operations of Motorsport Gaming US LLC and 704Games for the year ended December 31, 2018.

To assist with the period-to-period comparison, we have provided supplemental pro forma combined results of operations for the year ended December 31, 2018 to present the results of operations as if the acquisition of 704Games had occurred on January 1, 2018 (the “Pro Forma Combined”). The Pro Forma Combined includes the amounts (i) for the predecessor period from January 1, 2018 to August 14, 2018, (ii) the successor period from August 15, 2018 to December 31, 2018 as well as (iii) a pro forma adjustment to recognize additional amortization expense of $637,658 associated with certain acquired license agreements with NASCAR and software intangible assets. This combination does not comply with generally accepted accounting principles in the United States of America (“U.S. GAAP”). The Pro Forma Combined financial data does not purport to represent what our results of operations would have been if the acquisition had occurred as of the dates indicated, or what such results will be for any future period.

Nine Months Ended September 30, 2020 Compared With Nine Months Ended September 30, 2019

The following table presents the results of operations for the nine months ended September 30, 2020 and 2019:

	For the Nine Months Ended September 30,	
	2020	**2019**
Revenues	$ 16,111,581	$ 9,566,873
Cost of revenues (1)	5,261,483	3,776,696
Gross Profit	10,850,098	5,790,177
Operating Expenses:		
Sales and marketing (2)	2,321,635	3,233,328
Development (3)	3,438,461	3,955,533
General and administrative (4)	2,227,373	2,013,607
Depreciation and amortization	50,083	384,795
Total Operating Expenses	8,037,552	9,587,263
Income (Loss) From Operations	2,812,546	(3,797,086)
Interest income	1,339	33,744
Interest expense (5)	(449,664)	-
Loss attributable to equity method investment	(69,764)	(485,956)
Other income, net	79,195	8,195
Net Income (Loss)	2,373,652	(4,241,103)
Less: Net income (loss) attributable to noncontrolling interest	1,498,233	(1,294,908)
Net Income (Loss) Attributable to Motorsport Gaming US, LLC	$ 875,419	$ (2,946,195)

(1) Includes related party costs of $92,522 and $0 for the nine months ended September 30, 2020 and 2019, respectively.

(2) Includes related party expenses of $117,088 and $833,748 for the nine months ended September 30, 2020 and 2019, respectively.

(3) Includes related party expenses of $134,942 and $12,146 for the nine months ended September 30, 2020 and 2019, respectively.

(4) Includes related party expenses of $1,130,864 and $0 for the nine months ended September 30, 2020 and 2019, respectively.

(5) Includes related party expenses of $439,723 and $0 for the nine months ended September 30, 2020 and 2019, respectively.

Revenues

Our revenues consisted of the following:

	For the Nine Months Ended September 30,	
	2020	**2019**
Revenues:		
Gaming	$ 15,821,290	$ 9,566,873
esports	290,291	-
Total Revenues	$ 16,111,581	$ 9,566,873

For the nine months ended September 30, 2020, revenues from our Gaming segment increased by $6,254,417, or 65%, to $15,821,290 from $9,566,873 for the nine months ended September 30, 2019. The increase in revenues compared to the 2019 period was due in part to the releases of NASCAR Heat 4 and NASCAR Heat 5, which launched in September 2019 and July 2020, respectively. The increase in revenue for the nine months ended September 30, 2020 reflects in part an increase in sales of our games due to the increasing effectiveness of our marketing efforts for our games, specifically on Facebook, Google and Motorsport Network. An increased focus on monetizing our back catalog games (i.e., NASCAR Heat 2 and NASCAR Heat 3), as well as NASCAR Heat 4, also helped increase distribution points, bundle values and capture more enrollments into PS Now, a subscription service offered by Sony PlayStation. For the nine months ended September 30, 2020, sales of NASCAR Heat 4 and NASCAR Heat 5 contributed $13,782,799 of our Gaming segment revenue, and sales of our back catalog games contributed $636,158 of our Gaming segment revenue. For the nine months ended September 30, 2019, sales of NASCAR Heat 4 and sales of our back catalog games contributed $5,843,980 and $2,942,147, respectively, of our Gaming segment revenue. Revenues from our Gaming segment for the nine months ended September 30, 2020 also reflected $1,828,725 of revenue from the sale of extra content for our console and mobile games, which increased from $1,363,620 for the nine months ended September 30, 2019 due to higher sales of such extra content for our NASCAR mobile game.

For the nine months ended September 30, 2020, revenues from our esports segment consisted of $290,291, which was comprised of sponsorship and event revenues from Fanatec, Formula E and 24 Hours of Le Mans esports events. During the nine months ended September 30, 2020, there has been a significant increase in viewership of our esports events attributable in part to increased audience and engagement during the COVID-19 pandemic and in part due to the increase in esports events streamed on digital and aired on linear platforms. In addition, our esports races were able to attract numerous top "real world" motorsport stars to compete, increasing the attractiveness of our events for our growing audience. We did not earn any revenue from our esports segment during the nine months ended September 30, 2019.

Cost of Revenues

Our cost of revenues consisted of the following:

	For the Nine Months Ended September 30,	
	2020	2019
Cost of revenues:		
Gaming	$ 4,981,748	$ 3,776,696
Esports	279,735	-
Total Segment and Consolidated Cost of Revenues	$ 5,261,483	$ 3,776,696

For the nine months ended September 30, 2020, cost of revenues from our Gaming segment increased by $1,205,052, or 32%, to $4,981,748 from $3,776,696 for the nine months ended September 30, 2019, primarily due to increased revenue during the current year period and the costs associated with delivering that revenue.

For the nine months ended September 30, 2020, cost of revenues from our esports segment was $279,735. The cost of revenue was related to our esports events including live stream production costs and cash prizes. There was no cost of revenues for the nine months ended September 30, 2019 since we did not generate any revenue from our esports segment during the prior year period.

Gross Profit

Our gross profit and gross margin consisted of the following:

	For the Nine Months Ended September 30, 2020	%	For the Nine Months Ended September 30, 2019	%
Gross Profit:				
Gaming	$ 10,839,542	68.5%	$ 5,790,177	60.5%
Esports	10,556	3.6%	-	-
Total Segment and Consolidated Gross Profit	$ 10,850,098	67.3%	$ 5,790,177	60.5%

For the nine months ended September 30, 2020, gross profit from our Gaming segment increased by $5,049,365, or 87%, to $10,839,542 from $5,790,177 for the nine months ended September 30, 2019 primarily due to increased game sales. For the nine months ended September 30, 2020 and 2019, the gross margin from our Gaming segment was 68.5% and 60.5%, respectively, an increase of 8.0 percentage points primarily due to higher sales of our games as direct digital downloads, which have a higher gross margin than sales through retail channels. Gross margin from direct digital download sales also fluctuates with the relative selling prices of our games. Our new games tend to sell at their highest price point in the days, weeks and months immediately following their launch and our back catalog sells at relatively lower prices. The mix of sales from new games and back catalog games plus the mix of games sold via direct digital download and retail channels all impact our gross margins.

For the nine months ended September 30, 2020, our esports segment generated gross profit of $10,556 and gross margin of 3.6%. This reflected revenue generated from sponsorships and live events that exceeded the costs of cash prizes and esports event and production costs. There was no gross profit for the nine months ended September 30, 2019 since we did not generate any revenue from our esports segment during the nine months ended September 30, 2019.

Sales and Marketing

For the nine months ended September 30, 2020, sales and marketing expenses decreased by $911,693, or 28%, to $2,321,635 from $3,233,328 for the nine months ended September 30, 2019, primarily due to the replacement of third-party agency providers with our internal marketing team for marketing related activities, the elimination of more expensive television commercials and a shift to higher return, more targeted digital marketing expenditures.

Development

For the nine months ended September 30, 2020, development expenses decreased by $517,072, or 13%, to $3,438,461 from $3,955,533 for the nine months ended September 30, 2019. The decrease in development expenses was primarily due to bringing development in-house using our internal development team, combined with replacing a portion of our domestic-based internal development team with less expensive international resources.

General and Administrative

For the nine months ended September 30, 2020, general and administrative expenses increased by $213,766, or 11%, to $2,227,373 from $2,013,607 for the nine months ended September 30, 2019. The increase was primarily attributable to the addition of staff as we expand our product portfolio and revenue streams.

Depreciation and Amortization

For the nine months ended September 30, 2020, depreciation and amortization decreased by $334,712, or 87%, to $50,083 from $384,795 for the nine months ended September 30, 2019, primarily due to the sale of assets associated with the elimination of our Charlotte, North Carolina office and a write down of obsolete equipment.

Interest Income

For the nine months ended September 30, 2020, interest income decreased by $32,405, or 96%, to $1,339 from income of $33,744 for the nine months ended September 30, 2019. For the nine months ended September 30, 2019, interest income reflects interest income earned on most of our cash balance during the period. For the nine months ended September 30, 2020, we moved all our cash to an operating account because the decrease in bank fees associated with the move was greater than the interest income earned on our money market cash investment.

Interest Expense

For the nine months ended September 30, 2020, we recorded interest expense of $482,069, whereas there was none recorded for the nine months ended September 30, 2019. The interest expense for the nine months ended September 30, 2020 was due to interest charged on a promissory note entered into with Motorsport Network beginning in April 2020.

Loss Attributable to Equity Method Investment

For the nine months ended September 30, 2020, the loss attributable to equity method investment decreased by $416,192, or 86%, to $69,764 from $485,956 for the nine months ended September 30, 2019. The decrease was primarily due to improved financial performance of Le Mans Esports Series Limited, a joint venture entered into in March 2019 with ACO, during the nine months ended September 30, 2020.

Other Income, net

For the nine months ended September 30, 2020, other income, net increased by $71,000, or 866% to $79,195 from $8,195 for the nine months ended September 30, 2019. The increase was primarily due to the sublease of our Charlotte, North Carolina office beginning in February 2020.

Year Ended December 31, 2019 Compared with Period From August 15, 2018 to December 31, 2018 and Pro Forma Combined 2018 Period

The following table presents our historical consolidated results of operations for the year ended December 31, 2019 and for the period from August 15, 2018 to December 31, 2018, as well as our Pro Forma Combined results of operations for the year ended December 31, 2018:

	Historical Consolidated	Historical Consolidated	Pro Forma Combined
	For the Year Ended December 31, 2019	For the Period from August 15, 2018 to December 31, 2018	For the Year Ended December 31, 2018
Revenues	$ 11,850,787	$ 10,768,629	$ 14,756,777
Cost of revenues	4,888,877	4,184,569	5,598,395
Gross Profit	6,961,910	6,584,060	9,158,382
Operating Expenses:			
Sales and marketing (1)	3,771,570	2,429,939	3,544,600
Development (2)	4,784,034	1,694,359	3,902,116
General and administrative	2,605,782	869,928	2,872,305
Depreciation and amortization	401,622	235,485	638,899
Loss on impairment of goodwill	575,015	-	-
Total Operating Expenses	12,138,023	5,229,711	10,957,920
(Loss) Income From Operations	(5,176,113)	1,354,349	(1,799,538)
Interest income (expense)	35,728	-	(26,250)
Loss attributable to equity method investment	(608,656)	-	-
Other (expense) income, net	(6,523)	4,904	34,631
(Loss) Income Before Income Taxes	(5,755,564)	1,359,253	(1,791,157)
Income tax benefit	-	-	2,323
Net (Loss) Income	(5,755,564)	1,359,253	(1,788,834)
Less: Net (loss) income attributable to noncontrolling interest	(2,191,418)	859,461	859,461
Net (Loss) Income Attributable to Motorsport Gaming US, LLC	$ (3,564,146)	$ 499,792	$ (2,648,295)

(1) Includes related party expenses of $593,094 and $364,294 for the periods ended December 31, 2019 and 2018, respectively.

(2) Includes related party expenses of $15,229 and $108,375 for the periods ended December 31, 2019 and 2018, respectively.

The following table presents the components of our Pro Forma Combined results of operations for the year ended December 31, 2018:

	Successor	Predecessor		Pro Forma Combined
	For the Period from August 15, 2018 to December 31, 2018	For the Period from January 1, 2018 to August 14, 2018	Pro Forma Adjustments	For the Year Ended December 31, 2018
Revenues	$ 10,768,629	$ 3,988,148	$ -	$ 14,756,777
Cost of revenues	4,184,569	1,126,171	287,655	5,598,395
Gross Profit	6,584,060	2,861,977	(287,655)	9,158,382
Operating Expenses:				
Sales and marketing	2,429,939	1,114,661	-	3,544,600
Development	1,694,359	2,207,757	-	3,902,116
General and administrative	869,928	2,002,377	-	2,872,305
Depreciation and amortization	235,485	53,411	350,003	638,899
Total Operating Expenses	5,229,711	5,378,206	350,003	10,957,920
Income (Loss) From Operations	1,354,349	(2,516,229)	(637,658)	(1,799,538)
Interest expense	-	(26,250)	-	(26,250)
Loss attributable to equity method investment	-	-	-	-
Other income, net	4,904	29,727	-	34,631
Income (Loss) Before Income Taxes	1,359,253	(2,512,752)	(637,658)	(1,791,157)
Income tax benefit	-	2,323	-	2,323
Net Income (Loss)	1,359,253	(2,510,429)	(637,658)	(1,788,834)
Less: Net income attributable to noncontrolling interest	859,461	-	-	859,461
Net Income (Loss) Attributable to Motorsport Gaming US, LLC	$ 499,792	$ (2,510,429)	$ (637,658)	$ (2,648,295)

Revenues

Our revenues consisted of the following:

	Historical Consolidated For the Year Ended December 31, 2019	Historical Consolidated For the Period From August 15, 2018 to December 31, 2018	Pro Forma Combined For the Year Ended December 31, 2018
Revenues:			
Gaming	$ 11,775,787	$ 10,768,629	$ 14,756,777
Esports	75,000	-	-
Total segment and consolidated revenues	$ 11,850,787	$ 10,768,629	$ 14,756,777

For the year ended December 31, 2019, revenues from our Gaming segment increased by $1,007,158, or 9%, to $11,775,787 from $10,768,629 for the period from August 15, 2018 to December 31, 2018. The increase in revenue compared to the 2018 period was primarily due to twelve months of sales in 2019 as compared to four and a half months of sales in the 2018 period. This was partially offset by a lower volume of sales of our NASCAR Heat 4 game launched in 2019 compared to the volume of sales of our NASCAR Heat 3 game launched in 2018. The lower volume of sales of NASCAR Heat 4 compared to NASCAR Heat 3 was largely attributable to a crowded release window in September 2019 with certain other popular gaming titles released around that time, which limited shelf space and promotional resources, such as retail register displays. For the year ended December 31, 2019, sales of NASCAR Heat 4, which launched in September 2019, and sales of our back catalog games contributed $7,984,200 and $3,094,026, respectively, of our Gaming segment revenue. For the period from August 15, 2018 to December 31, 2018, sales of NASCAR Heat 3, which launched in September 2018, and sales of our back catalog games contributed $9,677,463 and $346,549, respectively, of our Gaming segment revenue. Revenues from our Gaming segment for the year ended December 31, 2019 also reflected $2,004,129 of revenue from the sale of extra content for our console and mobile games, which increased from $979,952 for the period from August 15, 2018 to December 31, 2018 due to higher sales of such extra content for our NASCAR console and mobile games.

For the year ended December 31, 2019, revenues from our Gaming segment decreased by $2,980,990, or 20%, to $11,775,787 from $14,756,777 for the Pro Forma Combined 2018 period. The decrease in revenue compared to the Pro Forma Combined 2018 period was primarily due to a lower volume of sales of our NASCAR Heat 4 game launched in 2019 compared to the volume of sales of our NASCAR Heat 3 game launched in 2018 as discussed above. For the year ended December 31, 2019, sales of NASCAR Heat 4 and sales of our back catalog games contributed $7,984,200 and $3,094,026, respectively, of our Gaming segment revenue. For the Pro Forma Combined 2018, sales of NASCAR Heat 3 and sales of our back catalog games contributed $9,677,463 and $3,082,923, respectively, of our Gaming segment revenue. Revenues from our Gaming segment for the year ended December 31, 2019 also reflected $2,004,129 of revenue from the sale of extra content for our console and mobile games, which decreased from $2,544,519 for the Pro Forma Combined 2018 period primarily due to lower sales of such extra content for our NASCAR mobile game.

For the year ended December 31, 2019, revenues from our esports segment consisted of $75,000 of sponsorship revenue from Coca-Cola for an eNASCAR Heat Pro League ("eNHPL") event held in 2019. We did not earn any revenue from our esports segment during 2018. During 2018, we began developing our esports technology platform, and our first event was held in November of 2018 to test the esports concept. This was primarily a marketing event to promote NASCAR Heat 3.

Cost of Revenues

Our cost of revenues consisted of the following:

	Historical Consolidated	Historical Consolidated	Pro Forma Combined
	For the Year Ended December 31, 2019	For the Period From August 15, 2018 to December 31, 2018	For the Year Ended December 31, 2018
Cost of revenues:			
Gaming	$ 4,866,377	$ 4,184,569	$ 5,598,395
Esports	22,500	-	-
Total segment and consolidated cost of revenues	$ 4,888,877	$ 4,184,569	$ 5,598,395

For the year ended December 31, 2019, cost of revenues from our Gaming segment increased by $681,808, or 16%, to $4,866,377 from $4,184,569 for the period from August 15, 2018 to December 31, 2018, primarily due to twelve months of sales in 2019 as compared to four and a half months of sales in the 2018 period.

For the year ended December 31, 2019, cost of revenues from our Gaming segment decreased by $732,018, or 13%, to $4,866,377 from $5,598,395 for the Pro Forma Combined 2018 period, primarily due to a lower volume of sales of our NASCAR Heat 4 game launched in 2019 compared to the volume of sales of our NASCAR Heat 3 game launched in 2018.

For the year ended December 31, 2019, cost of revenues from our esports segment was $22,500 related to the eNHPL event, whereas there was no cost of revenues for 2018 since we did not generate any revenue from our esports segment in 2018.

Gross Profit

Our gross profit and gross margin consisted of the following:

	Historical Consolidated		Historical Consolidated		Pro Forma Combined	
	For the Year Ended December 31, 2019	%	For the Period From August 15, 2018 to December 31, 2018	%	For the Year Ended December 31, 2018	%
Gross profit:						
Gaming	$ 6,909,410	58.7%	$ 6,584,060	61.1%	$ 9,158,382	62.1%
Esports	52,500	70.0%	-	-	-	-
Total segment and consolidated gross profit	$ 6,961,910	58.7%	$ 6,584,060	61.1%	$ 9,158,382	62.1%

For the year ended December 31, 2019, gross profit from our Gaming segment increased by $325,350, or 5%, to $6,909,410 from $6,584,060 for the period from August 15, 2018 to December 31, 2018, primarily due to twelve months of sales in 2019 as compared to four and a half months of sales in the 2018 period. For the year ended December 31, 2019 and for the period from August 15, 2018 to December 31, 2018, the gross margin from our Gaming segment was 58.7% and 61.1%, respectively, a decrease of 2.4 percentage points due to higher than expected sales allowances for NASCAR Heat 3 in 2019 and a slower sell through as compared to our original estimates of NASCAR Heat 3 that was placed into the retail channel during 2018.

For the year ended December 31, 2019, gross profit from our Gaming segment decreased by $2,248,972, or 25%, to $6,909,410 from $9,158,382 for the Pro Forma Combined 2018 period, primarily due to lower revenues. For the year ended December 31, 2019 and for the Pro Forma Combined 2018 period, the gross margin from our Gaming segment was 58.7% and 62.1%, respectively, a year-over-year decrease of 3.4 percentage points due to higher than expected sales allowances for NASCAR Heat 3 in 2019 and a slower sell through as compared to our original estimates of NASCAR Heat 3 that was placed into the retail channel during 2018.

For the year ended December 31, 2019, our esports segment generated gross profit of $52,500 and gross margin of 70.0%. This reflected operating results from one esports event held in 2019 for the eNHPL.

Sales and Marketing

For the year ended December 31, 2019, sales and marketing expenses increased by $1,341,631, or 55%, to $3,771,570 from $2,429,939 for the period from August 15, 2018 to December 31, 2018, primarily due to twelve months of costs in 2019 compared to four and a half months of costs in the 2018 period. Additionally, we had increased costs associated with our creation of an internal marketing team during the year ended December 31, 2019. Previously, we outsourced marketing related activities to third-party agencies, and we incurred additional expenditures for the year ended December 31, 2019 during a transition period where we utilized both third-party agencies, as well as our internal marketing team, for marketing related activities.

For the year ended December 31, 2019, sales and marketing expenses increased by $226,970, or 6%, to $3,771,570 from $3,544,600 for the Pro Forma Combined 2018 period, primarily due to increased costs associated with our creation of an internal marketing team during the year ended December 31, 2019 as discussed above.

Development

For the year ended December 31, 2019, development expenses increased by $3,089,675, or 182%, to $4,784,034 from $1,694,359 for the period from August 15, 2018 to December 31, 2018. Development expenses increased in 2019 primarily due to twelve months of costs in 2019 compared to four and a half months of costs in the 2018 period. Additionally, we began to work on multiple game titles simultaneously beginning in April 2019. Previously, we had only developed one game at a time.

For the year ended December 31, 2019, development expenses increased by $881,918, or 23%, to $4,784,034 from $3,902,116 for the Pro Forma Combined 2018 period. Development expenses increased in 2019 primarily as we began to work on multiple game titles simultaneously beginning in April 2019 as discussed above.

General and Administrative

For the year ended December 31, 2019, general and administrative expenses increased by $1,735,854, or 200%, to $2,605,782 from $869,928 for the period from August 15, 2018 to December 31, 2018. The increase was primarily attributable to twelve months of costs in 2019 as compared to four and a half months of costs in the 2018 period.

For the year ended December 31, 2019, general and administrative expenses decreased by $266,523, or 9%, to $2,605,782 from $2,872,305 for the Pro Forma Combined 2018 period. The decrease was primarily attributable to a reduction in staff during the year ended December 31, 2019 and transaction costs that were incurred during the year ended December 31, 2018, including costs associated with the acquisition of 704Games.

Depreciation and Amortization

For the year ended December 31, 2019, depreciation and amortization increased by $166,137, or 71%, to $401,622 from $235,485 for the period from August 15, 2018 to December 31, 2018, primarily due to additional amortization and depreciation expense recognized as a result of there being twelve months during the 2019 period as compared to four and a half months during the 2018 period.

For the year ended December 31, 2019, depreciation and amortization decreased by $237,277, or 37%, to $401,622 from $638,899 for the Pro Forma Combined 2018 period, primarily as a result of certain intangible assets consisting of distribution contracts becoming fully amortized during the 2019 period.

Loss on Impairment of Goodwill

For the year ended December 31, 2019, we recognized a loss on the impairment of our goodwill of $575,015, compared to no impairment in the 2018 periods. The acquisition of 704Games occurred in August 2018, and the first revaluation of goodwill was completed in 2019, resulting in a write-down of $575,015, primarily due to decreased revenue projections formulated at December 31, 2019. As of December 31, 2019, our revenue projections were reduced in order to give effect to the fact that the development of the planned premium esports platform of 704Games was delayed and, therefore, we did not generate any revenue in 2019 associated with this premium esports platform. As a result, actual 2019 revenues were significantly less than what was originally projected for the 2019 period due to the premium esports platform never being implemented. This 2019 shortfall also resulted in lower expected revenues for 2020 and 2021.

Interest Income (Expense)

For the year ended December 31, 2019, interest income (expense) increased by $61,978 to income of $35,728 from expense of $(26,250) for the Pro Forma Combined 2018 period. The increase is primarily due to interest earned from higher interest-bearing cash balances during the year ended December 31, 2019. The interest expense during the Pro Forma Combined 2018 period was associated with a note payable that was outstanding during a portion of such period. There was no interest income (expense) for the period from August 15, 2018 to December 31, 2018.

Loss Attributable to Equity Method Investment

For the year ended December 31, 2019, we recognized a loss attributable to equity method investment of $608,656 compared to $0 for the 2018 periods. The loss attributable to equity method investment resulted from our 45% ownership in Le Mans Esports Series Limited, a joint venture entered into in March 2019 with ACO.

Other (Expense) Income, net

For the year ended December 31, 2019, there was other expense, net of $6,523 as compared to other income, net of $4,904 for the period from August 15, 2018 to December 31, 2018. The increase in expense was primarily due to the recognition of a loss on asset disposal during the year ended December 31, 2019 and the expiration of a sublease of our space during the period from August 15, 2018 to December 31, 2018.

For the year ended December 31, 2019, there was other expense, net of $6,523 as compared to other income, net of $34,631 for the Pro Forma Combined 2018 period. The increase in expense was primarily due to the recognition of a loss on asset disposal during the year ended December 31, 2019 and the expiration of a sublease of our space during the Pro Forma Combined 2018 period.

Income Tax Benefit

For the Pro Forma Combined 2018 period, we recognized an income tax benefit of $2,323, as 704Games is a corporation subject to income taxes. There was no income tax provision or benefit recognized during 2019 or during the period from August 15, 2018 to December 31, 2018, as Motorsport Games is a pass-through entity and 704Games has recorded a full valuation allowance against deferred tax assets.

Non-GAAP Financial Measures

EBITDA and Adjusted EBITDA

EBITDA, a measure used by management to assess our operating performance, is defined as net loss plus interest (income) expense and depreciation and amortization, less income tax benefit. Adjusted EBITDA is defined as EBITDA adjusted to exclude (i) certain acquisition related expenses, (ii) stock-based compensation expenses and (iii) charges or gains resulting from non-recurring events. We use Adjusted EBITDA to manage our business and evaluate our financial performance, as it has been adjusted for items that affect comparability between periods that we believe are not representative of our core business. Additionally, management believes that EBITDA and Adjusted EBITDA are useful to investors because they enhance investors' understanding and assessment of our performance, facilitate comparisons to prior periods and our competitors' results and assist in forecasting performance for future periods.

Each of the above described measures is not a recognized term under U.S. GAAP and does not purport to be an alternative to revenue, loss from operations, net loss or any other measure derived in accordance with U.S. GAAP as a measure of operating performance or to cash flows from operations as a measure of liquidity. Additionally, each such measure is not intended to be a measure of free cash flows available for management's discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Such measures have limitations as analytical tools, and you should not consider any of such measures in isolation or as substitutes for our results as reported under U.S. GAAP. Management compensates for the limitations of using non-GAAP financial measures by using them to supplement U.S. GAAP results to provide a more complete understanding of the factors and trends affecting the business than U.S. GAAP results alone. Because not all companies use identical calculations, our measures may not be comparable to other similarly titled measures of other companies. This section includes reconciliations of these non-GAAP measures to the most directly comparable financial measures calculated and presented in accordance with U.S. GAAP.

The following table provides a reconciliation from net loss to EBITDA and Adjusted EBITDA:

	Historical Consolidated	Historical Consolidated	Pro Forma Combined	Historical Consolidated	
	For the Year Ended December 31,	For the Period From August 15, 2018 to December 31,	For the Year Ended December 31,	For the Nine Months Ended September 30,	
	2019	2018	2018	2020	2019
Net (Loss) Income	$ (5,755,564)	$ 1,359,253	$ (1,788,834)	$ 2,373,652	$ (4,241,103)
Interest (income) expense	(35,728)	-	26,250	448,325	(33,744)
Depreciation and amortization	861,872	408,078	1,099,147	457,729	729,983
Income tax benefit	-	-	(2,323)	-	-
EBITDA	(4,929,420)	1,767,331	(665,760)	3,279,706	(3,544,864)
Adjustments					
Acquisition related expense	-	10,000	127,000	-	-
Stock-based compensation expense	-	-	546,546	-	-
Adjusted EBITDA	$ (4,929,420)	$ 1,777,331	$ 7,786	$ 3,279,706	$ (3,544,864)

Liquidity and Capital Resources

Liquidity

Since our inception, we have historically financed our operations primarily through non-interest-bearing advances from Motorsport Network, which were subsequently incorporated into a line of credit provided by Motorsport Network pursuant to a promissory note, as described below. We measure our liquidity in a number of ways, including the following:

	September 30, 2020	December 31, 2019
	(Unaudited)	
Cash	$ 3,050,693	$ 1,960,279
Working Capital (Deficiency)	$ (946,350)	$ (2,035,682)

We believe that our existing cash and cash equivalents will be sufficient to fund our operations for at least the next 12 months. In addition, we may choose to raise additional funds at any time through equity or debt financing arrangements, which may or may not be needed for additional working capital, capital expenditures or other strategic investments. However, 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 are unable to obtain adequate funds on reasonable terms, we may be required to significantly curtail or discontinue operations or obtain funds by entering into financing agreements on unattractive terms.

Our operating needs include the planned costs to operate our business, including amounts required to fund working capital and capital expenditures. Our future capital requirements and the adequacy of our available funds will depend on many factors, including our ability to successfully develop new products or enhancements to our existing products, continued development and expansion of our esports platform and the need to enter into collaborations with other companies or acquire other companies or technologies to enhance or complement our product offerings.

Cash Flows From Operating Activities

We experienced positive cash flow from operating activities for the nine months ended September 30, 2020 in the amount of $562,231 and negative cash flow from operating activities for the nine months ended September 30, 2019 in the amount of $4,426,273. Net cash provided by operating activities for the nine months ended September 30, 2020 was primarily due to net income of $2,373,652, adjusted for non-cash expenses in the amount of $615,107 and by $2,426,528 of cash used to fund changes in the levels of operating assets and liabilities. Net cash used in operating activities for the nine months ended September 30, 2019 was primarily due to cash used to fund a net loss of $4,241,103, adjusted for non-cash expenses in the aggregate amount of $2,324,547, and $2,509,717 of cash used to fund changes in the levels of operating assets and liabilities.

We experienced negative cash flow from operating activities for the years ended December 31, 2019 and 2018 in the amounts of $4,424,846 and $902,224, respectively. Net cash used in operating activities for the year ended December 31, 2019 was primarily due to cash used to fund a net loss of $5,755,564, adjusted for non-cash expenses in the amount of $2,100,626 and by $769,908 of cash used to fund changes in the levels of operating assets and liabilities. Net cash used in operating activities for the year ended December 31, 2018 was primarily due to cash used to fund a net loss of $1,151,176, adjusted for non-cash expenses in the aggregate amount of $693,146, and $444,194 of cash used to fund changes in the levels of operating assets and liabilities.

Cash Flows From Investing Activities

During the nine months ended September 30, 2020, net cash used in investing activities was $1,443,796, which was primarily attributable to the $1,200,000 purchase of additional shares of common stock of 704Games. During the nine months ended September 30, 2019, net cash used in investing activities was $585,403 and was primarily attributable to our investment in the Le Mans Esports Series Limited joint venture.

During the year ended December 31, 2019, net cash used in investing activities was $592,628, which was attributable to our investment in the Le Mans Esports Series Limited joint venture in March 2019 of $484,335 and $108,293 for the purchase of office and computer equipment. During the year ended December 31, 2018, net cash provided by investing activities was $1,209,096 and was primarily attributable to cash acquired in connection with the acquisition of 704Games, partially offset by the purchase of office and computer equipment.

Cash Flows From Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2020 and 2019 was $1,971,979 and $3,664,765, respectively. During the nine months ended September 30, 2020 and 2019, cash provided by financing activities was primarily attributable to advances provided by Motorsport Network to fund operating and investing activities of the Company.

Net cash provided by financing activities during the years ended December 31, 2019 and 2018 was $3,564,326 and $3,692,383, respectively. During the year ended December 31, 2019, cash provided by financing activities was primarily attributable to advances provided by Motorsport Network. During the year ended December 31, 2018, $4,442,383 of cash provided by financing activities was primarily attributable to advances provided by Motorsport Network, partially offset by $750,000 of cash used to repay notes payable.

Promissory Note Line of Credit

On April 1, 2020, we entered into a promissory note with Motorsport Network (the "Promissory Note") for a line of credit of up to $10,000,000 at an interest rate of 10% per annum. The principal amount under the Promissory Note was primarily funded through one or more advances from Motorsport Network, including an advance in August 2020 for purposes of acquiring an additional ownership interest in 704Games. Previous non-interest-bearing advances due to Motorsport Network as of December 31, 2019 also were included in the amount outstanding under the Promissory Note at the time it was executed. The Promissory Note does not have a stated maturity date and is payable upon demand at any time at the sole and absolute discretion of Motorsport Network, which has agreed, pursuant to a Side Letter Agreement related to the Promissory Note, dated September 4, 2020, not to demand or otherwise accelerate any amount due under the Promissory Note that would otherwise constrain the Company's liquidity position, including the Company's ability to continue as a going concern. We may prepay the Promissory Note in whole or in part at any time or from time to time without penalty or charge. In the event we or any of our subsidiaries consummate certain corporate events, including any capital reorganization, consolidation, joint venture, spin off, merger or any other business combination or restructuring of any nature, or if certain events of default occur, the entire principal amount and all accrued and unpaid interest will be accelerated and become payable. As of September 30, 2020, approximately $10.4 million of principal was outstanding under the Promissory Note.

On November 23, 2020, the Company and Motorsport Network entered into an amendment to the Promissory Note, effective as of September 15, 2020. Under the terms of the amendment, the line of credit under the Promissory Note was increased from $10,000,000 to $12,000,000. All other terms remained the same.

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 Significant Accounting Estimates

Our management's discussion and analysis of our consolidated financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, as well as the reported expenses during the reporting periods. The accounting estimates that require our most significant, difficult, and subjective judgments have an impact on revenue recognition, including reserves for sales returns and price protection, valuation allowance of deferred income taxes, valuation of acquired companies and equity investments, the recognition and disclosure of contingent liabilities, and goodwill and intangible assets impairment testing. We evaluate our estimates and judgments on an ongoing basis. Actual results may differ materially from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in our consolidated financial statements (Note 2 in our consolidated financial statements for the years ended December 31, 2019 and 2018) included elsewhere in this prospectus.

Recently Issued Accounting Standards

Our analysis of recently issued accounting standards are more fully described in our consolidated financial statements (Note 2 in our consolidated financial statements for the years ended December 31, 2019 and 2018) included elsewhere in this prospectus.

Internal Control Over Financial Reporting

In connection with the audit of our consolidated financial statements for the year ended December 31, 2019, we and our independent registered public accounting firm identified certain material weaknesses in our internal control over financial reporting. The material weaknesses we identified relate to (i) the documentation of significant accounting positions, estimates and conclusions that were not contemporaneously formalized and reviewed independently of the preparer and (ii) the segregation of duties. We have taken steps toward remediating these material weaknesses, which to date have included: (1) the hiring of additional qualified finance and accounting personnel, including the hiring of a new Chief Financial Officer with SEC reporting experience; and (2) the implementation of formal policies, procedures and controls, training on standards of documentary evidence, as well as implementation of controls designed to ensure the reliability of critical spreadsheets and system generated reports. See "Risk Factors—Risks Related to Our Company—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."

BUSINESS

Company Overview

Motorsport Games is a leading racing game developer, publisher and esports ecosystem provider of official motorsport racing series throughout the world, including NASCAR, the iconic 24 Hours of Le Mans endurance race ("Le Mans") and the associated FIA World Endurance Championship (the "WEC"), the British Touring Car Championship (the "BTCC") and others. Through the support of our sole member, Motorsport Network, the largest global media company in the motorsport industry, Motorsport Games' corporate mission is to create the preeminent motorsport gaming and esports entertainment ecosystem by delivering the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. Our products and services target a large and underserved global motorsport audience. For 2019, Formula 1 estimates that its total global television audience reached 471 million unique viewers. Further, Le Mans estimates its total reach was approximately 100 million homes worldwide in 2019, while NASCAR reached approximately 475 million households in 2019 and the BTCC reached approximately 62 million households in 2019.

Started in 2018 as a wholly-owned subsidiary of the Motorsport Network, we are currently the official developer and publisher of the NASCAR video game racing franchise and have obtained the exclusive license to develop multi-platform games for the BTCC. Through a joint venture with Automobile Club de l'Ouest ("ACO"), we are also in the process of obtaining the exclusive license to develop multi-platform games for the Le Mans race and the WEC, which we have entered into a binding letter of intent for and expect to obtain in the fourth quarter of 2020. We develop and publish multi-platform racing video games including for game consoles, personal computer (PC) and mobile platforms through various retail and digital channels, including full-game and downloadable content (sometimes known as "games-as-a-service"). Since our formation, our NASCAR video games have sold over one million copies for game consoles and PCs. For fiscal year 2019, substantially all of our net revenue was generated from sales of our racing video games.

With a projected 2.6 billion total mobile gamers globally for 2020 according to data from NewZoo, an industry source for games market insight and analytics, we continue to focus on developing and further enhancing our multi-platform games for mobile phones. We believe an important component of scaling our gamers and esports viewers is to offer a suite of official mobile games for each of our various motorsport racing series. Currently, we offer NASCAR Heat Mobile for iOS and Android, which has had approximately five million installs to date, and are in the process of developing two other NASCAR mobile games with projected release dates in 2021. In addition, we have a roadmap for the development of more than a dozen anticipated mobile games, including multiple mobile products for each of our racing series.

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. Through the nine months ended September 30, 2020, we have facilitated 53 esports events, up from 22 esports events in all of 2019, which have included official esports events for NASCAR, 24 Hours of Le Mans, the Official World Rallycross Esports Championship, FIA Formula E and other race series. The total number of people that have watched our esports events in 2020 to date is approximately 51 million, up from a total of approximately 1.9 million viewers throughout 2019. Our net revenue attributable to esports and other services comprised 0.6% and 1.8% of our total net revenue during fiscal year 2019 and the nine months ended September 30, 2020, respectively, but we expect that net revenue from this line of business will continue to increase and become material to our business moving forward.

We believe 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. To that end, we are in the process of developing a go-to destination for the virtual racing community, which we internally call APEX. We are designing APEX with the functionality to enable users to run their own esports competitions in a simple, turn-key format, allowing groups to assemble around racing games, leagues, individual ability, and various other metrics. We currently anticipate launching APEX in beta in the first quarter of 2021.

Company Background

Motorsport Games was formed in 2018 by Motorsport Network as a wholly-owned subsidiary in connection with the acquisition by Motorsport Games of a controlling interest in 704Games, which holds the exclusive license to be the official video game developer and publisher for the NASCAR video game racing franchise. Simultaneously with the acquisition of 704Games in 2018, we extended the license for 10 years until December 31, 2029, subject to certain limited exceptions. In addition, we have the exclusive right to create and organize esports leagues and events for NASCAR using our NASCAR racing video games, subject to certain limited exceptions. Prior to this offering, Motorsport Games remained a wholly-owned subsidiary of Motorsport Network and, following the completion of this offering, Motorsport Network will continue to be our majority stockholder.

In 2018, following the acquisition of 704Games, we acquired the leadership team of Virtually Entertained Limited, a UK-based esports specialist. Subsequently, we entered into an agreement to facilitate the Le Mans Esports Series as part of a joint venture with ACO, the organizer of the 24 Hours of Le Mans endurance race. Through our ownership interest in this joint venture, we are in the process of obtaining the rights to be the exclusive video game developer and publisher for the Le Mans race and the WEC, which the Le Mans race is a part of. In addition, through this joint venture with ACO, we expect to be granted the right to create and organize esports leagues and events for the Le Mans Esports Series, which would continue so long as we have an ownership interest in this joint venture. We have entered into a binding letter of intent for these licensing rights, which we expect to obtain in the fourth quarter of 2020.

In 2019, Motorsport Network entered into an exclusive partnership with The Codemasters Software Company Limited (“Codemasters”) granting Motorsport Network worldwide rights (excluding China) to organize and manage official DiRT Rally 2.0 World Championship and official GRiD eSport World Championship esports events. Through our relationship with Motorsport Network, we have organized and managed these esports events on behalf of Motorsport Network, including the DiRT World Championship held at Autosport International in January 2020, which attracted a large live crowd on site and audience of more than 75,000 online. In March 2020, we also announced a partnership with Codemasters and International Management Group to create the Official World Rallycross Esports Championship.

In May 2020, we secured a multi-year licensing agreement to exclusively develop and publish the video games for the BTCC racing series across console, mobile and casual gaming channels. In addition, through this license, we have the right to create and organize esports leagues and events for the BTCC racing series. The agreement expires on December 31, 2026.

Motorsport Games has offices in Miami and Orlando, Florida, Silverstone, England, and Moscow, Russia.

Market Opportunity

We believe that the broad popularity of racing sports and video games, along with favorable consumer dynamics and strong long-term trends (i.e., ubiquity of mobile devices, widespread acceptance and use of social media and mobile platforms, cloud gaming and video game streaming), together with the lack of a dominant global racing community organizer, present a significant opportunity for us to connect and monetize a large fanbase for motorsports by converting some of this audience into racing gamers and esports participants and spectators.

Global Motorsports Marketplace

We believe that motorsports will increase in popularity across generations of gamers and viewers because of their anticipated enthusiasm for racing games and esports. According to a report published by IndustryARC, the entire motorsports market is expected to reach $30 billion by 2025, which we believe is primarily the result of strong campaigning, broadcasting, social networking, related events, sponsorships and the introduction of advanced technologies by automotive companies. The 2017 acquisition of Formula 1 by Liberty Media Corporation and its intent to invest heavily in the promotion of the sport and to create several “Super Bowl-like” events in the United States is anticipated to also lead to an increase in motorsport popularity and attract a burgeoning audience, which we believe will allow us to convert an increasing number of racing fans into gamers and motorsport esports fans. For 2019, Formula 1 estimates that its total global television audience reached 471 million unique viewers. Further, Le Mans estimates its total reach was approximately 100 million homes worldwide in 2019, while NASCAR reached approximately 475 million households in 2019 and the BTCC reached approximately 62 million households in 2019.

Video Games

Video games have increasingly become one of the leading forms of entertainment on a global scale. The video game industry continues to benefit from powerful demographic shifts as new players enter the market, due in large part to gaming entertainment becoming ubiquitous across all age groups and geographies. In 2020, the Entertainment Software Association reported that within the United States:

- there are 214 million video game players, with three quarters of all households having at least one person who plays video games;
- 64% of all adults and 70% of those under 18 regularly play video games;
- the average age of video game players is 35 to 44; and
- adult video game players spend 6.6 hours per week playing with other gamers online and 4.3 hours per week playing with others in person.

Additionally, according to NewZoo, there are currently 2.7 billion persons that play video games worldwide who are projected to spend $174.9 billion on video games in 2020, with this number forecasted to surpass $200 billion by 2023. Industry growth is expected to be further strengthened by the release of next generation consoles, with the recent release of PlayStation 5 and Xbox Series X.

We also believe that video games in the racing genre will increase in popularity globally across generations of gamers and viewers because the format benefits from being family-friendly and can appeal to multiple generations. According to the Entertainment Software Association, of the 65% of gamers in the United States who play with others, 31% of them are playing with parents or other family members. Moreover, 26% of males between the ages of 55 and 64 and 50% of females between the ages of 18 and 34 who play video games classified racing games as their favorite genre of games. Additionally, 92% of parents pay attention to the games their children play, and 87% are aware of Entertainment Software Rating Board (ESRB) ratings. Our entire product lineup is currently rated E (Everyone), and we expect our future portfolio of games will also be rated E, thereby increasing the marketability of our products for parents who are conscientious of ratings, when compared to other genres, such as first-person shooter games. We believe these dynamics will help support the continued growth of games in the racing genre, which represented 5.8% of all 2018 video game sales in the United States as reported by Statista.

Mobile Games

Consumers are increasingly using their mobile devices for entertainment, including for playing mobile games. Digital game design in the casual game market has evolved as new game types and business models address expanding gaming audiences. In addition, the widespread adoption of smartphones and the availability of mobile app stores has increased the total accessible audience for gaming experiences, as it allows for gaming to occur more widely outside the home. According to Barclays, mobile gaming is estimated to represent 47% of current industry revenues and is expected to reach 60% by 2025. Further, with a projected 2.6 billion total mobile gamers for 2020 according to data from NewZoo, mobile games are forecasted to generate revenues of $86.3 billion in 2020.

Esports

The popularity of esports continues to grow rapidly, with an engaged and passionate fan base across the globe. According to recent data from NewZoo, the global esports audience is expected to reach 495 million in 2020, up from 395 million in 2018, which would surpass the global audience for many traditional sports. NewZoo also estimates that esports will generate approximately $950.3 million in global revenues in 2020, which will include approximately 61% from sponsorships, 17% from media rights, 11% from publisher fees and 6% from merchandise and ticketing revenue.

The proliferation of new streaming technologies in content distribution has also fueled growth in the popularity and engagement of esports, including the rise of live streaming and over-the-top channels and social networking and interaction within games. For example, according to Streamlabs, consumers viewed 4.7 billion hours of content on Twitch, 1.6 billion hours on YouTube Gaming Live and over 1 billion hours on Facebook during the third quarter of 2020, representing year-over-year growth of 70%, 132% and 297%, respectively.

Additionally, the popularity of esports is evidenced by the growth of professional esports associations and leagues. According to Greenman Gaming, tournament prize money in esports is increasing at an average of 42% per year, and the number of pro athletes in esports has been growing at a rate of 43% per year since 1998.

Our Competitive Strengths

Since our founding as a wholly-owned subsidiary of Motorsport Network in 2018, we have been developing our capabilities to be the preeminent motorsport gaming and esports entertainment ecosystem. We believe the following key strengths provide us with a significant competitive advantage to achieve this mission.

Exclusive licensing and partnership rights that provide unique and defensible access to iconic racing series. Our video game licensing and esports portfolio generally provides us exclusive and defensible rights to some of the most prestigious and popular global racing brands, providing for a large and growing core audience of fans to purchase and participate in our growing product and services portfolio. Specifically:

- Through our acquisition of 704Games in 2018, we obtained the exclusive license to be the official video game developer and publisher for the NASCAR video game racing franchise, subject to certain limited exceptions. In addition, we have the exclusive right to create and organize esports leagues and events for NASCAR using our NASCAR racing video games, subject to certain limited exceptions. Our current license arrangement with NASCAR, which was extended 10 years simultaneously with the acquisition of 704Games, expires on December 31, 2029.

- In March 2019, we established a joint venture with ACO, the organizer of the iconic 24 Hours of Le Mans endurance race. Through this joint venture, we are in the process of obtaining the rights to be the exclusive video game developer and publisher for the Le Mans race and the WEC, which we have entered into a binding letter of intent for and expect to obtain in the fourth quarter of 2020. Once granted, we anticipate this license would expire ten years beginning from the date of our first release of a Le Mans video gaming product. In addition, through this joint venture with ACO, we expect to be granted the right to create and organize esports leagues and events for the Le Mans Esports Series, which would continue so long as we have an ownership interest in this joint venture.

- In May 2020, we secured a multi-year licensing agreement to exclusively develop and publish the video games for the BTCC racing series across console, mobile and casual gaming channels. In addition, through this license, we have the right to create and organize esports leagues and events for the BTCC racing series. Our current license with the BTCC expires on December 31, 2026.

Portfolio of quality racing games developed by an experienced in-house development team specializing in racing games. Since our founding, we have invested in our in-house development team and have developed a portfolio of quality racing games for various platforms (PC, console, handheld and mobile). Our experienced development team consisting of approximately 56 employees specializes in racing games and has a deep understanding of games in this genre. This includes the crucial development of car physics, tracks, tire models, general racing rules and other components that are found across racing games. This specialization serves as a scalable foundation for the development of future racing games in our portfolio, which we believe also allows us to utilize the best available methods and technologies to help achieve higher quality products through an efficient development process. In turn, this allows us to more effectively control game development and in-game updates along with reducing the time and costs of developing and launching new games. Our development team serves as the strong cornerstone for the development of our future virtual racing franchises, particularly as we progress towards launching our next generation of NASCAR games on our proprietary racing-focused MSG Engine.

Strategic alliance and support from Motorsport Network, including access to a vast target audience. Motorsport Network is a leading global motorsport and automotive data-driven digital platform that owns and operates a collection of valuable digital media motorsport and automotive brands. As of July 2020, Motorsport Network had approximately 11 million social media followers and over 55 million unique visitors generating over 326 million monthly page views on its flagship platforms, including motorsport.com, autosport.com and motor1.com. Approximately 200 leading journalists and trusted experts in the world are creating daily content that seeks to capture and retain user attention through comprehensive distribution channels for Motorsport Network. Pursuant to an agreement with Motorsport Network, we have digital access rights to this audience to enable us to market, communicate, and engage with them regarding our games and esports series. We believe this access to a large, highly engaged and affluent target audience with an active lifestyle and passion for motorsports and automobiles creates strong engagement and distribution channel opportunities for our products and services. In addition, our strategic alliance and relationship with Motorsport Network uniquely provides us the ability to leverage the broad industry relationships and market clout of Motorsport Network, particularly due to its vast audience and reach. It is this relationship with Motorsport Network that we believe helped us to secure our current joint ventures, game development and/or esports related rights for various racing series, including for NASCAR, Le Mans and the BTCC.

Experienced game and technology-focused management team. Our senior management team has developed extensive experience across a broad range of disciplines in the gaming, esports and racing industries, including through prior roles at Codemasters, Electronic Arts, Sega, NaturalMotion, Sony and Motorsport Network. With an average of approximately 18 years of experience in these industries, including at public companies, our senior management team has strong creative and operational experience and a successful track record. For example, certain members of our management core team participated in the development and publishing of the official Formula 1 game franchise, as well as many other successful game titles, such as DiRT Rally and Forza Horizon. Further, prior to joining us, the majority of our senior management team have successfully worked together in the past, including our Chief Executive Officer and Chief Financial Officer, who have previously teamed together while serving as President and Chief Financial Officer, respectively, at a prior public company. This extensive experience extends beyond our senior management team and deep into our organization. We pair traditional games veterans with non-traditional expertise to push how games are customarily developed, published and operated.

The existing users of our console and mobile games, when combined with our officially licensed esports initiatives, joint ventures and the anticipated launch of APEX, cultivate a reinforcing flywheel of content that will enhance our offerings and grow our audience for future products and services. Given our track record and management team, we believe we are well positioned to continually create innovative and reinforcing gaming products that generate user excitement and naturally foster a competitive camaraderie amongst gamers. By harvesting the reinforcing nature of our product portfolio and the competition our products drive in our users, we believe we will be able to propel user engagement on APEX, our platform for the virtual racing community that we expect to launch in beta in the first quarter of 2021, and will increasingly be able to produce successful esports events centered around our popular licensed racing series. As a sign of the momentum we are generating, we had over 51 million viewers of our esports events in 2020 to date, which enabled us to prominently display and reinforce our branding with the racing community. This includes one of the largest events in virtual racing history, the Le Mans 24 Virtual held in June 2020, which we produced. We also have entered into a joint venture with an affiliate of the Race Team Alliance (“RTA”), an organization consisting of 13 NASCAR Cup Series teams, to develop the eNASCAR Heat Pro League (the “eNHPL”). The RTA teams include the eNHPL and NASCARHeat.com logos on the contingency space on each of their NASCAR Cup Series vehicles for a number of NASCAR events, leading to increased awareness about the eNHPL through this unique promotional channel. We believe these milestones and achievements, combined with the current users of our console and mobile games and our access to the vast audience of Motorsport Network, uniquely positions us to be the preeminent motorsport gaming and esports entertainment ecosystem.

Our Strategy

Our mission is to create the preeminent motorsport gaming and esports entertainment ecosystem by delivering the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. We believe we have put in place a solid foundation to achieve this mission since our founding in 2018, including each of our strengths listed above. To continue to build on this foundation and our growing momentum, we plan to focus on the following four key strategies:

- ***Continue to enhance the depth and breadth of our industry-leading motorsport gaming product portfolio***

In 2018, we, through our subsidiary 704Games, extended our license as the official video game developer and publisher for NASCAR through the end of 2029. To maximize the potential of the NASCAR gaming franchise, we have made significant investments in both technology and human talent to create a best-in-class racing game experience. In 2021, we plan to introduce our next generation NASCAR console game, offering fans of the sport and racing a "AAA" comparable game that will provide the most authentic and engaging experience possible. This new game has been internally built from the ground up on our new proprietary racing-focused MSG Engine and will utilize Unreal Engine's game engine, paired with the latest car physics and other components. The Unreal Engine is widely recognized within the industry and has been utilized in many notable games, such as *Borderlands 3*, *Fortnite Battle Royale*, *Gears 5*, *MotoGP 18*, *PlayerUnknown's Battlegrounds* and many others.

In conjunction with the launch of our new NASCAR console game, we plan to launch a new, redesigned NASCAR Heat Mobile in 2021, which is our NASCAR mobile racing game that will also be developed internally. Given the recent popularity and fast growing nature of the branded casual game experience, we also plan to introduce a slate of NASCAR branded casual gaming options, starting with the officially licensed NASCAR "match three" game in 2021. In addition, we have a roadmap for the development of more than a dozen anticipated mobile games, including multiple mobile products for each of our racing series.

Combined with exclusive licenses and unique partnerships with iconic motorsport brands, we aspire to control the majority of the motorsport virtual racing segment to develop, publish, market, and distribute our games and organize unique esports events to help promote such games. We have been in discussions with numerous internationally recognized racing series license holders to develop video games and esports based upon their intellectual property, including using the same technology that will power our next generation NASCAR console game, as well as our upcoming games for the Le Mans and BTCC racing series that we anticipate releasing in 2022. For any new additional motorsport series with which we partner, we believe our new proprietary racing-focused game engine will allow us to quickly and cost effectively produce new, modern games (building on our existing game technology and know-how with such new series) and market it through existing distribution channels.

- ***Invest and harness the power of technology to focus on digital delivery and mobile platforms with interactive social engagement***

Driven by fast and convenient digital delivery, the widespread use of mobile devices and mobile games, and the ease of streaming and cloud computing, players increasingly purchase our games digitally or spend time playing our games on mobile devices. Downloadable-extra content and microtransactions have higher profit margins than traditional retail one-time sales of games and offer meaningful ways of generating revenues in free-to-play games and create monetization capabilities of existing games beyond the initial game purchase. Increasing opportunities for players to interact and socialize among peers around esports make games a major social outlet for players, which helps to develop a relationship between our game content and consumers, and provides higher margins and greater revenue visibility relative to prior years when revenues were dependent on the original game purchase.

- ***Continue to develop a full competitive esports ecosystem alongside franchise properties and a new gaming community on our APEX platform***

Underpinning our growth strategy is the integration between our licensed video game properties and our fully built-out esports platform and capabilities. As we continue to add to our existing portfolio of games centered around popular licensed racing series, this will provide us the opportunity to further grow our esports business by having more titles to produce our esports events. Further, by cultivating a vibrant and growing viewer and gamer community on APEX, we aim to build an easily accessible audience, which we believe will further drive interest for our future games and esports events. Ultimately, we believe this will allow us to not only reach and appeal to a larger audience, but to turn gamers into esports participants and vice versa by providing functionality to encourage and incentivize players of all abilities and skill levels to take part and compete online, which increases their level of engagement with our licensed gaming products and services. As our portfolio of official race franchise games grows, we also plan to launch a direct-to-customer subscription model that will allow privileged access to this portfolio of products as well as other loyalty perks. We have also grown, and expect to continue to grow, our esports business by using our esports platform to host and organize other motorsport tournaments and events on behalf of third-party video game license holders.

With this goal of cultivating a gaming community in mind, we are in the process of developing and building APEX, our esports "as a service" platform for our virtual racing community. We are designing APEX with the functionality to enable users to customize and run their own esports competitions in a simple, turn-key format, allowing groups to form around specific games, consoles, individual ability, and various other metrics. We plan to drive further user engagement and enhance the participant experience by providing players and fans with facts and statistics from particular racing games to give definitive performance and ability benchmarks. We currently anticipate launching APEX in beta in the first quarter of 2021.

- ***Further leverage our strategic alliance and support with Motorsport Network***

Utilizing the unique global reach, broad industry relationships and market clout of Motorsport Network, we plan to further leverage this strategic alliance with Motorsport Network with the goal of adding more game development and esports related rights for racing series in addition to the iconic NASCAR, Le Mans and BTCC titles to which we have already obtained, or are in the process of obtaining, licensing rights. As of July 2020, Motorsport Network had approximately 11 million social media followers and over 55 million unique visitors generating over 326 million monthly page views on its flagship platforms, including motorsport.com, autosport.com and motor1.com. Motorsport.com and Autosport.com are the largest online global motorsport content producers, offering around-the-clock news and analysis services in 21 editions and 15 languages. Additionally, we believe that being backed by the largest global media company in the motorsport industry that targets the same audience with different but related content provides us with a unique advantage in our industry, which will allow us to engage racing fans globally, attract new active participants, and deliver differentiated and proprietary content and experiences. Mike Zoi is the manager of Motorsport Network and has extensive experience in the motorsport industry through his business development and media related activities in the sport, and we expect Mr. Zoi's valuable industry relationships, in particular, to benefit the Company as described above.

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 downloadable content. Our current video game product portfolio is comprised solely of officially licensed NASCAR games. However, we have recently obtained the exclusive license to develop multi-platform games for the BTCC, and we are in the process of obtaining the exclusive license to develop multi-platform games for the Le Mans race and the WEC, with the goal of scaling not just the quantity of games per franchise, but also the number of official franchises. Since acquiring a controlling interest in 704Games in 2018, we have published NASCAR Heat 3 and NASCAR Heat 4, and developed completely in-house NASCAR Heat 5 for Xbox One, PlayStation 4 and PC, selling over one million copies of these games in total. We are also expanding our supported platforms to include the Nintendo Switch and expect to launch NASCAR Heat 5 on the Nintendo Switch platform in time for the 2021 NASCAR race season. NASCAR Heat Mobile is our current game for iOS and Android with approximately five million total installs to date.

To maximize the potential of the NASCAR and future gaming franchises, including with Le Mans and the BTCC, we are making significant investments in both technology and human talent to create one of the best racing game experiences. Starting in 2021, we plan to introduce our next generation NASCAR console game, which will offer fans of the franchise and racing a "AAA" comparable game that will provide one of the most authentic and engaging experiences possible. This new NASCAR offering has been internally built from the ground up on our new proprietary racing-focused MSG Engine and will utilize Unreal Engine's game engine, paired with the latest car physics and other components. We believe that the MSG Engine, coupled with our exclusive licensing and partnership rights with our existing racing series, will provide us an advantage over competing titles in the virtual racing space and allow us to efficiently scale to other official racing game franchises in the near future.

In conjunction with the launch of our new NASCAR console game, we plan to launch a new, redesigned NASCAR Heat Mobile in 2021, which is our NASCAR mobile racing game that will also be developed internally. Given the recent popularity and fast growing nature of the branded casual game experience, we also plan to introduce a slate of NASCAR branded casual gaming options, starting with the officially licensed NASCAR "match three" game in 2021. In addition, we have a roadmap for the development of more than a dozen anticipated mobile games, including multiple mobile products for each of our racing series.

Our current video game catalog includes the following titles:

Game	Image	Overview	Platforms	Release Date
NASCAR Heat 3		NASCAR Heat 3 is a racing video game simulating the 2018 NASCAR Cup Series and feeder competitions. It was developed by Monster Games, Inc. and published by 704Games.	Xbox One, PlayStation 4, and Microsoft Windows via Steam	September 7, 2018
NASCAR Heat Mobile		NASCAR Heat Mobile is the only officially licensed, authentic NASCAR racing experience for mobile devices. It was developed by Firebrands Games and published by 704Games. To date, NASCAR Heat Mobile has had approximately five million total installs.	iOS and Android	April 25, 2017
NASCAR Heat 4		NASCAR Heat 4 is a racing video game simulating the 2019 NASCAR season. It was developed by Monster Games, Inc. and was published by 704Games. To date, NASCAR Heat 4 is the most successful sequel of the NASCAR Heat franchise based on quantity of units sold.	Xbox One, PlayStation 4, and Microsoft Windows via Steam	September 13, 2019
NASCAR Heat 5		NASCAR Heat 5 is a racing video game simulating the 2020 NASCAR season. It was developed by 704Games and was published by Motorsport Games.	Xbox One, PlayStation 4, and Microsoft Windows via Steam	July 7 and 10, 2020 (Nintendo Switch projected to launch in 2021)
NASCAR NXT* *(Name TBC)		NASCAR NXT is an upcoming racing video game simulating the 2021 NASCAR season. This is a first installment of the new series, which changes the game engine, physics, artificial intelligence and many other game fundamental components.	Xbox Series X, PlayStation 5, Microsoft Windows via Steam and Nintendo Switch	Projected mid-2021

Additionally, multi-platform games for the BTCC and Le Mans are currently under development, and we currently anticipate releasing games for these racing series in 2022.

As our portfolio of official race franchise games grows, we plan to launch a direct-to-customer subscription model that will allow privileged access to this portfolio of products as well as other loyalty perks. We anticipate that other virtual racing publishers may want to participate in our subscription services, which would allow us to derive additional revenue from game titles that are not developed or published by us.

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. In 2019, we organized and facilitated three e-racing series for the eNHPL, the Le Mans Esports Series and the official DiRT Rally 2.0 World Championship, broadcasting an aggregate of 21 events, with a cumulative total audience viewership of approximately 1.3 million. From January 2020 through July 31, 2020, we organized and facilitated eight e-racing series for the eNHPL, Le Mans Esports Series, 24 Hours of Le Mans Virtual, official DiRT Rally 2.0 World Championship, Official World Rallycross Esports Championship, ABB Formula E Race at Home Challenge, Race of Champions Virtual Series and Karting Series. Throughout these eight e-racing series to date in 2020, we broadcasted an aggregate of 53 events with a cumulative total audience viewership of approximately 51 million, up from a total of approximately 1.9 million viewers throughout 2019.

Our experience in hosting esports events throughout 2019 and 2020 includes the following:

Event	Racing Type	Arrangement	Key Event and Approximate Viewership Statistics
eNASCAR Heat Pro League 	Stock Car Racing	Collaboration between NASCAR, the RTA and 704Games to create the first-ever console-based NASCAR esports league	Events: 2019 - 12 events January 2020 through July 31, 2020 - 10 events Live Views: 2019 - 1.7 million January 2020 through July 31, 2020 - 2.4 million
Le Mans Esports Series 	Endurance Racing	45% ownership of Joint Venture with ACO, organizer of the 24 Hours of Le Mans endurance race	Events: 2019 - 7 events January 2020 through July 31, 2020 - 6 events Live Views: 2019 - 227,000 January 2020 through July 31, 2020 - 594,000.
24 Hour of Le Mans Virtual 	Endurance Racing	45% ownership of Joint Venture with ACO	2020 Inaugural Race: More than 14 million linear/ OTT viewers and more than 8.6 million digital viewers
Official DiRT Rally 2.0 World Championship 	Off Road Racing	Motorsport Network Agreement with Codemasters	Events: 2019 - 2 events January 2020 through August/September 2020 - 2 events Live Views: 2019 - 231,000 2020 shows and events expected to begin in August/September 2020.
Official World Rallycross Esports Championship 	Mixed Surface Circuit Racing	Agreement with Codemasters and International Management Group	Events: January 2020 through July 31, 2020 - 6 events Live Views: January 2020 through July 31, 2020 - 1.3 million
ABB Formula E Race at Home Challenge 	City Circuit Racing	Agreement with FIA Formula E	Events: January 2020 through July 31, 2020 - 9 events Live Views: January 2020 through July 31, 2020 - 29.0 million
Race of Champions Virtual 	Mixed Surface Circuit Racing	Agreement with International Media Productions S.A.M.	Events: January 2020 through July 31, 2020 - 1 event Live Views: January 2020 through July 31, 2020 - 54,000

Our Audience and Our Community

Our sole member, Motorsport Network, is a leading global motorsport and automotive digital media platform. Founded in 2015, Motorsport Network offers hundreds of millions of fans and enthusiasts around the globe a more thrilling and interactive experience to engage with motorsports and cars by leveraging its technology, customer intelligence and brands. Since its inception, it has grown at a 103% compounded annual growth rate (CAGR) to become, by 2019, the biggest integrated digital media company in the motorsports and automotive industry. Motorsport Network houses a world-class team of employees, across 23 countries, that creates engaging, around-the-clock content and experiences for passionate fans of motorsports and the automotive industry world-wide.

As of July 2020, Motorsport Network had approximately 11 million social media followers and over 55 million unique visitors generating over 326 million monthly page views on its flagship platforms, including motorsport.com, autosport.com and motor1.com.

Pursuant to a promotion agreement we entered into with Motorsport Network in August 2018, Motorsport Network will provide us with exclusive promotion services consisting of the use of its and its affiliates' various media platforms to promote our business, organizations, products and services in the racing video game market and related esports activities. Accordingly, our relationship with Motorsport Network provides us access to its highly engaged, brand-loyal and affluent audience, including in the form of editorial coverage, ad stack and special organic integrations that puts us in front of this targeted audience. We believe this allows us to cultivate a passionate fanbase to engage in our offered products and services that is similar to the target audience for our racing game products, and racing esports events and platform. We also believe this audience has an active lifestyle and a passion for everything motorsport and auto-related with a strong track record of returning to trusted brands. The promotion agreement will remain in effect until such date that Motorsport Network no longer holds at least 20% of the voting interest in Motorsport Games, at which point we anticipate being able to extend or re-negotiate the promotion agreement on reasonable terms.

We have also continued to develop our audience base through our marketing efforts as discussed below under "—Marketing, Sales, and Distribution," including through activities on Facebook, Twitter, Twitch, YouTube and other online social networks. Additionally, in 2021, we plan to develop and produce live original reality television shows that include interactive broadcasts, live streaming, and social media-oriented programs (including Twitch.tv, YouTube, Facebook, Motorsport.tv and other potential partners) for our own OTT racing esports channel, which we expect to host on APEX.

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. The Company also generates revenue from advertising partners and sponsors. We help our advertising partners and sponsors to generate a return on their investment by creating engaging content that reaches our large and desirable audience. We utilize multiple points of contact with our players and our audience and use every opportunity to upsell our products via our multiple platforms, in-game, email and original events.

Our esports business generates revenues from sponsorships, advertising and media rights for events and competitions. In addition, should audience patterns continue to grow and reach critical mass, we believe the esports business has the potential to generate incremental revenues through the further sale of broadcasting rights to the Company's esports events and competitions, as well as merchandising and sports betting. In addition, our APEX platform, which is currently under development and expected to launch in beta in the first quarter of 2021, will further help us monetize our audience through sponsorship and advertising revenues as we attract a large amount of traffic to our community platform, and sell tickets to our esports events.

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. Our relationship with Motorsport Network also provides us access to their highly engaged, brand-loyal and affluent audience, including in the form of editorial coverage, ad stack and special organic integrations that puts us in front of this targeted audience.

From time to time, we also receive marketing support from hardware manufacturers, producers of consumer products related to a game, and retailers in connection with their own promotional efforts, as well as co-marketing from promotional partners. For example, through our partnership with NASCAR, we benefit from having access to their extensive fanbase and social and digital media audience to market our products through e-mail marketing campaigns, coordinated social media advertising (including Facebook and Twitter) and collaborated press releases, further expanding NASCAR and racing enthusiasts' awareness of our products.

Additionally, 704Games is a 50/50 joint venture partner with an affiliate of the RTA to develop the eNHPL. RTA is an organization consisting of 13 NASCAR Cup Series teams and supports the promotion of eNHPL events through their individual team social and digital platforms, including by cross-posting Facebook livestreams of race broadcasts, adding eNHPL specific pages on team/sponsor websites, displaying tune-in graphics and digital promotions, generating creative content with specific eNHPL drivers, supporting NASCAR Heat social and digital content, integrating with existing partners and more. Most notable, the RTA teams include the eNHPL and NASCARHeat.com logos on the contingency space on each of their NASCAR Cup Series vehicles for a number of NASCAR events. The contingency space is located behind the front tire and in front of the car number, placing the logos in prime sponsorship space on the race car. These logos are clearly visible on the cars during televised race action and are also clearly seen in Victory Lane photos, leading to increased awareness about the eNHPL through this unique promotional channel.

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, Google LLC, Nintendo Co., Ltd. ("Nintendo"), and Steam. In the future, we expect to utilize our proprietary online gaming platform APEX, which is currently under development, to distribute most of our content directly to PC consumers.

Our physical gaming products are sold primarily through a distribution network with exclusive partners who specialize in the distribution of games, including 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). We currently derive, and expect to continue to derive, significant revenues from sales of our products to a very limited number of distribution partners. For the year ended December 31, 2019 and the nine months ended September 30, 2020, we had one distribution partner through which we sold substantially all of our products for the retail market, which represented approximately 40% and 38% of our total net revenue for the year ended December 31, 2019 and the nine months ended September 30, 2020, respectively.

Promotional Services Agreement with Fernando Alonso

In July 2020, we also entered into a promotional services agreement with Fernando Alonso, often regarded as one of the greatest Formula 1 drivers in the history of the sport, pursuant to which Mr. Alonso agreed to provide certain promotional services and perform an advisory role for the Company. Subject to the closing of this offering and the satisfaction of certain other closing conditions, at the time of, or as promptly as possible after the closing of this offering, the Company agreed, in reliance on an applicable exemption from the registration requirement under the Securities Act, to issue to Mr. Alonso a number of shares that represents 3% of the issued and outstanding shares of Class A common stock of the Company as of the closing date of this offering. The issuance of such shares is subject to Mr. Alonso providing to the Company customary written investor representations. Mr. Alonso is not obligated to begin performing the services until such shares are issued at the time of, or as promptly as possible after, the closing of this offering. The term of the promotional services agreement is three years. Mr. Alonso can terminate the promotional services agreement for any reason. We can terminate for cause (as such term is defined in the promotional services agreement). In either case of early termination, the remuneration will be prorated subject to the mechanism built-in to control how the shares will be returned to the Company.

Digital Marketing Strategy

At Motorsport Games, we believe that our audience is our most valuable asset. Accordingly, in order to maximize revenue and product offerings, we utilize an audience-centric approach, which is the engine that runs our business.

We start with collecting audience data across all our products, platforms, campaigns, attribution models, and analytics tools. These metrics are then turned into digestible insights. The centralization of this data is critical to our efficiency, as we are able to spend more time analyzing insights than correlating the data.

Our success is driven by monitoring audience signals rather than focusing on the creation of customer segments. This allows us to understand three key areas—consumer behavior changes, brand perception, and location in the sales funnel—which in turn allows us to build relationships that people will value instead of simply focusing on the products people may buy.

We intend to maximize our bottom line by utilizing this intelligence to personalize messaging, product positioning, and creatives based on user signals and their position in the funnel. This eliminates ad spend waste and increases conversion significantly while simultaneously driving our return on investment.

To protect our bottom line, we follow a performance marketing mind set. We set a goal and create personalized content to inspire action by the consumer. We are then able to optimize a campaign based on how the actual results compare to the original goal. Our in-house team then monitors the campaign to re-align and revise it on a constant basis, looking for ways to make our marketing initiatives more efficient.

Strategic Licenses and Partnerships

NASCAR

We are currently party to a series of license agreements with NASCAR for worldwide rights to use the NASCAR brand. Through our acquisition of 704Games in 2018, we obtained the exclusive right, subject to certain limited exceptions, to use certain licensed rights (including the rights of certain NASCAR teams) to develop, promote, advertise, distribute, manufacture and package simulation-style video gaming products, which are NASCAR-branded video game products that have a stock car and/or truck racing theme relating to NASCAR-sanctioned events intended to replicate authentic NASCAR racing competition rules and structure. The limited exceptions to this exclusive right represent third-party NASCAR-branded casual games, which may incorporate some mix of core characteristics of simulation-style video gaming products provided they are utilized with additional distinguishing creative liberties which are not consistent with authentic NASCAR racing. We also have a non-exclusive right to use certain licensed rights (including the rights of certain NASCAR teams) to develop, promote, advertise, distribute, manufacture and package other NASCAR-branded driving or non-driving gaming products.

In addition, we have the exclusive right to use simulation-style video gaming products as the platform for conducting and administering esports leagues and events for NASCAR, subject to certain limited exceptions. Such exceptions include esports events relating to iRacing, which is a NASCAR-sanctioned motorsport racing simulation currently available for the PC platform and designed to imitate exact NASCAR racing physics and conditions (including for certain NASCAR racing series), and certain competitive gaming events that fall outside of the exclusivity granted to us.

Our current license arrangement with NASCAR, which was extended 10 years simultaneously with the acquisition of 704Games, expires on December 31, 2029. The license arrangement provides for a commitment by both parties to participate in exclusive negotiations to renew the license, beginning March 1, 2028, and lasting for a period of at least 90 days. The license arrangement also requires us to pay royalties, including certain minimum annual guarantees, on an ongoing basis to NASCAR and to meet certain product distribution, development, marketing and related milestones.

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 Le Mans race on an electronic gaming platform. Through our 45% ownership interest in this joint venture, we are in the process of obtaining the rights to be the exclusive video game developer and publisher for the Le Mans race and the WEC through a separate license agreement. Once granted, we anticipate this license would expire ten years beginning from the date of our first release of a Le Mans video gaming product. In addition, through this joint venture with ACO, we expect to be granted the right to create and organize esports leagues and events for the Le Mans Esports Series, which would continue so long as we have an ownership interest in this joint venture. We have entered into a binding letter of intent for these licensing rights, which we expect to obtain in the fourth quarter of 2020, as well as to increase our ownership interest in the joint venture to 51%, among other things. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Letter of Intent with ACO” for additional information. 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.

BTCC

On May 29, 2020, we entered into a license agreement with BARC (TOCA) Limited ("BARC"), the exclusive promoter of the BTCC. Pursuant to the agreement, we were granted an exclusive 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 and mobile applications, esports series and esports events (including our esports platform). In exchange for the license, the agreement requires us to pay BARC an initial fee in two installments, the first of which was due on June 5, 2020 and the second installment of which is due upon the earlier of 60 days after the release of the products contemplated by the license or May 29, 2022. Following the initial fee, the agreement also requires us 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. The agreement shall remain in effect through December 31, 2026. However, if BARC's license agreement with Motorsport Games Limited, our UK subsidiary, to promote the BTCC is extended, BARC shall notify us and discussions for an extension of the agreement shall take place no later than March 31, 2026. BARC may terminate early only for cause as defined in the agreement. Upon termination, all outstanding royalty fees become due. Except in the event of termination for breach, a sell off period will begin and continue until the earlier of 180 days from such termination or December 31, 2026.

RTA

On March 1, 2019, we formed the Racing Pro League, LLC as a 50/50 joint venture between our subsidiary 704Games and an affiliate of RTA, with the primary purpose to create, own and operate the eNHPL, a stock car and/or stock truck racing themed, mass market, esports multiplayer competition video gaming league based on the NASCAR Heat video game series, pursuant to the terms and conditions of existing license agreements with NASCAR (for so long as they are in effect). As part of this joint venture, 704Games manages day-to-day operations of the eNHPL and RTA provides certain intellectual property rights from RTA teams and supports the promotion of eNHPL events through their individual team social and digital platforms, team/sponsor websites, digital promotions, content with specific eNHPL drivers, integration with existing partners and more. This joint venture shall continue until dissolved by the approval of the board of Racing Pro League, LLC and each of 704Games and RTA, as members, or as required by law.

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. Pursuant to the agreement, we were granted a nonexclusive, nontransferable 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 we have entered into with Sony and its affiliates and with Microsoft and its affiliates, we are authorized to develop and distribute disc-based and digitally-delivered software products and services compatible with PlayStation and Xbox consoles, respectively. Under these agreements with Sony and Microsoft, 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 or Microsoft (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 and Microsoft, 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 designers, producers, programmers, artists, sound engineers, and others 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 consisting of approximately 56 employees, we rely 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 that are, or will be, independently created by third-party developers. See "—Product Development and Support—Agreement with Studio397 B.V." below for additional information.

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.

Agreement with Studio397 B.V.

On May 19, 2020, we entered into a software development and license agreement with Studio397 B.V. ("Studio397"), a company that specializes in realistic, accurate and engaging simulation racing experiences, which uses and makes available their rFactor Technology platform as a basis for bespoke game development. The rFactor Technology is used, for example, in providing car handling physics and performance. Pursuant to the agreement, Studio397 will develop certain software and software elements exclusively for us for the purpose of integrating and incorporating the rFactor Technology platform into our next generation NASCAR console game ("NASCAR NXT"), which we currently anticipate releasing in 2021, as well as any sequels. Additionally, Studio397 has granted us a non-exclusive, non-transferable, sublicensable worldwide license to install, reproduce, display, use and operate the rFactor Technology for the purposes of developing, modifying, testing, and evaluating NASCAR NXT. The arrangement requires us to pay a one-time license fee in two installments, the first of which was due upon signing the agreement and the second installment of which is due 60 days after NASCAR NXT is made available on the Steam platform, and an additional license fee for each additional platform for which NASCAR NXT will be developed on. We are also required to pay a monthly development fee subject to the satisfaction of certain development milestones. The agreement is effective for an indefinite term starting from May 19, 2020, subject to certain termination and rescission rights of the Company and termination rights of either party in the case of insolvency, bankruptcy or similar events.

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 specifically compete with other publishers of virtual racing video games for console, PC, and mobile entertainment, including Codemasters and other major video game publishers and esports companies. 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 NASCAR, Le Mans or BTCC games for which we hold, or expect to hold, exclusive licenses, subject to certain limited exceptions. 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.

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 and also tend to be stronger at the start of the NASCAR racing season. 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.

Corporate Conversion

We currently operate as a Florida limited liability company under the name Motorsport Gaming US LLC. Immediately prior to the effectiveness of the registration statement of which this prospectus forms a part, Motorsport Gaming US LLC will convert into a Delaware corporation pursuant to a statutory conversion and change its name to Motorsport Games Inc. In order to consummate the corporate conversion, a certificate of conversion will be filed with the Secretary of State of the State of Delaware.

Following and effective upon the consummation of the corporate conversion, 100% of the membership interests currently held by the Company's sole member, Motorsport Network, will convert into an aggregate of (i) shares of Class A common stock, based upon the value of the Company at the time of this offering with a value implied by the offering price of the shares of Class A common stock sold in this offering, and (ii) shares of Class B common stock, representing all of the outstanding shares of Class B common stock. Motorsport Network will be the only holder of shares of our Class B common stock and will not have any transfer, conversion, registration or economic rights with respect to such shares of Class B common stock. In the event Motorsport Network or its affiliates relinquish beneficial ownership of any of the MSN Initial Class A Shares at any time, one share of Class B common stock held by Motorsport Network will be cancelled for each such MSN Initial Class A Share no longer beneficially owned by Motorsport Network or its affiliates. Any pledge of MSN Initial Class A Shares by Motorsport Network or its affiliates will not constitute a relinquishment of such beneficial ownership. The MSN Initial Class A Shares and shares of Class B common stock held by Motorsport Network will be adjusted in equal proportions for any stock dividend, stock split or similar transaction undertaken by the Company.

In connection with the corporate conversion, Motorsport Games Inc. will hold all property and assets of Motorsport Gaming US LLC, and all of the debts and obligations of Motorsport Gaming US LLC will become the debts and obligations of Motorsport Games Inc. by operation of law. Motorsport Games Inc. will be governed by a certificate of incorporation filed with the Delaware Secretary of State and bylaws, the material portions of each of which are described under the heading "Description of Capital Stock."

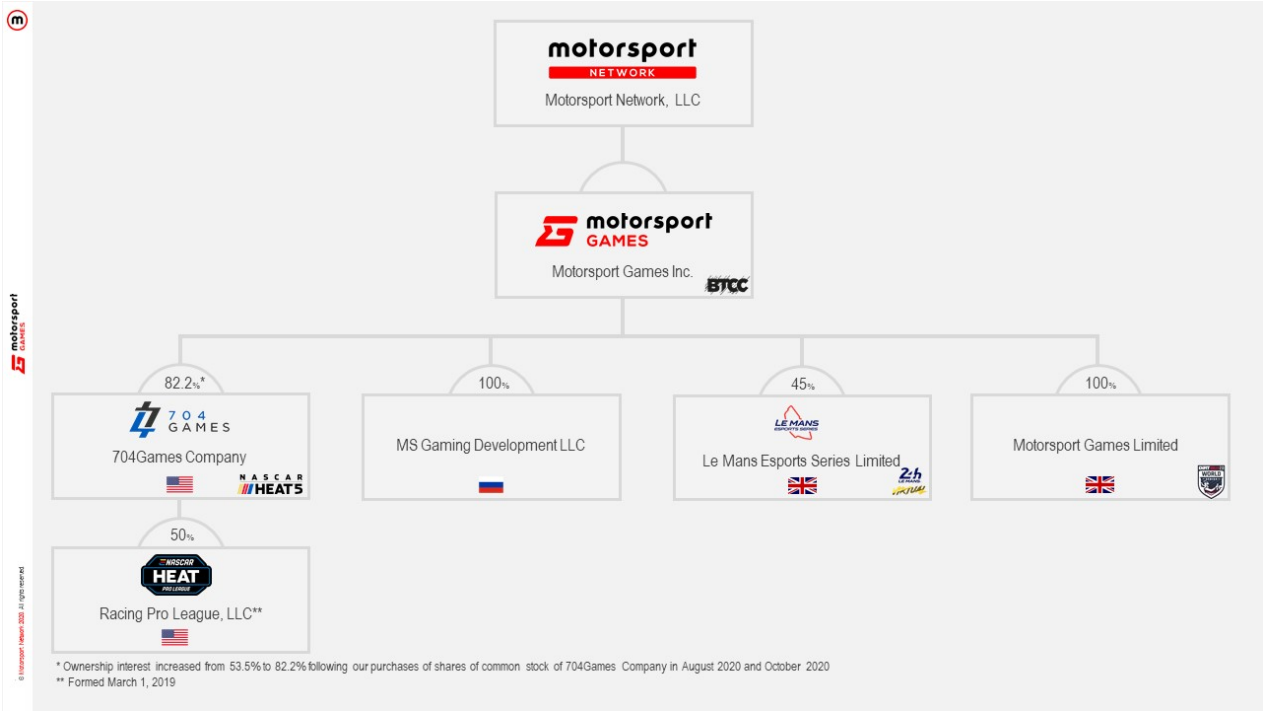
On the effective date of the corporate conversion, the members of the board of managers of Motorsport Gaming US LLC will become the members of Motorsport Games Inc.'s board of directors and the officers of Motorsport Gaming US LLC will become the officers of Motorsport Games Inc.

The purpose of the corporate conversion is to reorganize our corporate structure so that the entity that is offering the Class A common stock to the offerees in this offering is a corporation rather than a limited liability company and so that our existing investor, Motorsport Network, will own our Class A common stock and our Class B common stock rather than membership interests in a limited liability company. References in this prospectus to our capitalization and other matters pertaining to our equity, membership interests or shares prior to the corporate conversion relate to the capitalization, equity and membership interests of Motorsport Gaming US LLC, and after the corporate conversion, to the capitalization, equity and shares of Motorsport Games Inc.

The consolidated financial statements included elsewhere in this prospectus are those of Motorsport Gaming US LLC and its subsidiaries. We expect that our conversion from a Florida limited liability company to a Delaware corporation will not have a material effect on our consolidated financial statements at the time of the corporate conversion.

Organizational Structure

The diagram below depicts our expected organizational structure upon completion of this offering and the corporate conversion.



Motorsport Games Inc. is a Delaware corporation, which will be converted from a Florida limited liability company immediately prior to the effectiveness of the registration statement of which this prospectus forms a part as discussed above under "—Corporate Conversion." Motorsport Games Inc. will serve as a holding company for a direct 82.2% interest in 704Games, 45% interest in Le Mans Esports Series Limited, and 100% ownership in MS Gaming Development LLC and Motorsport Games Limited. Our license agreements for the BTCC racing series are currently held through Motorsport Gaming US LLC. The Company is not engaged in any business or other activities other than in connection with its ownership interest of the four above-stated companies. The Company is based in Miami, Florida, USA.

704Games was formerly known as Dusenberry Martin Racing and changed its name to 704Games Company on February 28, 2017. 704Games was founded in January 2015 and is based in Charlotte, North Carolina. Motorsport Gaming US LLC acquired a controlling interest in 704Games pursuant to a Stock Purchase Agreement dated August 14, 2018. Our ownership interest in 704Games was increased to 82.2% from 53.5% following our purchases of shares of common stock of 704Games in August 2020 and October 2020. Our license agreements with NASCAR are held through 704Games.

Racing Pro League, LLC is a U.S.-based joint venture formed on March 1, 2019 between 704Games and RTA Promotions, LLC, an affiliate of RTA, to develop the eNHPL. Currently, 704Games owns 50% of the equity interests of such joint venture.

Le Mans Esports Series Limited is a UK-based company incorporated on March 5, 2019 in connection with forming a joint venture with ACO, the organizer of the 24 Hours of Le Mans endurance race. Through this joint venture, we are in the process of obtaining the rights to be the exclusive video game developer and publisher for the Le Mans race and the WEC, which we have entered into a binding letter of intent for and expect to obtain in the fourth quarter of 2020. Le Mans Esports Series Limited is based in Towcester, United Kingdom.

MS Gaming Development LLC is a Russia-based limited liability company registered on April 10, 2019 that holds a majority of our software and game development capabilities. MS Gaming Development LLC is based in Moscow, Russian Federation.

Motorsport Games Limited is a UK-based limited liability company based in Silverstone, United Kingdom that was incorporated in February 2020 and is a leading esports event organizer in the United Kingdom and internationally.

Upon completion of this offering, we will continue to be controlled by Motorsport Network, which will indirectly own approximately % of the voting interest in us (or approximately % if the underwriters exercise in full their option to purchase additional shares of our Class A common stock).

Employees

Our business relies on our ability to attract and retain the right team to enable us to be a leading game developer, publisher and esports ecosystem provider of official motorsport racing series throughout the world. We invest heavily in hiring and retaining talented people, particularly as we grow our business. Our headcount as of September 30, 2020 was 77 full-time employees, including 56 game developers located in the United States, the United Kingdom and the Russian Federation, none of which were covered by collective bargaining agreements. 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. 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.

Facilities

Our corporate headquarters is located in Miami, Florida and consists of approximately 2,000 square feet of space under a lease that expires in May 2025.

We also lease offices in Orlando, Florida, Charlotte, North Carolina, Silverstone, England, and Moscow, Russia. We believe that we will be able to obtain additional space, as needed, on commercially reasonable terms.

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 create includes audio-visual elements, including graphics, music and interface design.

While most of the intellectual property we use is created by us, we have acquired rights to proprietary intellectual property. We have also obtained rights to use intellectual property through licenses and service agreements with third parties. These agreements typically limit our use of intellectual property to specific uses and for specific time periods.

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 actively 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.

Legal Proceedings

As of the date hereof, we are not a party to any material legal or administrative proceedings. There are no proceedings in which any of our directors, executive officers or affiliates, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to our interest. We may from time to time be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. Litigation or any other legal or administrative proceeding, regardless of the outcome, is likely to result in substantial cost and diversion of our resources, including our management’s time and attention.

MANAGEMENT

Executive Officers and Directors

The following table sets forth information regarding our executive officers and directors as of the date of this prospectus:

Name	Age	Position
Executive Officers		
Dmitry Kozko	37	Chief Executive Officer and Executive Chairman
Stephen Hood	43	President
Jonathan New	60	Chief Financial Officer and Director
Non-Employee Directors		
Neil Anderson	74	Director
Francesco Piovanetti	45	Director
Rob Dyrdek	46	Director

There is no arrangement or understanding between the persons described above and any other person pursuant to which the person was selected to his or her office or position.

Executive Officers

Dmitry Kozko, Chief Executive Officer. Mr. Kozko has served as our Chief Executive Officer since January 2020 and has served as Executive Chairman since . A technology entrepreneur and author of more than two dozen patents, Mr. Kozko joined Motorsport Games from its parent company, Motorsport Network in January 2020, having held the positions of Senior VP of Operations and then COO at Motorsport Network since November 2018. Prior to joining Motorsport Network in January 2018, Mr. Kozko was the CEO of Ultracast, a live 360˚ video and virtual reality platform, and President of IC Realtime, a digital surveillance manufacturer, from February 2014 to November 2018. Mr. Kozko still currently serves as a member of the board of IC Realtime. Mr. Kozko formerly served as the President and Director of Net Element, Inc. (Nasdaq: NETE), a global technology and value-added solutions group that supports electronic payments acceptance in a multi-channel environment, from December 2010 until February 2014 after taking Net Element public and completing the acquisition and integration of Unified Payments, a provider of transaction processing services and payment enabling technologies that was recognized by Inc. Magazine as the fastest growing private company in the United States in 2012. We believe that Mr. Kozko is qualified to serve on our board of directors because of his extensive leadership and technology experience.

Stephen Hood, President. Mr. Hood has served as our President since April 2019. Mr. Hood has also served as President of Motorsport Games Limited, our UK subsidiary, since February 2020 and as a director of 704Games since September 2018. Previously, Mr. Hood served as Head of Esports for Autosport Media UK Limited, a subsidiary of Motorsport Network, from July 2018 to March 2019. Prior to joining Motorsport Network, Mr. Hood served as Executive Producer at Dovetail Games, a UK-based producer of digital hobbies, from September 2016 to May 2018 and as a Creative Director from December 2014 to September 2016. Mr. Hood was employed at Codemasters, a British video game developer and publisher, as Creative Director from November 2011 to December 2013 and as Chief Game Designer from March 2009 to November 2011. Prior to that, Mr. Hood was Design Manager at Ideaworks Game Studio, a British video game developer, from August 2006 to October 2008 and a Senior Designer at renowned British developer Lionhead Studios Limited from 2004 to 2006. He also has held various positions as Design Director and Design Manager with other video game producers. Mr. Hood is a BAFTA award winning developer (Best Simulation, The Movies and Best Sports Game, Formula One 2010) with particular expertise in building creative teams and designing and managing the development of complex video game projects and services.

Jonathan New, Chief Financial Officer. Jonathan New has served as our Chief Financial Officer since January 2020 and has served as a member of our board of directors since . Prior to joining the Company, Mr. New was Chief Financial Officer of Blink Charging Co. (Nasdaq: BLNK), an owner, operator and provider of electric vehicle charging equipment and networked electric vehicle charging services, from July 2018 to January 2020. Prior to Blink Charging Co., Mr. New was Chief Financial Officer of Net Element, Inc. (Nasdaq: NETE), a global technology and value-added solutions group that supports electronic payments acceptance in a multi-channel environment, from 2008 to July, 2018. He has a career of leading rapidly growing businesses through levels of increasing success, with experience in directing strategies in accounting, operations, financial planning and analysis, information technology, human resources, mergers and acquisitions ("M&A"), taxation and investor relations. Mr. New obtained his BS in Accounting from Florida State University and began his career with Accenture. He is a member of the Florida Institute of Certified Public Accountants and the American Institute of Certified Public Accountants. We believe that Mr. New is qualified to serve on our board of directors because of his extensive finance experience.

Non-Employee Directors

Neil Anderson has served as a member of our board of directors since . Mr. Anderson previously practiced as an attorney with the law firm of Sullivan & Cromwell LLP from 1971 to 2013. Mr. Anderson was a partner at Sullivan & Cromwell from 1979 to 2008 and of counsel to the firm from 2009 to 2013. During the period he was a partner, Mr. Anderson was actively involved in corporate matters, focusing primarily on M&A transactions, both domestically and internationally. Between 2000 and 2002, Mr. Anderson served as the head of Sullivan & Cromwell's M&A practice in Europe, resident in the firm's London office. Mr. Anderson has been a frequent speaker and faculty member on professional seminars and programs dealing with M&A and related matters. Mr. Anderson holds a J.D. and an A.B. from Columbia University. We believe that Mr. Anderson is qualified to serve on our board of directors because of his extensive legal and M&A experience.

Francesco Piovanetti has served as a member of our board of directors since . Mr. Francesco Piovanetti is the Chief Executive Officer and Director of both Arco Capital Corporation, Ltd., a provider of financial investment services, and Arco Global Management LLC, an investment management and consulting firm. He has served in various Arco roles since 2006. Mr. Piovanetti has more than twenty-five years of experience working in various areas of asset management, emerging markets, real estate, corporate finance, capital markets and investment banking. Mr. Piovanetti served as the Chief Executive Officer and Chief Financial Officer of Cazador Acquisition Corp. Ltd. (formerly Nasdaq: CAZA) from April 2010 to June 2012. From 2003 to 2006, he served as a Managing Director at an alternative asset management firm. From 1997 to 2003, he was employed as an Analyst and later as an Associate, a Vice President and then as a Director at Deutsche Bank in its Structured Capital Markets Group, which executed proprietary and client arbitrage transactions. From 1995 to 1997, he served as Senior Analyst in Deloitte & Touche LLP's Corporate Finance Group where he consulted in the areas of commercial lending, M&A, management buyouts, capital sourcing and valuation services. Mr. Piovanetti received a B.A. in Economics and a B.S. in Finance from Bryant University, and an M.B.A. in Finance from Columbia Business School. We believe that Mr. Piovanetti is qualified to serve on our board of directors because of his extensive finance experience.

Rob Dyrdek has served as a member of our board of directors since. Mr. Dyrdek is the founder of Dyrdek Machine, a full-service venture studio that helps entrepreneurs design, share, build and invest in their ideas and turn them into sustainable and successful businesses, and has served as its Chief Executive Officer since January 2016. Since 2013, Mr. Dyrdek has also served as Co-President of Superjacket, an end-to-end, all media production company co-founded by Mr. Dyrdek. Mr. Dyrdek is also a successful entrepreneur, content creator and media personality well versed in all aspects of the entertainment and consumer facing media business. Mr. Dyrdek started his first company at the age of eighteen and has since built multiple brands in categories ranging from footwear, apparel and eyewear to gaming and entertainment. Mr. Dyrdek founded the world's first true professional skateboarding league, Street League Skateboarding, in 2010. He co-created, executive produced and starred in his first television show, Rob & Big on MTV from 2006 to 2008 and subsequently created, executive produced and starred in Rob Dyrdek's Fantasy Factor from 2009 to 2015. We believe that Mr. Dyrdek is qualified to serve on our board of directors because of his extensive business, branding, media, and entertainment experience.

Family Relationships

There are no family relationships among any of the directors or executive officers.

Board Structure

Upon the closing of this offering, our board of directors will consist of five members. In accordance with our certificate of incorporation that will be in effect upon completion of this offering, immediately after this offering, our board of directors will be divided into two classes with staggered two-year terms. Subject to the rights of the holders of any series of our preferred stock then outstanding, each director will serve for a term ending on the date of the second annual meeting of stockholders following the annual meeting of stockholders at which such director was elected; provided that each director initially assigned to Class I will serve for a term expiring at our first annual meeting of stockholders held after our certificate of incorporation becomes effective upon completion of this offering. Each director initially assigned to Class II shall serve for a term expiring at our second annual meeting of stockholders held after the effectiveness of our certificate of incorporation upon completion of this offering. The term of each director will continue until the election and qualification of his or her successor and be subject to his or her earlier death, disqualification, resignation or removal.

Upon the closing of this offering, our directors will be divided among the two classes as follows:

- the Class I directors will be and , whose terms will expire at the first annual meeting of stockholders to be held following the completion of this offering; and
- the Class II directors will be , and , whose terms will expire at the second annual meeting of stockholders to be held following the completion of this offering.

Our board of directors may establish the authorized number of directors from time to time by resolution. We expect that any additional directorships resulting from an increase in the number of directors will be distributed among the two classes so that, as nearly as possible, each class will consist of approximately one half of the directors. The division of our board of directors into two classes with staggered two-year terms may delay or prevent a change of our management or a change in control.

Status as a Controlled Company under the Nasdaq Listing Rules

Upon completion of this offering, Motorsport Network will continue to control a majority of the voting power of our outstanding common stock. As a result, we will be 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:

- the requirement that a majority of the board of directors consist of independent directors;
- the requirement that our nominating and corporate governance committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities;
- the requirement that our compensation committee be composed entirely of independent directors with a written charter addressing the committee's purpose and responsibilities; and
- the requirement for an annual performance evaluation of our corporate governance and compensation committees.

We do not currently expect or intend to rely on any of these exemptions, but there can be no assurance that we will not rely on these exemptions in the future. If we were to utilize some or all of these exemptions, you will not have the same protections afforded to stockholders of companies that are subject to all of the Nasdaq rules regarding corporate governance.

Director Independence

Our board of directors has undertaken a review of its composition, the composition of its committees and the independence of each director. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our board of directors has determined that Messrs. , and do not have any relationships that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that each of these directors is "independent" as that term is defined under the applicable rules and regulations of the SEC and the listing requirements and rules of Nasdaq. In making this determination, our board of directors considered the current and prior relationships that each non-employee director has with our Company and all other facts and circumstances our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director.

Committees of our Board of Directors

Our board of directors has established three standing committees: an audit committee, a compensation committee and a nominating and governance committee, each of which will have the composition and responsibilities described below as of the completion of this offering. Following the closing of this offering, each committee's charter will be posted on the investor relations section of our website. Members serve on these committees until their resignation or until otherwise determined by our board of directors. Our board of directors may establish other committees as it deems necessary or appropriate from time to time.

Audit Committee

Our audit committee will consist of , and , each of whom, our board of directors has determined, satisfies the independence requirements under the Nasdaq Listing Rules and Rule 10A-3 of the Exchange Act. The chair of our audit committee is , whom our board of directors has determined is an "audit committee financial expert" within the meaning of SEC regulations. Each member of our audit committee can read and understand fundamental financial statements in accordance with applicable requirements.

The primary purpose of the audit committee will be to discharge the responsibilities of our board of directors with respect to our corporate accounting and financial reporting processes, systems of internal control and financial statement audits, and to oversee our independent registered public accounting firm. Specific responsibilities of our audit committee will include:

- helping our board of directors oversee our corporate accounting and financial reporting processes;
- reviewing and discussing with management all press releases regarding our financial results and any other information provided to securities analysts and rating agencies, including any non-GAAP financial information;
- managing the selection, engagement, qualifications, independence and performance of a qualified firm to serve as the independent registered public accounting firm to audit our financial statements;
- discussing the scope and results of the audit with the independent registered public accounting firm, and reviewing, with management and the independent accountants, our interim and year-end operating results;
- developing procedures for employees to submit concerns anonymously about questionable accounting or audit matters;
- reviewing and approving any related-party transactions, after reviewing each such transaction for potential conflicts of interests and other improprieties;
- obtaining and reviewing a report by the independent registered public accounting firm at least annually that describes our internal quality control procedures, any material issues with such procedures and any steps taken to deal with such issues when required by applicable law;
- approving or, as permitted, pre-approving, audit and permissible non-audit services to be performed by the independent registered public accounting firm;
- considering and presenting, jointly with our nominating and corporate governance committee, to the board of directors for adoption a code of business conduct and ethics for all employees and directors; and
- reviewing and investigating conduct alleged by the board of directors to be in violation of our code of business conduct and ethics, and adopting as necessary or appropriate, remedial, disciplinary, or other measures with respect to such conduct.

Our audit committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

Compensation Committee

Our compensation committee will consist of and , each of whom, our board of directors has determined, is independent under the Nasdaq Listing Rules and is a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act. The chair of our compensation committee will be .

The primary purpose of our compensation committee will be to discharge the responsibilities of our board of directors in overseeing our compensation policies, plans and programs and to review and determine the compensation to be paid to our executive officers, directors and other senior management, as appropriate. Specific responsibilities of our compensation committee will include:

- reviewing and advising the board of directors concerning our overall compensation, philosophy, policies and plans, including reviewing both regional and industry compensation practices and trends;
- determining any peer group used for executive compensation comparison purposes;
- reviewing and approving corporate and personal performance goals and objectives relevant to the compensation of all executive officer executive officers, and making recommendations to the board of directors regarding all executive officer executive compensation (including but not limited to salary, bonus, incentive compensation, equity awards, benefits and perquisites);

- reviewing, adopting, amending and terminating incentive compensation and equity plans, severance agreements, profit sharing plans, bonus plans, change-of-control protections and any other compensatory arrangements for our executive officers and other senior management;
- reviewing and discussing with management the disclosures regarding executive compensation to be included in our public filings or shareholder reports;
- reviewing and recommending to our board of directors the compensation paid to our directors;
- overseeing succession planning for executive officers jointly with our nominating and corporate governance committee; and
- reviewing key strategic human resource activities, including those relating to diversity, training and recruitment.

Our compensation committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

Nominating and Governance Committee

Our nominating and governance committee will consist of and , each of whom, our board of directors has determined, is independent under the Nasdaq Listing Rules. The chair of our nominating and governance committee will be .

Specific responsibilities of our nominating and corporate governance committee will include:

- evaluating and selecting, or recommending to our board of directors nominees for each election of directors, except that if we are at any time legally required by contract or otherwise to provide any third party with the ability to nominate a director, our nominating and governance committee need not evaluate or propose such nomination, unless required by contract or requested by our board of directors;
- determining criteria for selecting new directors, including desired board skills, experience and attributes;
- considering any nominations of director candidates validly made by our stockholders;
- reviewing and making recommendations to our board of directors concerning qualifications, appointment and removal of committee members;
- developing, recommending for approval by our board of directors and reviewing on an ongoing basis the adequacy of the corporate governance principles applicable to us, including, but not limited to, director qualification standards, director responsibilities, committee responsibilities, director access to management and independent advisors, director compensation, director orientation and continuing education, management succession and annual performance evaluation;
- considering and presenting, jointly with our audit committee, to the board of directors for adoption a code of business conduct and ethics;
- reviewing and recommending to our board of directors changes to our bylaws as needed;
- developing orientation materials for new directors and corporate governance-related continuing education for all directors; and
- overseeing succession planning for executive officers jointly with our compensation committee.

Our nominating and corporate governance committee will operate under a written charter, to be effective prior to the completion of this offering, that satisfies the applicable Nasdaq listing standards.

Code of Business Conduct and Ethics

In connection with this offering, we intend to adopt a written code of business conduct and ethics. Our code of business conduct and ethics is intended to document the principles of conduct and ethics to be followed by all of our directors, officers and employees. Its purpose is to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest. Following the closing of this offering, the full text of our code of business conduct and ethics will be posted on the investor relations section of our website. We intend to disclose future amendments to certain provisions of our code of business conduct and ethics, or waivers of these provisions, on our website or in filings under the Exchange Act.

EXECUTIVE COMPENSATION

We have opted to comply with the executive compensation disclosure rules applicable to "smaller reporting companies," as such term is defined in the rules promulgated under the Securities Act. In accordance with these rules, we had one "named executed officer" for fiscal year 2019, which was Stephen Hood, who served as our President. Dmitry Kozko, our current Chief Executive Officer, and Jonathan New, our current Chief Financial Officer, were appointed to their respective positions with the Company in January 2020.

This discussion may contain forward-looking statements that are based on our current plans, considerations, expectations and determinations regarding future compensation programs. Actual compensation programs that we adopt following the completion of this offering may differ materially from the currently planned programs and arrangements summarized in this discussion, including the terms of the Motorsport Games Inc. 2020 Equity Incentive Plan, referred to below as the 2020 Plan, which we expect will become effective immediately prior to the consummation of this offering.

2019 Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officer for the fiscal years indicated below.

Name and Principal Position	Fiscal Year	Salary	All Other Compensation	Total
Stephen Hood(1)(2) *President*	2019	$ 136,743	$ 1,260(3)	$ 138,003

(1) Mr. Hood was appointed to serve as our President effective April 1, 2019. Mr. Hood was paid in British pounds for fiscal year 2019. The amounts included in the table above were determined by converting to U.S. dollars using the exchange rate in effect on December 31, 2019 (approximately 1 British pound sterling = 1.277 U.S. dollars).

(2) Mr. Hood did not earn any bonus and was not granted any stock or option awards for fiscal 2019.

(3) Represents the Company's contribution to a defined contribution plan in Mr. Hood's name in the United Kingdom.

Elements of the Company's Executive Compensation Program

For fiscal year 2019, the compensation for our named executive officer generally consisted of a base salary, standard employee benefits and a retirement plan. Following the consummation of this offering, we may also grant equity awards and cash bonuses as part of our executive compensation program for named executive officers, as determined by our board of directors or our compensation committee.

Base Salary

Our named executive officers receive a base salary to compensate them for services rendered to our Company. The base salary payable to each named executive officer is intended to provide a fixed component of compensation reflecting the executive's skill set, experience, role, and responsibilities. Base salaries may be increased based on the individual performance of the named executive officer, Company performance, any change in the executive's position within our business, the scope of his or her responsibilities and any changes thereto. Base salaries may also be increased as required under the terms of a named executive officer's employment agreement, as applicable.

Cash Bonus

From time to time our board of directors or compensation committee may approve bonuses for our named executive officers based on individual performance, company performance or as otherwise determined appropriate.

Equity Compensation

In connection with this offering, we intend to adopt the 2020 Plan in order to facilitate the grant of equity awards to our employees, consultants, and directors for the purposes of obtaining and retaining services of these individuals, which we believe is essential to our long-term success. It is anticipated that the 2020 Plan will become effective immediately prior to the consummation of this offering. For additional information about the 2020 Plan, see "Incentive Compensation Plan" below.

Other Elements

We provide various employee benefit programs to our named executive officers, including health and life insurance benefits, which are generally available to all of our employees. We also currently maintain a 401(k) retirement savings plan for our U.S. employees, including our U.S.-based named executive officers, who satisfy certain eligibility requirements, and a similar retirement savings plan for our employees in the United Kingdom.

2019 Outstanding Equity Awards at Fiscal Year-End

There were no outstanding equity awards held as of December 31, 2019 by our named executive officer.

Executive Employment Arrangements

Employment Agreement with Dmitry Kozko

We are party to an employment agreement, effective as of January 1, 2020, with Dmitry Kozko, our Chief Executive Officer, for a term expiring on December 31, 2024. After such term expires, Mr. Kozko will be employed as an employee "at will." Mr. Kozko's base salary will be $500,000 per annum, subject to annual increases to 103% of the base salary paid to Mr. Kozko in the prior calendar year. Pursuant to the employment agreement, Mr. Kozko will serve on our board of directors upon consummation of this offering until such time as Mr. Kozko's employment with us is terminated for any reason.

In the event Mr. Kozko's employment is terminated by us during the term of the employment agreement without "Cause" or by Mr. Kozko for "Good Reason" (as such terms are defined in such employment agreement), Mr. Kozko will be entitled to (i) payment of any unpaid base salary, (ii) continuation of payment of his base salary from the effective date of such termination to the earlier of expiration of 12 months after the date of such termination or to the end of the term of the employment agreement and (iii) reimbursement of his business expenses if any are then due. In addition, upon such termination, all of his (if any) unvested stock awards or stock option awards pursuant to our equity incentive plans (including the 2020 Plan) will be deemed vested on the effective date of such termination. Further, all of his (if any) unvested stock awards or stock option awards pursuant to our equity incentive plans (including the 2020 Plan) will vest upon a "Change in Control" (as such term is defined in such employment agreement) if it occurs during Mr. Kozko's employment with the Company.

Mr. Kozko is entitled to participate (in addition to the additional incentive compensation described below) in all equity incentive plans generally available to our executive officers, subject to our compensation committee determining any awards and performance metrics for such awards under any such plans.

Mr. Kozko is entitled to the following additional incentive compensation outside of our equity incentive plans, including the 2020 Plan (the "Additional CEO Incentive"):

(a) If (i) a liquidity event of the Company occurs that results in the Company's valuation of at least $100,000,000 and (ii) an occurrence, pursuant to the applicable loan documents, of the triggering event for the repayment by us to Motorsport Group, LLC, Motorsport Network, LLC and/or their affiliates of the aggregate amount of investment by such parties in us and our subsidiaries through the date of consummation or closing of such liquidity event, as applicable, has occurred, we will issue as promptly as practicable to Mr. Kozko (1) such number of shares of our Class A common stock that would constitute 1.0% of the total shares of our Class A common stock expected to be issued and outstanding (on a fully diluted basis) immediately upon the closing of the initial liquidity event (the "Initial Shares Award") and (2) a stock option award for such number of shares of our Class A common stock that would constitute 2.0% of the total shares of our Class A common stock expected to be issued and outstanding (on a fully diluted basis) immediately upon the closing of the initial liquidity event (the "Initial Option Award," and together with the Initial Shares Award, the "Initial Award").

A liquidity event includes, with respect to the Company, a sale or exchange of capital stock, a merger or consolidation, a recapitalization, a tender or exchange offer, a leveraged buy-out, in each case to an unaffiliated purchaser or the Company or its parent causing a sale by the Company and its subsidiaries of substantially all of the Company's and its subsidiaries consolidated assets to an unaffiliated purchaser, an initial public offering of the Company's equity securities ("IPO"), including the offering contemplated hereby, or any monetization event of the Company (together with its subsidiaries), but only so long as in each such transaction, sale, reorganization, merger, recapitalization, tender or exchange offer, buy-out, monetization event or IPO, Motorsport Group, LLC, Motorsport Network, LLC and/or their affiliates receive in full the aggregate amount of their investment in the Company and its subsidiaries. In the case of an IPO, the Company's valuation will be the market capitalization based on the initial public offering price in the offering and for any other liquidity event, the Company's valuation will be on a cash-free, debt-free basis based on the consideration paid or payable in such liquidity event.

Mr. Kozko will have an option, in his discretion, to replace all or a portion of his Initial Shares Award with a cash payment of up to $1,000,000. By way of example only: if Mr. Kozko opts to replace one-half of his Initial Shares Award with a cash payment, the cash amount would be $500,000; if Mr. Kozko opts to replace his entire Initial Shares Award with a cash payment, the cash amount would be $1,000,000. Pursuant to Mr. Kozko's employment agreement, the Company will gross up the amount of such cash payment by increasing the gross amount of such cash payment to Mr. Kozko to account for the taxes withheld from or attributable to such payment.

(b) Subject to satisfaction of the conditions set forth in paragraph (a) above, the amount of stock options for the shares of our Class A common stock to be issued to Mr. Kozko will be increased from time to time in the percentage increments set forth below if either:

(1) in the event of a liquidity event that is an IPO that results in the listing of our Class A common stock on a major stock exchange such as Nasdaq or the New York Stock Exchange ("IPO") and at all times after the IPO so long as our Class A common stock is traded on a major stock exchange such as Nasdaq or NYSE, our market capitalization targets (summarized below) are achieved from time to time by us (such targets will be deemed achieved if during any 60 consecutive calendar days, the average closing trading price of our Class A common stock corresponds to the market capitalization targets (summarized below)); or

(2) in the event of a liquidity event that is not an IPO and so long as our Class A common stock is not traded on a major stock exchange such as Nasdaq or NYSE, our valuation targets summarized below are achieved by us. The percentage increments described in this paragraph will be the percentage of the total shares of our Class A common stock issued and outstanding on a fully diluted basis on the date of the applicable issuance.

The percentage of increase in the number of stock options to be issued to Mr. Kozko will be 0.2% of the total shares of our Class A common stock issued and outstanding on a fully diluted basis on the date of the applicable issuance for each $50,000,000 incremental increase of the Company's market capitalization target or valuation target (as applicable) in excess of $100,000,000, *provided*, *however*, that the percentage of increase in the number of stock options to be issued to Mr. Kozko will be 1.5% of the total shares of our Class A common stock issued and outstanding on a fully diluted basis on the date of the applicable issuance for the incremental increase of the Company's market capitalization target or valuation target (as applicable) from $950,000,000 to $1,000,000,000. There will be no more incremental increases after the $1,000,000,000 threshold is reached.

Such shares and stock option issuances pursuant to the Additional CEO Incentive have been approved by the sole manager of Motorsport Gaming US LLC, our predecessor, and are expected to be ratified by our compensation committee prior to the consummation of this offering. The shares and stock options will be issued to Mr. Kozko in reliance upon the exemption from the registration requirements of the Securities Act set forth in Section 4(a)(2) of the Securities Act and the resale of such shares will be restricted subject to compliance with applicable law, including the Securities Act.

The per share exercise price for any stock options issuable to Mr. Kozko pursuant to the Additional CEO Incentive may not be less than the fair market value of a share of our Class A common stock on the date of grant. In the case of an Initial Option Award issued in connection with an IPO (if the applicable liquidity event that triggers such award is an IPO), the per share exercise price will be equal to the initial public offering price in the offering.

Other than the Initial Award that will vest immediately upon issuance, all other stock options issuable to Mr. Kozko pursuant to the Additional CEO Incentive will be subject to vesting in three equal installments during the three-year period after the date of issuance of the applicable stock options (i.e., 1/3rd vesting on the date that is 12 months after the issuance of the applicable stock options, 1/3rd vesting on the date that is 24 months after the issuance of the applicable stock options and 1/3rd vesting on the date that is 36 months after the issuance of the applicable stock options), but only so long as Mr. Kozko continues to be employed by the Company as of each such vesting date. Further, all stock options issuable to Mr. Kozko pursuant to the Additional CEO Incentive will expire ten years from the date of grant.

However, (a) if Mr. Kozko's employment is terminated at any time during the term of the employment agreement by the Company for any reason (including in the event of death or disability) other than for Cause or by Mr. Kozko for Good Reason, or in the event of a Change in Control during Mr. Kozko's employment, then (1) all earned but not yet vested stock options issued pursuant to the Additional CEO Incentive will vest upon such termination or the effective date of such Change in Control (as applicable) and (2) the vested shares and/or stock options issued pursuant to the Additional CEO Incentive will not be forfeited by Mr. Kozko; and (b) in the event his employment is terminated at any time during the term of his employment agreement either (1) by him for any reason (other than Good Reason) or (2) by us for Cause, all unvested stock options issued pursuant to the Additional CEO Incentive will be forfeited by Mr. Kozko.

Offer Letter with Jonathan New

We gave Jonathan New an offer letter, dated October 19, 2020, which was effective as of January 3, 2020, confirming his position as our Chief Financial Officer with a starting date of January 3, 2020. Mr. New's employment with the Company is at-will. Pursuant to the offer letter, Mr. New is entitled to a base salary of $240,000 per year, plus a $60,000 cash bonus per year. Mr. New is also entitled to receive an annual stock option award for such number of shares of our Class A common stock that will equal his then applicable annual base salary divided by the closing trading price of our Class A common stock on the date of each such grant, which will vest in three equal annual installments from the date of grant. For 2021, Mr. New will be eligible for an additional cash bonus of up to $250,000 (subject to the applicable withholding and deductions) available at our CEO's discretion and subject to certain performance criteria to be established by our CEO. Further, Mr. New will also be eligible to receive a one-time cash bonus in the following amounts and subject to the following terms: (a) a cash bonus of $150,000 (subject to the applicable withholding and deductions) if we consummate this offering, such bonus payable to Mr. New 90 days after the consummation of this offering; and (b) a cash bonus of $150,000 (subject to the applicable withholding and deductions) if we consummate a private offering of our securities either concurrently or prior to this offering.

Employment Agreement with Stephen Hood

On June 26, 2018, Stephen Hood entered into an employment agreement with Autosport Media UK Limited, a subsidiary of Motorsport Network, to serve as Head of eSports. On April 5, 2019, the parties agreed that Mr. Hood would transition to President of Motorsport Games, effective April 1, 2019. On October 1, 2020, Mr. Hood entered into a new employment agreement with our UK subsidiary, Motorsport Games Limited, to serve as President of Motorsport Games, which replaced Mr. Hood's prior employment agreement. Pursuant to this new employment agreement, Mr. Hood is currently entitled to a base salary of £145,000 per year, is eligible to receive a discretionary bonus and has the right to participate in the Company's group pension plan for UK employees. In addition, other than in connection with a termination for cause as specified in the agreement, the Company must provide Mr. Hood notice in writing three months in advance of any termination of employment. However, the Company may terminate Mr. Hood immediately by paying a sum equal to his gross basic salary (less any deductions) in lieu of this notice period or any remaining part of it. In connection with this offering, we expect to provide Mr. Hood a new employment agreement pursuant to which Mr. Hood's gross salary will increase to $230,000 (to be paid in pounds sterling at the then applicable exchange rate) with the other terms of his current employment agreement remaining substantially the same. Pursuant to the new employment agreement, Mr. Hood will also be entitled to receive an annual stock option award for such number of shares of our Class A common stock that will equal his then applicable annual base salary divided by the closing trading price of our Class A common stock on the date of each such grant, which will vest in three equal annual installments from the date of grant.

Incentive Compensation Plan

We believe that our ability to grant equity-based awards is a valuable compensation tool that enables us to attract, retain, and motivate our employees, consultants, and directors by aligning their financial interests with those of our stockholders. Accordingly, our board of directors and stockholders are expected to adopt the 2020 Plan, which we expect will become effective immediately prior to the consummation of this offering. The principal features of the 2020 Plan are summarized below. This summary is qualified in its entirety by reference to the actual text of the 2020 Plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

Awards. The 2020 Plan permits the grant of options, stock appreciation rights ("SARs"), restricted stock, restricted stock units, and performance share awards (each, an "Award") to certain Eligible Persons (as defined below).

Eligibility. Employees, non-employee directors, consultants and independent contractors of the Company ("Eligible Persons") designated by the compensation committee of our board of directors are eligible to receive grants of Awards under the 2020 Plan.

Administration. Except with respect to Awards granted to non-employee directors, the 2020 Plan will be administered by our compensation committee. With respect to Awards granted to non-employee directors, our board of directors serves as the "committee." Our compensation committee has authority and discretion to determine the Eligible Persons to whom Awards are granted ("Participants") and, subject to the provisions of the 2020 Plan, the terms of all Awards under the 2020 Plan. Pursuant to the charter of our compensation committee, the outside members of our board of directors will approve Awards to our Chief Executive Officer. Subject to the provisions of the 2020 Plan, our compensation committee has authority to interpret the 2020 Plan and agreements under the 2020 Plan and to make all other determinations relating to the administration of the 2020 Plan.

Share Available. The maximum number of shares of our Class A common stock that may be issued under the 2020 Plan will be shares, subject to adjustment in the event of any stock split or reverse stock split of our Class A common stock. The number of shares of Class A common stock delivered to the Company as payment for the exercise price of, or in satisfaction of withholding taxes arising from, options or other Awards granted under the 2020 Plan will be made available for grant under the 2020 Plan. If any shares of restricted Class A common stock are forfeited, or if any Award terminates, expires or is settled without all or a portion of the Class A common stock covered by the Award being issued (including Class A common stock not issued to satisfy withholding taxes), such Class A common stock will again be available for the grant of additional Awards. Substitute awards do not count against the number of shares of Class A common stock that may be issued under the 2020 Plan.

Options. The 2020 Plan authorizes the grant of nonqualified stock options and incentive stock options. Incentive stock options are stock options that satisfy the requirements of Section 422 of the U.S. Internal Revenue Code of 1986, as amended (the "Code"). Nonqualified stock options are stock options that do not satisfy the requirements of Section 422 of the Code. The exercise of an option permits the participant to purchase Class A common stock from the Company at a specified exercise price per share. The maximum number of share of Class A common stock issuable upon the exercise of incentive stock options is . Options granted under the 2020 Plan are exercisable upon such terms and conditions as our compensation committee shall determine, subject to the terms of the 2020 Plan. The per share exercise price of all options granted under the 2020 Plan may not be less than the fair market value of a share of Class A common stock on the date of grant. The 2020 Plan provides that the term during which options may be exercised is determined by our compensation committee, except that no option may be exercised more than ten years after its date of grant.

SARs. The 2020 Plan authorizes our compensation committee to grant SARs. A SAR entitles the participant upon exercise to receive without cash payment to the Company, Class A common stock, or a combination of cash and Class A common stock, having a value equal to the appreciation in the fair market value of the Class A common stock covered by the SAR from the date of grant of the SAR (or, if the SAR relates to an option, the date of grant of the related option). The period during which a SAR may be exercised is determined by our compensation committee, except that a SAR may not be exercised more than ten years after its date of grant.

Restricted Stock Awards. The 2020 Plan authorizes our compensation committee to grant restricted stock awards. Class A common stock covered by a restricted stock award are restricted against transfer and subject to forfeiture and any other terms and conditions as our compensation committee determines, subject to the terms of the 2020 Plan. These terms and conditions may provide, in the discretion of our compensation committee, for the vesting of awards of restricted stock to be contingent upon the achievement of continued employment or one or more performance goals.

Restricted Stock Units. Restricted stock unit awards granted under the 2020 Plan are contingent awards of Class A common stock (or the cash equivalent thereof). Unlike in the case of awards of restricted stock, Class A common stock is not issued immediately upon the award of restricted stock units, but instead Class A common stock is issued upon satisfying such terms and conditions as our compensation committee may specify, subject to the terms of the 2020 Plan, including the achievement of performance goals.

Performance Share Awards. The 2020 Plan authorizes the grant of performance awards. Performance awards provide for payments of cash, or the issuance of Class A common stock, options or SARs, or a combination thereof, contingent upon the attainment of one or more performance goals (described below) that our compensation committee establishes. The minimum period with respect to which performance goals are measured is one year (pro-rated in the case of a newly hired employee), except in the event of a change of control. For purposes of the limit on the number of Class A common stock with respect to which an employee may be granted Awards during any calendar year, a performance award is deemed to cover the number of Class A common stock equal to the maximum number of Class A common stock that may be issued upon payment of the Award. The maximum cash amount that may be paid to any employee pursuant to all performance awards granted to the employee during a calendar year may not exceed $5 million.

Capital Adjustments. Upon a change in the outstanding Class A common stock by reason of a stock dividend, stock split, or reverse stock split ("capital stock change"), unless otherwise determined by our compensation committee on or prior to the date of the capital stock change, each of the following shall, automatically and without need for compensation committee action, be proportionately adjusted:

- the number of shares of Class A common stock subject to outstanding Awards;
- the per share exercise price of options and the per share base price upon which payments under SARs are determined; and
- the aggregate number of shares of Class A common stock as to which Awards thereafter may be granted under the 2020 Plan.

If the outstanding Class A common stock changes as a result of a capital stock change, recapitalization, reclassification, extraordinary cash dividend, combination or exchange of shares, merger, consolidation or liquidation, our compensation committee shall, as it deems equitable in its discretion, substitute or adjust:

- the number and class of securities subject to outstanding Awards;
- the type of consideration to be received upon exercise or vesting of an Award;
- the exercise price of options and base price upon which payments under SARs are determined; or
- the aggregate number and class of securities for which Awards may be granted under the 2020 Plan.

Except as otherwise provided in an Award Agreement or other written document such as an employment agreement or a change of control agreement, if a Change of Control (as defined in the 2020 Plan) occurs and Awards are not converted, assumed, or replaced by a successor, all outstanding Awards will become fully exercisable and all restrictions on outstanding Awards shall lapse. Upon, or in anticipation of, such an event, our compensation committee may cause every Award outstanding hereunder to terminate at a specific time in the future and shall give each Participant the right to exercise Awards during a period of time as the committee determines.

Exercise of Options or SARs. An option or SAR may be exercised by a participant delivering to the Company a notice of exercise and, in the case of options, full payment for the Class A common stock with respect to which the option is exercised. To the extent authorized by our compensation committee or provided for in the award agreement, payment may be made (a) by delivery of unencumbered Class A common stock valued at fair market value on the date of exercise, (b) pursuant to the broker-assisted cashless exercise or (c) by the Company withholding Class A common stock that would otherwise be issued in connection with the exercise of the option ("net exercise").

Under the net exercise provisions, a participant may surrender to the Company an option (or a portion of the option) that has become exercisable and receive a whole number of shares of Class A common stock valued as the difference of (a) the fair market value of the Class A common stock subject to the option that is being surrendered over (b) the exercise price, plus any amount for fractional shares of Class A common stock.

No Loans. The 2020 Plan expressly prohibits Company loans to the Company's executive officers and directors, including without limitation a loan in conjunction with the exercise of an option or SAR.

Transferability. Awards granted under the 2020 Plan may not be transferred, assigned, alienated or encumbered, except as otherwise provided in the agreement relating to an Award to (a) a Participant's spouse, children or grandchildren (including any adopted and step children or grandchildren), parents, grandparents or siblings, (b) to a trust for the benefit of one or more of the Participant or the persons referred to in clause (a), (c) to a partnership, limited liability company or corporation in which the Participant or the persons referred to in clause (a) are the only partners, members or shareholders or (d) for charitable donations.

Termination and Amendment. Our board of directors may amend or terminate the 2020 Plan at any time. However, our board of directors may not amend or terminate the 2020 Plan without the approval of (a) the Company's stockholders (i) if the amendment relates to the re-pricing of options and SARs or (ii) if stockholder approval of the amendment is required by applicable law, rules or regulations, and (b) each affected participant if the amendment or termination would adversely affect the participant's rights or obligations under any Awards granted prior to the date of the amendment or termination.

Modification of Awards; No Re-pricing. Our compensation committee may modify the terms of outstanding Awards. However, except to reflect capital stock changes, neither options nor SARs may be (a) modified to reduce their exercise prices, (b) cancelled or surrendered in consideration for the grant of new options or SARs with a lower exercise price or (c) cancelled or surrendered in exchange for cash or another Award (other than in connection with a substitute award or a change of control).

Substitution of Awards. Awards may, in our compensation committee's discretion, be granted in substitution for stock options and other awards covering capital stock of another corporation which is merged into, consolidated with, or all or a substantial portion of the property or stock of which is acquired by, the Company or any subsidiary. Substitute Awards do not count against (a) the Class A common stock subject to issuance under the 2020 Plan or (b) the limit on Class A common stock that may be granted to an Eligible Person in a calendar year.

Withholding. The Company is generally required to withhold tax on the amount of income recognized by a participant with respect to an Award. Withholding requirements may be satisfied, as provided in the agreement evidencing the Award, by (a) tender of a cash payment to the Company, (b) withholding of Class A common stock otherwise issuable pursuant to an Award, or (c) delivery to the Company by the participant of unencumbered Class A common stock.

Term of the 2020 Plan. Unless sooner terminated by our board of directors, the 2020 Plan will terminate on , 2030. Once the 2020 Plan is terminated, no further Awards may be granted or awarded under the 2020 Plan. Termination of the 2020 Plan will not affect the validity of any Awards outstanding on the date of termination.

Clawback. Awards granted under the 2020 Plan are subject to cancellation, forfeiture and recovery in accordance with any compensation recovery policy that may be adopted by the Company after the date of the 2020 Plan, including any compensation recovery policy adopted pursuant to the requirements of Section 954 of the Dodd- Frank Wall Street Reform and Consumer Protection Act of 2010.

Actions Taken in Connection with This Offering

In connection with this offering and to provide additional retention incentives, we intend to grant, effective on the date that the registration statement of which this prospectus forms a part becomes effective:

- stock options under the 2020 Plan to purchase an aggregate of shares of our Class A common stock to certain employees at an exercise price per share equal to the initial public offering price in this offering, including stock options to purchase , and shares of our Class A common stock to Messrs. Kozko, New and Hood, respectively, which will vest in three equal annual installments from the date of grant;

- stock options under the 2020 Plan to purchase an aggregate of shares of our Class A common stock to our non-employee directors at an exercise price per share equal to the initial public offering price in this offering, which will vest one year from the date of grant and are intended to constitute the 2020 annual grant under our non-employee director compensation policy (see "—Director Compensation"); and

- shares of our Class A common stock under the 2020 Plan to each of Neil Anderson and Rob Dyrdek, members of our board of directors, which represents a stock award equal to $50,000 to each of Messrs. Anderson and Dyrdek divided by the initial public offering price in this offering, which would vest immediately upon issuance.

In connection with this offering, effective on the date that the registration statement of which this prospectus forms a part becomes effective, we also intend to grant Francesco Piovanetti, a member of our board of directors, shares of our Class A common stock under the 2020 Plan, which represents a stock award equal to $100,000 divided by the initial public offering price in this offering, which would vest immediately upon issuance. On the one-year anniversary date of the closing of this offering, we intend to grant Mr. Piovanetti an additional stock award for such number of shares of our Class A common stock that will equal $100,000 divided by the closing trading price of our Class A common stock on the date of such grant, which would vest immediately upon issuance. These awards are expected to be granted to Mr. Piovanetti for his continuing service as chair of our audit committee and as an "audit committee financial expert" (subject to his qualification and appointment, as applicable) and are in addition to the non-employee director compensation that Mr. Piovanetti is entitled to as set forth under "—Director Compensation."

Additionally, pursuant to Mr. Kozko's employment agreement with us, we may issue to Mr. Kozko outside of the 2020 Plan (i) up to shares representing 1.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering and (ii) stock options to purchase shares of our Class A common stock representing 2.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering, subject to the satisfaction of certain conditions, which would vest immediately upon issuance. See "—Executive Employment Arrangements—Employment Agreement with Dmitry Kozko."

Pursuant to Mr. New's offer letter with us, Mr. New will also be eligible to receive a one-time cash bonus in the following amounts and subject to the following terms: (a) a cash bonus of $150,000 (subject to the applicable withholding and deductions) if we consummate this offering, such bonus payable to Mr. New 90 days after the consummation of this offering; and (b) a cash bonus of $150,000 (subject to the applicable withholding and deductions) if we consummate a private offering of our securities either concurrently or prior to this offering. See "—Executive Employment Arrangements —Offer Letter with Jonathan New."

In connection with this offering, we expect to provide Mr. Hood a new employment agreement. See "—Executive Employment Arrangements—Employment Agreement with Stephen Hood."

Director Compensation

Historically, we have not paid cash or equity compensation to any of our non-employee directors for service on our board of directors, and no such amounts were paid to our non-employee directors during fiscal year 2019. As of December 31, 2019, none of our non-employee directors held any option awards or unvested stock awards in us.

We expect our board of directors will adopt a non-employee director compensation policy, which we expect will become effective immediately prior to the consummation of this offering. Under the non-employee director compensation policy, our non-employee directors are expected to be eligible to receive compensation for service on our board of directors and committees of our board of directors as follows:

- Each non-employee director shall be entitled to receive $25,000 annually as a cash retainer for their board service, with additional annual cash retainers of (i) $2,000 for each member of our compensation committee or nominating and governance committee; (ii) $5,000 for the chairman of our compensation committee or nominating and governance committee; (iii) $8,000 for each member of our audit committee; and (iv) $16,000 for the chairman of our audit committee. All cash retainers are paid quarterly in arrears.

- Additionally, each non-employee director shall receive an annual stock option award under the 2020 Plan to purchase such number of shares of our Class A common stock that will equal $75,000 divided by the closing trading price of our Class A common stock on the date of each such grant, which will vest one year from the date of grant. Upon the occurrence of certain corporate events, including a change of control of the Company, all such stock option awards will immediately vest. The initial annual stock option award will be awarded to each of our non-employee directors in connection with this offering. See "—Actions Taken in Connection with This Offering."

Our non-employee directors are entitled to reimbursement of ordinary, necessary and reasonable out-of-pocket travel expenses incurred in connection with attending in-person meetings of our board of directors or committees thereof. In the event our non-employee directors are required to attend greater than four in-person meetings or 12 telephonic meetings during any fiscal year, such non-employee directors shall be entitled to additional compensation in the amount of $500 for each additional telephonic meeting beyond the 12 telephonic meeting threshold, and $1,000 for each additional in-person meeting beyond the four in-person meeting threshold.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following are summaries of transactions since January 1, 2017 to which we have been a participant that involved amounts that exceeded or will exceed the lesser of (i) $120,000 or (ii) one percent of the average of our total assets at December 31, 2019 and 2018, and in which any of our directors, executive officers or any other "related person" as defined in Item 404(a) of Regulation S-K had or will have a direct or indirect material interest.

Relationship with Motorsport Network

Prior to the completion of this offering, we were a wholly owned subsidiary of Motorsport Network. After this offering, Motorsport Network, as our majority stockholder, will continue to have the power, acting alone, to approve any action requiring a vote of shares representing a majority of the combined voting power of our outstanding Class A common stock and Class B common stock. As long as Motorsport Network continues to control a majority of the voting power of our outstanding shares of common stock, it will be able to exercise control over all matters requiring approval by our stockholders, including the election of our directors and approval of significant corporate transactions. Motorsport Network's controlling interest may discourage or prevent a change in control of our Company that other holders of our common stock may favor. Motorsport Network is not subject to any contractual obligation to retain any of our common stock, except that it has agreed not to sell or otherwise dispose of any shares of our common stock for a period ending 180 days after the date of this prospectus without the prior written consent of Canaccord Genuity LLC, subject to specified exceptions, as described under "Underwriting."

Since the Company's formation in August 2018, Motorsport Network has historically paid for the Company's expenses on the Company's behalf. In addition, Motorsport Network has occasionally advanced funds to the Company. For the Successor Periods ended December 31, 2019 and 2018, the Company incurred expenses of $647,513 and $8,027, respectively, that were paid by Motorsport Network on its behalf and are reimbursable by the Company under the Promissory Note. For the nine months ended September 30, 2020, the Company incurred expenses of $524,479 that were paid by Motorsport Network on its behalf and are reimbursable by the Company under the Promissory Note. For the Successor Periods ended December 31, 2019 and 2018, the Company received proceeds of $2,274,875 and $4,000,500, respectively, in connection with non-interest bearing advances from Motorsport Network, which were included in the amount outstanding under the Promissory Note at the time it was executed. For the nine months ended September 30, 2020, the Company received proceeds of $1,462,000 in connection with non-interest bearing advances from Motorsport Network, which are included in the amount outstanding under the Promissory Note. For the nine months ended September 30, 2020, the Company recorded related party interest expense of $439,723 in connection with the Promissory Note. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Promissory Note Line of Credit" for additional information.

During the Successor Periods ended December 31, 2019 and 2018, an entity wholly-owned by Motorsport Network provided advertising, promotional and other services of $641,938 and $472,669, respectively, to 704Games pursuant to the terms of the stock purchase agreement entered into in connection with the acquisition of 704Games in August 2018. During the nine months ended September 30, 2020, an entity wholly-owned by Motorsport Network provided $356,447 of such advertising, promotional and other services to 704Games.

Services Agreement

On January 1, 2020, we entered into a three-year services agreement with Motorsport Network (the "Services Agreement"), pursuant to which Motorsport Network will provide exclusive legal, development and accounting services on a full-time basis to support our business functions. The Services Agreement can be extended by mutual agreement and may be terminated by either party at any time. Pursuant to the Services Agreement, we are required to pay monthly fees to Motorsport Network as follows: (i) $5,000 for legal services, (ii) $2,500 for accounting services and (iii) on an hourly, per use basis, from $15 to $30 per hour for development services.

Promotion Agreement

On August 3, 2018, we entered into a promotion agreement with Motorsport Network (the "Promotion Agreement"), pursuant to which Motorsport Network will provide us with exclusive promotion services consisting of the use of its and its affiliates' various media platforms to promote our business, organizations, products and services in the racing video game market and related esports activities. The Promotion Agreement will remain in effect until such date that Motorsport Network no longer holds at least 20% of the voting interest in us, at which time the Promotion Agreement will terminate automatically. Under the terms of the Promotion Agreement, we are required to give Motorsport Network an "exclusive first look" at any media-related activity in consideration of the promotion services.

Lease Agreement

On May 15, 2020, 704Games entered into a five-year lease agreement for office space in Miami, Florida with an entity owned by Mike Zoi, the manager of Motorsport Network. The base rent from the lease commencement date through April 15, 2025 is $3,000 per month. 704Games has the option to renew the lease for two separate five-year terms, with monthly rent to be negotiated prior to such extension. The security deposit is $6,000.

Employment Arrangements

We have entered into offer letter agreements and employment agreements with our executive officers. For more information regarding these agreements, see "Executive Compensation—Executive Employment Arrangements."

Equity Grants to Executive Officers

In connection with the consummation of this offering and to provide additional retention incentives, we intend to grant stock options under the 2020 Plan to certain employees, including our executive officers. Additionally, pursuant to Mr. Kozko's employment agreement with us, we may issue Mr. Kozko certain shares of our Class A common stock and stock options outside of the 2020 plan in connection with the consummation of this offering, subject to the satisfaction of certain conditions as set forth in his employment agreement. For more information regarding these grants, see "Executive Compensation—Actions Taken in Connection with This Offering" and "Executive Compensation—Executive Employment Arrangements."

Indemnification Agreements

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors and executive officers to provide these directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in our certificate of incorporation and bylaws and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving any of our directors or executive officers regarding which indemnification is sought.

Our Policy Regarding Related Party Transactions

Given our small size and limited financial resources, we have not adopted formal written policies and procedures for the review, approval or ratification of transactions, such as those described above, with our executive officers, directors and significant stockholders. We may establish formal written policies and procedures in the future, once we have sufficient resources and have appointed additional directors, so that such transactions will be subject to the review, approval or ratification of our board of directors, or an appropriate committee thereof. On a going forward basis, our directors will continue to approve any related party transaction.

PRINCIPAL STOCKHOLDERS

The following table sets forth the beneficial ownership of our common stock as of November 30, 2020 and as adjusted to reflect the sale of the Class A common stock offered by us in this offering, for:

- each stockholder known by us to be the beneficial owner of more than 5% of our outstanding shares of Class A common stock and Class B common stock (by number or by voting power);
- each of our directors;
- each of our named executive officers; and
- all of our directors and executive officers as a group.

Applicable percentage ownership before the offering is based on shares of our Class A common stock and shares of our Class B common stock outstanding as of , 2020 (as adjusted to give effect to the corporate conversion). Applicable percentage ownership after the offering is based on shares of our Class A common stock and shares of our Class B common stock outstanding immediately after the completion of this offering, assuming no exercise by the underwriters of their option to purchase additional shares of our Class A common stock.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC and includes voting or investment power with respect to securities. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, or other rights, including the redemption right described above, held by such person that are currently exercisable or will become exercisable within 60 days of the date of November 30, 2020, are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person. Each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable.

Unless otherwise indicated, the address of all listed stockholders is c/o Motorsport Games Inc., 5972 NE 4th Avenue, Miami, FL 33137.

	Shares Beneficially Owned Prior to this Offering					Shares Beneficially Owned Following this Offering				
	Class A		Class B			Class A		Class B		
Name of Beneficial Owner	Shares	%	Shares	%	% of Total Voting Power(1)	Shares	%	Shares	%	% of Total Voting Power(1)
5% Stockholders:										
Motorsport Network, LLC(2)	—	—		100%	100%				100%	%
Directors and Named Executive Officers:										
Neil Anderson	—	—	—	—	—	(3)		—	—	
Francesco Piovanetti	—	—	—	—	—	(4)		—	—	
Rob Dyrdek	—	—	—	—	—	(3)		—	—	
Dmitry Kozko(5)	—	—	—	—	—	—	—	—	—	—
Jonathan New	—	—	—	—	—	—	—	—	—	—
Stephen Hood	—	—	—	—	—	—	—	—	—	—
Directors and executive officers as a group (6 persons)	—	—	—	—	—			—	—	

(1) Percentage of total voting power represents voting power with respect to all shares of our Class A and Class B common stock, as a single class. The holders of our Class B common stock are entitled to ten votes per share, and holders of our Class A common stock are entitled to one vote per share. See the section titled "Description of Capital Stock—Common Stock" for additional information about the voting rights of our Class A and Class B common stock.

(2) Consists of shares held of record by Motorsport Network. Mike Zoi is the manager of Motorsport Network and has sole voting and dispositive power with respect to the shares held by Motorsport Network.

(3) Represents shares of our Class A common stock to be issued to each of Messrs. Anderson and Dyrdek in connection with this offering under the 2020 Plan, which represents a stock award equal to $50,000 to each of Messrs. Anderson and Dyrdek divided by the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering").

(4) Represents shares of our Class A common stock to be issued to Mr. Piovanetti in connection with this offering under the 2020 Plan, which represents a stock award equal to $100,000 divided by the initial public offering price in this offering (see "Executive Compensation—Actions Taken in Connection with This Offering").

(5) Does not include shares of our Class A common stock that may be issued outside of the 2020 Plan to Dmitry Kozko, our Chief Executive Officer, subject to the satisfaction of certain conditions as set forth in his employment agreement with us, including (i) up to shares that may be issued in connection with this offering representing 1.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering and (ii) shares issuable upon exercise of stock options that may be granted in connection with this offering representing 2.0% of the expected issued and outstanding shares of our Class A common stock as of the closing date of this offering (see "Executive Compensation—Executive Employment Arrangements—Employment Agreement with Dmitry Kozko").

DESCRIPTION OF CAPITAL STOCK

General

The following description of our capital stock and certain provisions of our certificate of incorporation and bylaws are summaries and are qualified by reference to the certificate of incorporation and the bylaws that will be in effect upon completion of this offering. Copies of these documents have been filed with the SEC as exhibits to our registration statement, of which this prospectus forms a part. The descriptions of our common stock and preferred stock reflect changes to our capital structure that will be in effect upon completion of this offering.

Upon the closing of this offering, our certificate of incorporation and bylaws will provide for two classes of common stock: Class A common stock and Class B common stock. In addition, our certificate of incorporation and bylaws will authorize shares of undesignated preferred stock, the rights, preferences and privileges of which may be designated from time to time by our board of directors.

Following the closing of this offering, our authorized capital stock will consist of shares of Class A common stock, par value $0.0001 per share, shares of Class B common stock, par value $0.0001 per share and shares of preferred stock, par value $0.0001 per share.

Common Stock

Prior to the closing of this offering (after giving effect to the corporate conversion) there will be shares of Class A common stock and shares of Class B common stock outstanding, which will be held of record by one stockholder. Upon the closing of this offering, there will be shares of Class A common stock and shares of Class B common stock outstanding, assuming no exercise of the underwriters' option to purchase additional shares of our Class A common stock for us, after giving effect to the sale of the shares of our Class A common stock offered hereby.

Motorsport Network will be the only holder of shares of our Class B common stock and will not have any transfer, conversion, registration or economic rights with respect to such shares of Class B common stock. In the event Motorsport Network or its affiliates relinquish beneficial ownership of any of the MSN Initial Class A Shares at any time, one share of Class B common stock held by Motorsport Network will be cancelled for each such MSN Initial Class A Share no longer beneficially owned by Motorsport Network or its affiliates. Any pledge of MSN Initial Class A Shares by Motorsport Network or its affiliates will not constitute a relinquishment of such beneficial ownership. The MSN Initial Class A Shares and shares of Class B common stock held by Motorsport Network will be adjusted in equal proportions for any stock dividend, stock split or similar transaction undertaken by the Company.

Voting

Holders of our Class A common stock will be entitled to one vote for each share held on all matters submitted to a vote of stockholders and holders of our Class B common stock will be entitled to 10 votes for each share held on all matters submitted to a vote of stockholders. The holders of our Class A common stock and Class B common stock will vote together as a single class, unless otherwise required by law. Under our certificate of incorporation, approval of the holders of a majority of the Class B common stock will be required to increase or decrease the number of authorized shares of our Class B common stock, and the approval of two-thirds of the Class B common stock will be required to amend or repeal, or adopt any provision inconsistent with, or otherwise alter, any provision of our certificate of incorporation that modifies the voting, par value, conversion or other rights, powers, preferences, special rights, privileges or restrictions of the Class B common stock. In addition, Delaware law could require either holders of our Class A common stock or our Class B common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our certificate of incorporation to increase or decrease the aggregate number of authorized shares or par value of a class of stock, then that class would be required to vote separately to approve the proposed amendment; and

- if we were to seek to amend our certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of a class of stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

Dividends

Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of shares of Class A common stock are entitled to dividends when and as declared by our board of directors from funds legally available therefor if, as and when determined by our board of directors in its sole discretion, subject to provisions of law, and any provision of our certificate of incorporation, as amended from time to time. The holder of Class B common stock will not be entitled to receive any dividends with respect to the shares of Class B common stock, except dividends payable in shares of Class B common stock or rights to acquire shares of Class B common stock that may be declared and paid to the holder of Class B common stock to proportionally adjust for dividends payable in shares of Class A common stock or rights to acquire shares of Class A common stock that are declared and paid to the holders of Class A common stock.

Liquidation

In the event of any voluntary or involuntary liquidation, dissolution or winding up of our affairs, the holders of our Class A common stock and any participating preferred stock outstanding at that time will be entitled to share ratably in the net assets legally available for distribution to stockholders after the payment of or provision for all of our debts and other liabilities, and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock. The holder of Class B common stock will not be entitled to receive any liquidation distributions with respect to the shares of Class B common stock.

Fully Paid and Non-Assessable

All outstanding shares of common stock are, and the common stock to be outstanding upon completion of this offering will be, duly authorized, validly issued, fully paid and non-assessable.

Other Matters

There are no preemptive, conversion or redemption privileges, nor sinking fund provisions with respect to our common stock.

Preferred Stock

Our board of directors will have the authority, subject to limitations prescribed by Delaware law, to issue up to shares of preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions, in each case without further vote or action by our stockholders. Our board of directors can also increase or decrease the number of shares of any series of preferred stock, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of our common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our Company and might adversely affect the market price of our common stock and the voting and other rights of the holders of our common stock. We have no current plan to issue any shares of preferred stock.

Anti-Takeover Provisions

Certain provisions of Delaware law, as well as our certificate of incorporation and our bylaws that will become effective immediately prior to the completion of this offering, may have the effect of delaying, deferring or discouraging another person from acquiring control of us. These provisions include the items described below. They are also designed, in part, to encourage persons seeking to acquire control of us to negotiate first with our board of directors. We believe that the benefits of increased protection of our potential ability to negotiate with an unfriendly or unsolicited acquirer outweigh the disadvantages of discouraging a proposal to acquire us because negotiation of these proposals could result in an improvement of their terms.

Delaware Law

When we have a class of voting stock that is either listed on a national securities exchange or held of record by more than 2,000 stockholders, we will become subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a public Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless:

- the business combination or transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors prior to the time that the stockholder became an interested stockholder;

- upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares owned by directors who are also officers of the corporation and shares owned by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- at or subsequent to the time the stockholder became an interested stockholder, the business combination was approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

In general, Section 203 defines a "business combination" to include mergers, asset sales and other transactions resulting in financial benefit to a stockholder and an "interested stockholder" as a person who, together with affiliates and associates, owns, or within three years did own, 15% or more of the corporation's outstanding voting stock.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or bylaws resulting from an amendment approved by at least a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented. These provisions may have the effect of delaying, deferring or preventing changes in control of our Company.

Certificate of Incorporation and Bylaw Provisions

Our certificate of incorporation and our bylaws, which will become effective immediately prior to the completion of this offering, will include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our board of directors or management team, including the following:

Dual Class Stock

As described above in "—Common Stock—Voting," our certificate of incorporation provides for a dual class common stock structure, which will provide the holder of Class B common stock with significant influence over matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our Company or its assets.

Each share of Class A common stock is entitled to one vote, while each share of Class B common stock is entitled to ten votes. Following and effective upon the consummation of the corporate conversion, 100% of the membership interests currently held by the Company's sole member, Motorsport Network, will convert into an aggregate of (i) shares of Class A common stock, based upon the value of the Company at the time of this offering with a value implied by the offering price of the shares of Class A common stock sold in this offering, and (ii) shares of Class B common stock, representing all of the outstanding shares of Class B common stock. Motorsport Network will be the only holder of shares of our Class B common stock and will not have any transfer, conversion, registration or economic rights with respect to such shares of Class B common stock. In the event Motorsport Network or its affiliates relinquish beneficial ownership of any of the MSN Initial Class A Shares at any time, one share of Class B common stock held by Motorsport Network will be cancelled for each such MSN Initial Class A Share no longer beneficially owned by Motorsport Network or its affiliates. Any pledge of MSN Initial Class A Shares by Motorsport Network or its affiliates will not constitute a relinquishment of such beneficial ownership. The MSN Initial Class A Shares and shares of Class B common stock held by Motorsport Network will be adjusted in equal proportions for any stock dividend, stock split or similar transaction undertaken by the Company.

Board of Directors Vacancies

Our certificate of incorporation and bylaws will authorize only our board of directors to fill vacant directorships, including newly created seats. In addition, the number of directors constituting our board of directors will be permitted to be set only by a resolution adopted by a majority vote of our entire board of directors. These provisions would prevent a stockholder from increasing the size of our board of directors and then gaining control of our board of directors by filling the resulting vacancies with its own nominees. This will make it more difficult to change the composition of our board of directors and will promote continuity of management.

Stockholder Action; Special Meeting of Stockholders

Our certificate of incorporation and bylaws will provide that special meetings of our stockholders may be called only by a majority of our board of directors, the chairperson of our board of directors, our Chief Executive Officer or our President, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

Advance Notice Requirements for Stockholder Proposals and Director Nominations

Our bylaws will provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our bylaws will also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our Company.

Removal of Directors

Our certificate of incorporation will provide that directors may only be removed for cause and upon the affirmative vote of a majority of the outstanding voting power of our capital stock voting together as a single class.

No Cumulative Voting

The Delaware General Corporation Law provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our certificate of incorporation does not provide for cumulative voting.

Amendment of Charter and Bylaws Provisions

Amendments to our certificate of incorporation will require the approval of two-thirds of the outstanding voting power of our common stock. Our certificate of incorporation and bylaws will provide that approval of stockholders holding two-thirds of our outstanding voting power voting as a single class is required for stockholders to amend or adopt any provision of our bylaws.

Issuance of Undesignated Preferred Stock

Our board of directors will have the authority, without further action by our stockholders, to issue shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by our board of directors. The existence of authorized but unissued shares of preferred stock would enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or other means.

Limits on Ability of Stockholders to Act by Written Consent

Our certificate of incorporation and bylaws will provide that our stockholders may not act by written consent. This limit on the ability of our stockholders to act by written consent may lengthen the amount of time required to take stockholder actions. As a result, no stockholder, regardless of how large its holdings of our stock are, would be able to amend our bylaws or remove directors without holding a stockholders' meeting.

Exclusive Forum

Our certificate of incorporation and bylaws will provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors or officers to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law or our certificate of incorporation or bylaws or (iv) any action asserting a claim that is governed by the internal affairs doctrine, shall be the Court of Chancery of the State of Delaware; provided that, the exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction; and provided further 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 will 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. Any person or entity purchasing or otherwise acquiring any interest in our securities shall be deemed to have notice of and consented to this provision. Although we believe these provisions benefit us by providing increased consistency in the application of Delaware law for the specified types of actions and proceedings, the provisions may have the effect of discouraging lawsuits against us or our directors and officers. 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. We note that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock is Worldwide Stock Transfer, LLC. The transfer agent's address is One University Plaza, Suite 505, Hackensack, New Jersey 07601 and its telephone number is (201) 820-2008.

Listing

We have applied to have our Class A common stock listed on the Nasdaq Capital Market under the symbol "MSGM."

SHARES ELIGIBLE FOR FUTURE SALE

Immediately prior to this offering, there was no public market for our Class A common stock, and there can be no assurance that a significant public market for our Class A common stock will develop or be sustained after this offering. Future sales of substantial amounts of our Class A common stock in the public market (including shares issued on the exercise of options, warrants or convertible securities, if any) or the perception that such sales may occur or the availability of such shares for sale in the public market, after this offering could adversely affect the prevailing market price of our Class A common stock.

Based on our shares outstanding as of the date of this prospectus, upon the completion of this offering, a total of shares of Class A common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares of our Class A common stock from us. Of these shares, all of the Class A common stock sold in this offering will be freely tradable in the public market without restriction or further registration under the Securities Act, unless these shares are held by our "affiliates," as that term is defined in Rule 144 under the Securities Act.

The remaining shares of Class A common stock will be "restricted securities," as that term is defined in Rule 144 under the Securities Act. These restricted securities are eligible for public sale only if they are registered under the Securities Act or if they qualify for an exemption from registration under Rules 144 under the Securities Act, which are summarized below. Restricted securities may also be sold outside of the United States to non-U.S. persons in accordance with Rule 904 of Regulation S.

As a result of the lock-up and market standoff agreements described below and subject to the provisions of Rule 144, shares of our Class A common stock will be available for sale in the public market as follows:

- beginning on the date of this prospectus, all shares of our Class A common stock sold in this offering will be immediately available for sale in the public market;
- beginning 181 days after the date of this prospectus, additional shares of our Class A common stock may become eligible for sale in the public market upon the satisfaction of certain conditions as set forth in the section titled "— Lock-Up Arrangements," of which shares would be held by affiliates and subject to the volume and other restrictions of Rule 144, as described below.

Rule 144

In general, under Rule 144, as currently in effect, once we have been subject to public company reporting requirements of Section 13 or Section 15(d) of the Exchange Act for at least 90 days, an eligible stockholder is entitled to sell such shares without complying with the manner of sale, volume limitation or notice provisions of Rule 144, subject to compliance with the public information requirements of Rule 144. To be an eligible stockholder under Rule 144, such stockholder must not be deemed to have been one of our affiliates for purposes of the Securities Act at any time during the 90 days preceding a sale and must have beneficially owned the shares proposed to be sold for at least six months, including the holding period of any prior owner other than our affiliates. If such a person has beneficially owned the shares proposed to be sold for at least one year, including the holding period of any prior owner other than our affiliates, then such person is entitled to sell such shares without complying with any of the requirements of Rule 144, subject to compliance with the public information requirements of Rule 144 and the expiration of the lock-up agreements described below.

In general, under Rule 144, as currently in effect, our affiliates, or persons selling shares on behalf of our affiliates, are entitled to sell shares on expiration of the lock-up agreements described below. Beginning 90 days after the date of this prospectus, within any three-month period, such stockholders may sell a number of shares that does not exceed the greater of:

- 1% of the number of shares of our Class A common stock then outstanding, which will equal approximately shares immediately after this offering, assuming no exercise of the underwriters' option to purchase additional shares of our Class A common stock from us; or
- the average weekly trading volume of our Class A common stock on the Nasdaq Capital Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to such sale.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us.

Equity Incentive Plan

We intend to file one or more registration statements on Form S-8 under the Securities Act with the SEC to register the offer and sale of shares of our Class A common stock that are issuable under the 2020 Plan. Any such registration statements will become effective immediately on filing. Shares covered by these registration statements will then be eligible for sale in the public markets, subject to vesting restrictions, any applicable lock-up agreements described below, and Rule 144 limitations applicable to affiliates.

Lock-Up Arrangements

We, our officers and directors and Motorsport Network expect to enter into separate agreements whereby, without the prior written consent of Canaccord Genuity LLC, we and they will not, subject to limited exceptions, directly or indirectly sell or dispose of any shares of our common stock or any securities convertible into or exchangeable or exercisable for shares of our common stock for a period of 180 days after the date of this prospectus. See "Underwriting—No Sales of Common Stock" for additional information.

CERTAIN MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS

The following is a summary of certain U.S. federal income tax consequences relevant to the purchase, ownership, and disposition of our Class A common stock issued pursuant to this offering by non-U.S. holders (as defined below), but does not purport to be a complete analysis of all the potential tax considerations relating thereto. This summary is based upon the provisions of the Code, Treasury regulations promulgated or proposed thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service ("IRS"), in each case in effect as of the date hereof. These authorities may be changed, possibly with retroactive effect, so as to result in U.S. federal income tax consequences different from those set forth below. We have not sought, and will not seek, either an opinion from legal counsel, or any rulings from the IRS regarding the matters discussed below, and there can be no assurance that the IRS will not take a position contrary to those discussed below or that any position taken by the IRS will not be sustained.

This summary is limited to non-U.S. holders who purchase our Class A common stock pursuant to this offering and who hold shares of our Class A common stock as capital assets within the meaning of Code Section 1221 (generally, property held for investment purposes). This summary does not address the tax consequences arising under the laws of any non-U.S., state, or local jurisdiction or under U.S. federal gift and estate tax laws or the effect, if any, of the alternative minimum tax, base erosion and anti-abuse tax, the Medicare contribution tax imposed on net investment income, or the application, if any, of Code Section 451 with respect to conforming the timing of income accruals to financial statements. In addition, this discussion does not address tax considerations applicable to a non-U.S. holder's particular circumstances or to a non-U.S. holder that may be subject to special tax rules, including, without limitation:

- banks, insurance companies, or other financial institutions;
- partnerships or other entities or arrangements classified as partnerships for U.S. federal income tax purposes and investors therein;
- tax-exempt organizations or governmental organizations;
- controlled foreign corporations, passive foreign investment companies, and corporations that accumulate earnings to avoid U.S. federal income tax;
- brokers or dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for their securities holdings;
- U.S. expatriates and former citizens or former long-term residents of the United States;
- persons who hold our Class A common stock as a position in a hedging transaction, "straddle," "conversion transaction," or other risk reduction transaction;
- persons who hold or receive our Class A common stock pursuant to the exercise of any employee stock option or otherwise as compensation;
- tax-qualified retirement plans;
- qualified foreign pension funds as defined in Section 897(l)(2) of the IRC and entities all of the interest of which are held by qualified foreign pension funds; and
- persons deemed to sell our Class A common stock under the constructive sale provisions of the IRC.

In addition, if a partnership (including an entity or arrangement classified as a partnership for U.S. federal income tax purposes) holds our Class A common stock, the tax treatment of a partner generally will depend on the status of the partner and upon the activities of the partner and the partnership. Accordingly, partnerships that hold our Class A common stock, and partners in such partnerships, should consult their tax advisors respecting the U.S. federal income tax treatment in light of their particular circumstances.

YOU SHOULD CONSULT YOUR TAX ADVISOR WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO YOUR PARTICULAR SITUATION, AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP, AND DISPOSITION OF OUR CLASS A COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX RULES, U.S. ALTERNATIVE MINIMUM TAX RULES, OR UNDER THE LAWS OF ANY NON-U.S., STATE, OR LOCAL TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.

Non-U.S. Holder Defined

For purposes of this discussion, you are a "non-U.S. holder" if you are a beneficial owner of our Class A common stock and you are neither a "U.S. person" nor an entity or arrangement classified as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized (or deemed to be created or organized) in the United States or under the laws of the United States, any state thereof, or the District of Columbia;
- an estate whose income is subject to U.S. federal income tax regardless of its source; or
- a trust (x) whose administration is subject to the primary supervision of a U.S. court and which has one or more "United States person" (as defined in the IRC) who has the authority to control all substantial decisions of the trust or (y) which has made a valid election under applicable Treasury regulations to be treated as a United States person for U.S. federal income tax purposes.

Distributions

We do not expect to make any distributions for the foreseeable future. However, if we do make distributions on our Class A common stock, other than certain pro rata distributions of Class A common stock, those distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles.

Any dividend paid to you generally will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividend, or such lower rate as may be specified by an applicable income tax treaty, except to the extent that the dividends are "effectively connected" dividends, as described below. In order to claim treaty benefits to which you are entitled, you must timely provide us with a properly completed IRS Form W-8BEN or W-8BEN-E (or other applicable or successor form) certifying under penalty of perjury that you (i) are not a "United States person" as defined under the Code, and (ii) qualify for the reduced treaty rate. If you do not timely furnish the required documentation, but are otherwise eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty, you may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. If you hold our Class A common stock through a financial institution or other agent acting on your behalf, you will be required to provide appropriate documentation to the agent, who then will be required to provide certification to us or our paying agent, either directly or through other intermediaries. This certification must be provided to us (or, if applicable, our paying agent) prior to the payment to you of any dividends and may be required to be updated periodically.

To the extent provided for in the applicable Treasury regulations we may withhold up to 30% of the gross amount of an entire distribution, even if the amount of the entire distribution is greater than the amount of such distribution constituting a dividend. If tax is withheld on the amount of a distribution in excess of the amount constituting a dividend, then a refund of any such excess amounts may be obtained by you by timely filing a claim for refund with the IRS.

Dividends received by you that are effectively connected with your conduct of a trade or business within the United States (or, if an applicable income tax treaty requires, attributable to a permanent establishment or fixed base maintained by you in the United States) are exempt from the U.S. federal withholding tax described above. In order to claim this exemption, you must provide us (or, if applicable, our paying agent) with an IRS Form W-8ECI (or a successor form) properly certifying that the dividends are effectively connected with your conduct of a trade or business within the United States. Such "effectively connected dividends", although not subject to U.S. federal withholding tax, are generally taxed at the same U.S. federal income tax rates applicable to U.S. persons, net of certain deductions and credits (except as provided by an applicable income tax treaty). In addition, if you are a corporate non-U.S. holder, you may also be subject to a branch profits tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on your effectively connected earnings and profits for the taxable year that are attributable to such dividends, as adjusted for certain items.

To the extent distributions exceed both our current and our accumulated earnings and profits, such distributions will first constitute a tax-free return of capital and will reduce your adjusted tax basis in our Class A common stock (determined on a share-by-share basis), but not below zero, and, thereafter, any excess will be treated as capital gain from the sale of our Class A common stock, subject to the tax treatment described below in "—Gain on Sale or Other Taxable Disposition of Class A Common Stock."

Gain on Sale or Other Taxable Disposition of Class A Common Stock

Subject to the discussions below regarding FATCA (as defined below) and backup withholding, you generally will not be required to pay U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our Class A common stock unless:

- the gain is effectively connected with your conduct of a U.S. trade or business (or, if an applicable income tax treaty requires, the gain is attributable to a permanent establishment or fixed base maintained by you in the United States);

- you are an individual who is present in the United States for a period or periods aggregating 183 days or more during the taxable year in which the sale or disposition occurs, and certain other conditions are met; or

- our Class A common stock constitutes a U.S. real property interest by reason of our status as a "United States real property holding corporation," or a "USRPHC," for U.S. federal income tax purposes, at any time during the shorter of the five-year period ending on the date of the sale or other taxable disposition of, or your holding period for, our Class A common stock, and certain other conditions are met.

If you are a non-U.S. holder described in the first bullet above, you generally will be subject to U.S. federal income tax on the gain derived from the sale or other taxable disposition (net of certain deductions or credits) under the U.S. federal income tax rates generally applicable to U.S. persons (except as provided by an applicable income tax treaty), and corporate non-U.S. holders described in the first bullet above also may be subject to branch profits tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty.

If you are an individual non-U.S. holder described in the second bullet above, you will be subject to U.S. federal income tax at a rate of 30% (or such lower rate as may be specified by an applicable income tax treaty) on the gain derived from the sale or other taxable disposition, which may be offset by U.S. source capital losses for that taxable year (even though you are not considered a resident of the United States), provided that you have timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet above, in general, we would be a USRPHC if our "U.S. real property interests" comprised at least 50% of the sum of the fair market value of our worldwide real property interests plus our other assets used or held in our trade or business. We believe that we are not currently and (based upon our projections as to our business) will not become a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property interests relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we are or were to become a USRPHC, gain arising from the sale or other taxable disposition by a non-U.S. holder of our Class A common stock would not be subject to U.S. federal income tax if our Class A common stock is "regularly traded" (within the meaning of applicable Treasury regulations) on an established securities market, and such non-U.S. holder has owned, actually and constructively, five percent or less of our Class A common stock at all times during the applicable period described above.

Backup Withholding and Information Reporting

Payments of dividends on our Class A common stock will not be subject to backup withholding provided you either certify under penalty of perjury your non-U.S. status, such as by furnishing a valid IRS Form W-8BEN, W-8BEN-E, or W-8ECI (or a successor form), or otherwise establish an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our Class A common stock paid to you, regardless of whether any tax is subject to backup withholding.

Assuming we are not a USRPHC (discussed above), proceeds from the sale or other taxable disposition (or deemed disposition) of our Class A common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting, if the applicable withholding agent receives the certification described above, or you otherwise establish an exemption. Proceeds from a disposition (or deemed disposition) of our Class A common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to tax authorities in your country of residence, establishment, or organization.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or credit against a non-U.S. holder's U.S. federal income tax liability, provided that the required information is timely furnished by such non-U.S. holder to the IRS.

Additional Withholding Tax on Payments Made Respecting Foreign Accounts

The Foreign Account Tax Compliance Act and the rules and regulations promulgated thereunder (collectively, "FATCA") impose withholding tax at a rate of 30% on dividends on our Class A common stock paid to a "foreign financial institution" (as specially defined under these rules), unless such institution enters into an agreement with the U.S. government to withhold on certain payments and to collect and provide to the U.S. tax authorities substantial information regarding the U.S. account holders of such institution (which includes certain equity and debt holders of such institution, as well as certain account holders that are foreign entities with U.S. owners) or otherwise establishes an exemption. FATCA also generally imposes a U.S. federal withholding tax of 30% on dividends on our Class A common stock paid to a "non-financial foreign entity" (as specially defined for purposes of these rules) unless such entity provides the withholding agent with a certification identifying certain substantial direct and indirect U.S. owners of the entity, certifies that there are none or otherwise establishes an exemption. Additionally, although FATCA withholding may also apply to gross proceeds of a disposition of the Class A common stock, recently proposed regulations, which taxpayers are permitted to rely on until final regulations are issued, eliminate withholding on such gross proceeds. The withholding provisions under FATCA generally apply to dividends on our Class A common stock. Under certain circumstances, a non-U.S. holder might be eligible for refunds or credits of such taxes. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Non-U.S. holders should consult their tax advisors regarding the possible implications of this legislation on their investment in our Class A common stock.

THE PRECEDING DISCUSSION OF U.S. FEDERAL TAX CONSEQUENCES IS FOR GENERAL INFORMATION ONLY. THIS DISCUSSION IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, AND LOCAL AND NON-U.S. TAX CONSEQUENCES OF PURCHASING, HOLDING, AND DISPOSING OF OUR CLASS A COMMON STOCK, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

UNDERWRITING

We are offering the shares of Class A common stock described in this prospectus through the underwriters listed below. Subject to the terms of the underwriting agreement, the underwriters named below have agreed to buy, severally and not jointly, the number of shares of Class A common stock listed opposite their names below. The underwriters are committed to purchase and pay for all of the shares if any are purchased, other than those shares covered by the over-allotment option described below. Canaccord Genuity LLC is acting as the lead managing underwriter of this offering and representative of the underwriters.

Underwriter	Number of Shares
Canaccord Genuity LLC	
The Benchmark Company, LLC	
Total	

The underwriters have advised us that they propose to initially offer the shares of Class A common stock to the public at a price of $ per share. The underwriters propose to offer the shares of Class A common stock to certain dealers at the same price less a concession of not more than $ per share. After the initial offering, these figures may be changed by the underwriters.

The shares sold in this offering are expected to be ready for delivery against payment in immediately available funds on or about , 2020, subject to customary closing conditions. The underwriters may reject all or part of any order.

We have granted to the underwriters an option to purchase up to an additional shares of Class A common stock from us at the same price to the public, and with the same underwriting discount, as set forth in the table below. The underwriters may exercise this option any time during the 45-day period after the date of this prospectus, but only to cover over-allotments, if any. To the extent the underwriters exercise the option, the underwriters will become obligated, subject to certain conditions, to purchase the shares for which they exercise the option.

Commissions and Discounts

The table below summarizes the underwriting discounts that we will pay to the underwriters. These amounts are shown assuming both no exercise and full exercise of the over-allotment option. In addition to the underwriting discount, we have agreed to pay up to $ 232 ,500 of the fees and expenses of the underwriters, which may include up to $ 165 ,000 of fees and expenses of counsel to the underwriters. The fees and expenses of the underwriters that we have agreed to reimburse are not included in the underwriting discounts set forth in the table below.

Except as disclosed in this prospectus, the underwriters have not received and will not receive from us any other item of compensation or expense in connection with this offering considered by FINRA to be underwriting compensation under FINRA Rule 5110. The underwriting discount was determined through an arms' length negotiation between us and the underwriters.

	Per Share	Total with No Over-Allotment	Total with Over-Allotment
Underwriting discount to be paid by us			

We estimate that the total expenses of this offering, excluding underwriting discounts, will be $. This includes $232 ,500 of fees and expenses of the underwriters. These expenses are payable by us.

Indemnification

We also have agreed to indemnify the underwriters against certain liabilities, including civil liabilities under the Securities Act, or to contribute to payments that the underwriters may be required to make in respect of those liabilities.

No Sales of Common Stock

We, each of our directors and officers and our stockholders have agreed not to offer, sell, agree to sell, directly or indirectly, or otherwise dispose of any shares of common stock or any securities convertible into or exchangeable for shares of common stock without the prior written consent of the representative for a period of 180 days after the date of this prospectus. These lock-up agreements provide limited exceptions, and their restrictions may be waived at any time by the representative.

Determination of Offering Price

The underwriters have advised us that they propose to offer the shares of Class A common stock directly to the public at the estimated initial public offering price range set forth on the cover page of this prospectus. That price range and the initial public offering price are subject to change as a result of market conditions and other factors. Prior to this offering, no public market exists for our Class A common stock. The initial public offering price of the shares was determined by negotiation between us and the underwriters. The principal factors considered in determining the initial public offering price of the shares included, among others:

- the information in this prospectus and otherwise available to the underwriters, including our financial information;
- the history and the prospects for the industry in which we compete;
- the ability and experience of our management;
- the prospects for our future earnings;
- the present state of our development and our current financial condition;
- the general condition of the economy and the securities markets in the United States at the time of this initial public offering;
- the recent market prices of, and the demand for, publicly-traded securities of generally comparable companies; and
- other factors as were deemed relevant.

We cannot be sure that the initial public offering price will correspond to the price at which the shares of Class A common stock will trade in the public market following this offering or that an active trading market for the shares of Class A common stock will develop or continue after this offering.

Price Stabilization, Short Positions and Penalty Bids

To facilitate this offering, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our Class A common stock during and after the offering. Specifically, the underwriters may create a short position in our Class A common stock for their own accounts by selling more shares of Class A common stock than we have sold to the underwriters. The underwriters may close out any short position by purchasing shares in the open market.

In addition, the underwriters may stabilize or maintain the price of our Class A common stock by bidding for or purchasing shares in the open market and may impose penalty bids. If penalty bids are imposed, selling concessions allowed to broker-dealers participating in this offering are reclaimed if shares previously distributed in this offering are repurchased, whether in connection with stabilization transactions or otherwise. The effect of these transactions may be to stabilize or maintain the market price of our Class A common stock at a level above that which might otherwise prevail in the open market. The imposition of a penalty bid may also affect the price of our Class A common stock to the extent that it discourages resales of our Class A common stock. The magnitude or effect of any stabilization or other transactions is uncertain. These transactions may be effected on the Nasdaq Capital Market or otherwise and, if commenced, may be discontinued at any time.

In connection with this offering, the underwriters and selling group members may also engage in passive market making transactions in our Class A common stock on the Nasdaq Capital Market. Passive market making consists of displaying bids on the Nasdaq Capital Market limited by the prices of independent market makers and effecting purchases limited by those prices in response to order flow. Rule 103 of Regulation M promulgated by the SEC limits the amount of net purchases that each passive market maker may make and the displayed size of each bid. Passive market making may stabilize the market price of our Class A common stock at a level above that which might otherwise prevail in the open market and, if commenced, may be discontinued at any time.

Neither we nor the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our Class A common stock. In addition, neither we nor the underwriters make any representation that the underwriters will engage in these transactions or that any transaction, if commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

The underwriters or syndicate members may facilitate the marketing of this offering online directly or through one of their respective affiliates. In those cases, prospective investors may view offering terms and a prospectus online and place orders online or through their financial advisors. Such websites and the information contained on such websites, or connected to such sites, are not incorporated into and are not a part of this prospectus.

Other Relationships

The underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriters may in the future engage in investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. The underwriters may in the future receive customary fees and commissions for these transactions.

In the ordinary course of their various business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments of the issuer. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Listing

In connection with this offering, we have applied to have our Class A common stock listed on the Nasdaq Capital Market under the symbol “MSGM.” There is no assurance, however, that our Class A common stock will ever be listed on the Nasdaq Capital Market or any other national securities exchange.

Transfer Agent and Registrar

Our transfer agent is Worldwide Stock Transfer, LLC whose address is One University Plaza, Suite 505, Hackensack, New Jersey 07601 and its telephone number is (201) 820-2008.

Selling Restrictions

No action has been taken in any jurisdiction except the United States that would permit a public offering of our common stock, or the possession, circulation or distribution of this prospectus or any other material relating to us or our Class A common stock in any jurisdiction where action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and neither this prospectus nor any other offering material or advertisements in connection with the shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of any such country or jurisdiction.

Canada

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 *Underwriting Conflicts* ("NI 33-105"), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

United Kingdom

Each of the underwriters has, separately and not jointly, represented and agreed that:

- it has not made or will not make an offer of the securities to the public in the United Kingdom within the meaning of section 102B of the Financial Services and Markets Act 2000 (as amended) ("FSMA"), except to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities or otherwise in circumstances which do not require the publication by us of a prospectus pursuant to the Prospectus Rules of the Financial Services Authority;

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) to persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or in circumstances in which section 21 of FSMA does not apply to us; and

- it has complied with and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the securities in, from or otherwise involving the United Kingdom.

Switzerland

The securities will not be offered, directly or indirectly, to the public in Switzerland and this prospectus does not constitute a public offering prospectus as that term is understood pursuant to article 652a or 1156 of the Swiss Federal Code of Obligations.

Israel

In the State of Israel this prospectus shall not be regarded as an offer to the public to purchase shares of common stock under the Israeli Securities Law, 5728—1968, which requires a prospectus to be published and authorized by the Israel Securities Authority, if it complies with certain provisions of Section 15 of the Israeli Securities Law, 5728—1968, including, *inter alia*, if: (i) the offer is made, distributed or directed to not more than 35 investors, subject to certain conditions (the "Addressed Investors"); or (ii) the offer is made, distributed or directed to certain qualified investors defined in the First Addendum of the Israeli Securities Law, 5728—1968, subject to certain conditions (the "Qualified Investors"). The Qualified Investors shall not be taken into account in the count of the Addressed Investors and may be offered to purchase securities in addition to the 35 Addressed Investors. We have not and will not take any action that would require us to publish a prospectus in accordance with and subject to the Israeli Securities Law, 5728—1968. We have not and will not distribute this prospectus or make, distribute or direct an offer to subscribe for our securities to any person within the State of Israel, other than to Qualified Investors and up to 35 Addressed Investors.

Qualified Investors may have to submit written evidence that they meet the definitions set out in of the First Addendum to the Israeli Securities Law, 5728—1968. In particular, we may request, as a condition to be offered securities, that Qualified Investors will each represent, warrant and certify to us and/or to anyone acting on our behalf: (i) that it is an investor falling within one of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968; (ii) which of the categories listed in the First Addendum to the Israeli Securities Law, 5728—1968 regarding Qualified Investors is applicable to it; (iii) that it will abide by all provisions set forth in the Israeli Securities Law, 5728—1968 and the regulations promulgated thereunder in connection with the offer to be issued securities; (iv) that the securities that it will be issued are, subject to exemptions available under the Israeli Securities Law, 5728—1968: (a) for its own account; (b) for investment purposes only; and (c) not issued with a view to resale within the State of Israel, other than in accordance with the provisions of the Israeli Securities Law, 5728—1968; and (v) that it is willing to provide further evidence of its Qualified Investor status. Addressed Investors may have to submit written evidence in respect of their identity and may have to sign and submit a declaration containing, *inter alia*, the Addressed Investor's name, address and passport number or Israeli identification number.

European Economic Area

In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of securities may be made to the public in that Relevant Member State other than:

(a) to any legal entity which is a "qualified investor" as defined in the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representative; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares shall require us or the representative to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive,

Each person in a Relevant Member State who initially acquires any shares or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with the representative and us that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the shares acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representative has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase or subscribe the shares, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (as amended by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Hong Kong

The contents of this document have not been reviewed or approved by any regulatory authority in Hong Kong. This document does not constitute an offer or invitation to the public in Hong Kong to acquire shares. Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to the shares, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong other than in relation to shares which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" (as such term is defined in the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") and the subsidiary legislation made thereunder); or in circumstances which do not result in this document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32, Laws of Hong Kong) ("CO"); or which do not constitute an offer or an invitation to the public for the purposes of the SFO or the CO. The offer of the shares is personal to the person to whom this document has been delivered, and a subscription for shares will only be accepted from such person. No person to whom a copy of this document is issued may issue, circulate or distribute this document in Hong Kong, or make or give a copy of this document to any other person. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the shares may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor pursuant to Section 274 of the Securities and Futures Act, Chapter 289 of Singapore ("SFA"), (ii) to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the shares are subscribed or purchased pursuant to an offer made in reliance on Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor;

shares, debentures and units of shares, and debentures of that corporation, or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferable for six months after that corporation or that trust has acquired the shares under Section 275 except:

(1) to an institutional investor or to a relevant person (as defined in Section 275(2) of the SFA), or any person pursuant to Section 275(1A) of the SFA (in the case of that corporation) or Section 276(4)(i)(B) of the SFA (in the case of that trust);

(2) where no consideration is or will be given for the transfer; or

(3) where the transfer is by operation of law.

LEGAL MATTERS

The validity of the shares of our Class A common stock offered hereby will be passed upon for us by Snell & Wilmer L.L.P., Los Angeles, California. The underwriters are being represented by Faegre Drinker Biddle & Reath LLP, Minneapolis, Minnesota.

EXPERTS

Dixon Hughes Goodman LLP, an independent registered public accounting firm, has audited our consolidated financial statements as of December 31, 2019 and 2018, and for the year ended December 31, 2019, the Successor Period from August 15, 2018 through December 31, 2018, and the Predecessor Period from January 1, 2018 through August 14, 2018, as set forth in their report. We have included our consolidated financial statements in the prospectus and elsewhere in the registration statement in reliance on Dixon Hughes Goodman LLP's report, given on their authority as experts in accounting and auditing.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-1 under the Securities Act with the SEC to register with the SEC the shares of our Class A common stock being offered in this prospectus. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed with it. For further information about us and our Class A common stock, reference is made to the registration statement and the exhibits and schedules filed with it. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement.

When we complete this offering, we will also be required to file annual, quarterly and special reports, proxy statements and other information with the SEC. Our filings, including the registration statement, will also be available to you on the Internet website maintained by the SEC at *www.sec.gov*.

We also maintain an Internet website at *motorsportgames.com*. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this prospectus or the registration statement of which it forms a part.

MOTORSPORT GAMING US LLC & SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

MOTORSPORT GAMING US LLC & SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

	September 30, 2020 (Unaudited)	December 31, 2019
Assets		
Current Assets:		
Cash	$ 3,050,693	$ 1,960,279
Accounts receivable, net of sales allowances of $2,950,393 and $1,891,681 as of September 30, 2020 and December 31, 2019, respectively	8,350,547	5,092,332
Prepaid expenses and other current assets	606,412	77,021
Total Current Assets	12,007,652	7,129,632
Property and equipment, net	123,426	127,406
Goodwill	137,717	137,717
Intangible assets, net	5,811,509	5,327,156
Deferred offering costs	444,747	-
Other assets	65,156	55,363
Total Assets	$ 18,590,207	$ 12,777,274
Liabilities and Member's Equity		
Current Liabilities:		
Accounts payable	$ 607,149	$ 266,854
Accrued expenses	1,958,405	852,938
Due to related parties	10,388,448	8,045,522
Total Current Liabilities	12,954,002	9,165,314
Other non-current liabilities	850,593	-
Total Liabilities	13,804,595	9,165,314
Member's Equity:		
Member's deficiency attributable to Motorsport Gaming US LLC	(1,261,833)	(3,064,354)
Noncontrolling interest	6,047,445	6,676,314
Total Member's Equity	4,785,612	3,611,960
Total Liabilities and Member's Equity	$ 18,590,207	$ 12,777,274

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

MOTORSPORT GAMING US LLC & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited)

	For the Nine Months Ended September 30,	
	2020	**2019**
Revenues	$ 16,111,581	$ 9,566,873
Cost of revenues (1)	5,261,483	3,776,696
Gross Profit	10,850,098	5,790,177
Operating Expenses:		
Sales and marketing (2)	2,321,635	3,233,328
Development (3)	3,438,461	3,955,533
General and administrative (4)	2,227,373	2,013,607
Depreciation and amortization	50,083	384,795
Total Operating Expenses	8,037,552	9,587,263
Income (Loss) From Operations	2,812,546	(3,797,086)
Interest income	1,339	33,744
Interest expense (5)	(449,664)	-
Loss attributable to equity method investment	(69,764)	(485,956)
Other income, net	79,195	8,195
Net Income (Loss)	2,373,652	(4,241,103)
Less: Net income (loss) attributable to noncontrolling interest	1,498,233	(1,294,908)
Net Income (Loss) Attributable to Motorsport Gaming US, LLC	$ 875,419	$ (2,946,195)

(1) Includes related party costs of $92,522 and $0 for the nine months ended September 30, 2020 and 2019, respectively

(2) Includes related party expenses of $117,088 and $833,748 for the nine months ended September 30, 2020 and 2019, respectively

(3) Includes related party expenses of $134,942 and $12,146 for the nine months ended September 30, 2020 and 2019, respectively

(4) Includes related party expenses of $1,130,864 and $0 for the nine months ended September 30, 2020 and 2019, respectively

(5) Includes related party expenses of $439,723 and $0 for the nine months ended September 30, 2020 and 2019, respectively

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

MOTORSPORT GAMING US LLC & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY

(unaudited)

	For the Nine Months Ended September 30, 2020		
	Member's Deficiency Attributable to Motorsport Gaming US LLC	Noncontrolling Interest	Total Member's Equity
Balance - January 1, 2020	$ (3,064,354)	$ 6,676,314	$ 3,611,960
Change of control adjustments	927,102	(2,127,102)	(1,200,000)
Net income	875,419	1,498,233	2,373,652
Balance - September 30, 2020	$ (1,261,833)	$ 6,047,445	$ 4,785,612

	For the Nine Months Ended September 30, 2019		
	Member's Equity (Deficiency) Attributable to Motorsport Gaming US LLC	Noncontrolling Interest	Total Member's Equity
Balance - January 1, 2019	$ 499,792	$ 8,867,732	$ 9,367,524
Net loss	(2,946,195)	(1,294,908)	(4,241,103)
Balance - September 30, 2019	$ (2,446,403)	$ 7,572,824	$ 5,126,421

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

MOTORSPORT GAMING US LLC & SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For the Nine Months Ended September 30,	
	2020	**2019**
Cash Flows from Operating Activities:		
Net income (loss)	$ 2,373,652	$ (4,241,103)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	457,729	729,983
Sales return and price protection reserves	55,077	1,108,608
Loss on disposal of property and equipment	32,537	-
Loss on equity method investee	69,764	485,956
Changes in operating assets and liabilities:		
Accounts receivable	(3,313,292)	(2,662,499)
Prepaid expenses and other current assets	(529,391)	(26,803)
Other assets	55,363	49,781
Accounts payable	266,495	(190,872)
Accrued expenses	1,035,703	320,677
Other non-current liabilities	58,594	-
Net Cash Provided By (Used In) Operating Activities	562,131	(4,426,273)
Cash Flows From Investing Activities:		
Purchase of shares of common stock of 704Games from noncontrolling shareholders	(1,200,000)	-
Acquisition of equity method investee	(65,156)	(484,335)
Purchase of intangible assets	(100,000)	-
Purchase of property and equipment	(78,640)	(101,068)
Net Cash Used In Investing Activities	(1,443,796)	(585,403)
Cash Flows From Financing Activities:		
Payments of deferred offering costs	(370,947)	-
Proceeds from advances from related parties	2,342,926	3,664,765
Net Cash Provided By Financing Activities	1,971,979	3,664,765
Net Increase (Decrease) In Cash	1,090,414	(1,346,911)
Cash - Beginning of the Period	1,960,279	3,413,427
Cash - End of the Period	$ 3,050,693	$ 2,066,516
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for:		
Interest	$ -	$ -
Non-cash investing and financing activities:		
Accrual of intangible asset	$ (791,999)	$ -
Accrual of deferred offering costs	$ (73,800)	$ -
Accrued loss on equity method investee	$ -	$ (1,621)

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

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

Organization and Operations

Motorsport Gaming US LLC ("Motorsport Games") was established on August 2, 2018 under the laws of the State of Florida. Motorsport Gaming US LLC, through its subsidiaries, including 704Games Company ("704Games"), which Motorsport Games acquired a 53.5% equity interest in on August 14, 2018 and an additional 26.2% equity interest on August 18, 2020 (collectively, the "Company"), is a leading racing game developer, publisher and esports ecosystem provider of official motorsport racing series throughout the world, including NASCAR, the iconic 24 Hours of Le Mans endurance race and the associated World Endurance Championship, the British Touring Car Championship (the "BTCC") and others. The Company develops and publishes multi-platform racing video games including for game consoles, personal computer (PC) and mobile platforms. As of the date the financial statements were issued, Motorsport Games' wholly owned and majority owned subsidiaries were as follows:

- 704Games Company
- Racing Pro League, LLC
- MS Gaming Development LLC
- Motorsport Games Limited (formed on February 6, 2020)

In addition, the Company organizes and facilitates esports tournaments, competitions, and events for its licensed racing games as well as on behalf of third-party racing game developers and publishers.

Risks and Uncertainties

The global spread of the COVID-19 pandemic has created significant business uncertainty for the Company and others, resulting in volatility and economic disruption. Additionally, the outbreak has resulted in government authorities around the world implementing numerous measures to try to reduce the spread of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place, stay-at-home or total lock-down (or similar) orders and business limitations and shutdowns.

As a result of the COVID-19 pandemic, including the related responses from government authorities, the Company's business and operations have been impacted, including the temporary closure of its offices in Orlando, Florida, Silverstone, England, and Moscow, Russia, which has resulted in the Company's employees working remotely. During the COVID-19 outbreak, demand for the Company's games has generally increased, which the Company believes is primarily attributable to a higher number of consumers staying at home due to COVID-19 related restrictions. Similarly, there has been a significant increase in viewership of the Company's esports events since the initial impact of the virus, as these events began to air on both digital and linear platforms, particularly as the Company was able to attract many of the top "real world" motorsport stars to compete. However, several retailers have experienced, and continue to experience, closures, reduced operating hours and/or other restrictions as a result of the COVID-19 pandemic, which has negatively impacted the sales of the Company's products from such retailers. Additionally, in the Company's esports business, the COVID-19 pandemic has resulted in the postponing of certain events to later dates or shifting events from an in-person format to online only.

The Company continues to monitor the evolving situation caused by the COVID-19 pandemic, and it may take further actions required by governmental authorities or that it determines are prudent to support the well-being of its employees, suppliers, business partners and others. The degree to which the COVID-19 pandemic impacts the Company's operations, business, financial results, liquidity, and financial condition will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted. This includes, but is not limited to, the duration and spread of the pandemic, its severity, actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Adverse economic and market conditions as a result of COVID-19 could also adversely affect the demand for the Company's products and may also impact the ability of its customers to satisfy their obligations to the Company.

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, such statements include all adjustments (consisting only of normal recurring items) which are considered necessary for a fair presentation of the unaudited condensed consolidated financial statements of the Company as of September 30, 2020 and for the nine months ended September 30, 2020 and 2019. The results of operations for the nine months ended September 30, 2020 are not necessarily indicative of the operating results for the full year ending December 31, 2020 or any other period. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related disclosures as of December 31, 2019 and 2018 and for the years then ended which are included elsewhere in this filing.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the significant accounting policies included in the audited consolidated financial statements as of December 31, 2019 and 2018 and for the year ended December 31, 2019 and the period from August 15, 2018 to December 31, 2018 (Successor) and for the Period from January 1, 2018 to August 14, 2018 (Predecessor), which are included elsewhere in this filing, except as disclosed in this note.

Liquidity

While the Company has recently achieved profitability, it continues to incur cash flows from operations. It is expected that its operating expenses will continue to increase and, as a result, the Company will eventually need to generate significant revenues to maintain profitability.

The Company expects that its cash on hand will fund its operations for at least one year from the date the financial statements were issued. Although the Company's management believes that it has access to capital resources, there are currently no commitments in place for new financing at this time and there is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. If the Company is unable to obtain adequate funds on reasonable terms, it may be required to significantly curtail or discontinue operations or obtain funds by entering into financing agreements on unattractive terms. The Company's operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures.

Accounts Receivable

Accounts receivable are carried at their contractual amounts, less an estimate for sales allowances. Management estimates the allowance for sales based on previous experience, existing economic conditions, actual sales and inventories on hand. See Note 2 – Summary of Significant Accounting Policies – Revenue Recognition and Sales Allowances - Sales Allowance, Sales Returns and Price Protection Reserves for additional details.

Balances that are still outstanding after management has performed reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. As of September 30, 2020 and December 31, 2019, the Company determined that all of its accounts receivable were fully collectible and, accordingly, no allowance for doubtful accounts was recorded. Sales allowances as of September 30, 2020 and December 31, 2019 were $2,950,393 and $1,891,681, respectively.

Revenue Recognition

The Company currently derives revenue principally from sales of its games and related extra content that can be played by customers on a variety of platforms, which includes game consoles, PCs, mobile phones and tablets. The Company's product and service offerings include, but are not limited to, the following:

1) *Sales of Games* - Full console and mobile games contain a software license that is delivered digitally or via physical disc at the time of sale;

2) *Sales of Extra Content* – Includes (a) extra content that is downloaded by console players that provides the ability to customize and/or enhance their gameplay and (b) virtual currencies that provide mobile players with the ability to purchase extra content that allows them to customize and/or enhance their gameplay; and

3) *Esports Competition Events* - Hosting of online esports competitions that generates sponsorship revenue.

Sales of Games. Sales of games are generally determined to have a singular distinct performance obligation, as the Company does not currently have an obligation to provide future update rights or online hosting. As a result, the Company recognizes revenue equal to the full transaction price at the point in time the customer obtains control of the software license and the Company satisfies its performance obligation.

Sales of Extra Content. Revenue received from sales of extra content are derived primarily from the sale of (a) digital in-game content that is downloaded by the Company's console customers that enhance their gameplay experience, typically by providing car upgrades or additional drivers and (b) virtual currencies that can be used by mobile customers to purchase content that allows them to customize and/or enhance their gameplay. Virtual currencies may not be used for any purpose other than for these in-game purchases. Revenue related to extra 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 extra content, either by downloading the digital in-game content or by using the virtual currencies to purchase extra content. For console customers, extra content is either purchased in a pack or on a standalone basis. Revenue associated with extra content from console customers is deferred until the content has been delivered digitally to the customer. Revenue associated with virtual currencies is deferred until the virtual currency has been used by the customer to purchase extra content, which is the point in time the customer obtains control.

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 the contract, which is generally the concurrent time the event is held and the customer obtains control. In the event the Company enters into a contract with a customer to sponsor for 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 obligation.

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 performance obligations are satisfied.

During the nine months ended September 30, 2020 and 2019, there was no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

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

	For the Nine Months Ended September 30,	
	2020	**2019**
Revenues:		
Gaming	$ 15,821,300	$ 9,566,873
esports	290,281	-
Total Revenues	$ 16,111,581	$ 9,566,873

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 our goods and services to the customer. Determining the transaction price often requires significant 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. See below for additional information regarding our sales returns and price protection reserves.

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.

Principal Versus Agent Considerations

The Company evaluates 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, Apple's App Store, and Google's Play Store, in order to determine whether or not 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 App Store or Google Play Store, the third party is considered the principal and, as a result, the Company reports revenue net of the fees retained by the storefront. For contracts with customers where revenue is generated via the Apple App Store or Google Play Store, the Company has determined that it is the principal and, as a result, reports revenue on a gross basis, with mobile platform fees included within cost of revenues.

Sales Allowance, Sales Returns and Price Protection Reserves

Sales returns and price protection are considered variable consideration under ASC 606. The Company reduces revenue for estimated future returns and price protection which may occur with distributors and retailers ("channel partners"). See Note 2 – Summary of Significant Accounting Policies – Accounts Receivable for additional details. 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 sales returns 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 high returns or higher price protection in subsequent periods. The Company recognized sales allowances and price protection reserves for the nine months ended September 30, 2020 and 2019 in the amount of $1,058,718 and $1,594,623, respectively, which were included as reductions of revenues.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update "(ASU") 2016-02, Leases (Topic 842), which applies a right-of-use model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. The ASU requires a lessor to classify leases as either sales-type, direct financing or operating, similar to existing U.S. GAAP requirements. Classification depends on the same five criteria used by lessees under U.S. GAAP plus certain additional factors. The new leases standard addresses other considerations including identification of a lease, separating lease and non-lease components of a contract, sale and leaseback transactions, modifications, combining contracts, reassessment of the lease term, and remeasurement of lease payments. Early adoption is permitted. This update is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In November 2019, the FASB issued ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses" ("ASU 2019-11"). ASU 2019-11 is an accounting pronouncement that amends ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments update guidance on reporting credit losses for financial assets. These amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2019-11 are effective for annual reporting periods beginning after December 15, 2022, 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). The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"). The amendments in ASU 2019-12 simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This update is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in any interim period for periods for which financial statements have not yet been made available for issuance. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

In January 2020, the FASB issued Accounting Standards Update No. 2020-01—*Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)—Clarifying the Interactions between Topic 321, Topic 323, and Topic 815 (a consensus of the Emerging Issues Task Force)* (ASU 2020-01). The amendments in this ASU clarify certain interactions between the guidance to account for certain equity securities under Topic 321, the guidance to account for investments under the equity method of accounting in Topic 323, and the guidance in Topic 815, which could change how an entity accounts for an equity security under the measurement alternative or a forward contract or purchased option to purchase securities that, upon settlement of the forward contract or exercise of the purchased option, would be accounted for under the equity method of accounting or the fair value option in accordance with Topic 825, Financial Instruments. These amendments improve current U.S. GAAP by reducing diversity in practice and increasing comparability of the accounting for these interactions. ASU 2020-01 is effective for the Company on July 1, 2021. The Company is currently evaluating the impact of this standard on its condensed consolidated financial statements and disclosures.

NOTE 3 - INTANGIBLE ASSETS

On May 29, 2020, the Company secured a licensing agreement with the BARC (TOCA) Limited ("BARC"), the exclusive promoter of the BTCC. Pursuant to the agreement, the Company was granted an exclusive 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 and mobile applications, esports series and esports events (including the Company's esports platform). In exchange for the license, the agreement requires the Company to pay BARC an initial fee in two installments, the first of which was due on June 5, 2020 and the second installment on the earlier of 60 days after the release of the products contemplated by the license or May 29, 2022. Following the initial fee, the agreement also requires 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. In connection with the licensing agreement, the Company acquired the BTCC license with a cost of $891,999. The Company began recognizing amortization expense during the nine months ended September 30, 2020 over the six-and-a-half year useful life, as the license terminates on December 31, 2026. During the nine months ended September 30, 2020, the Company paid $100,000 in connection with the purchase of the license. As of September 30, 2020, the Company had a remaining liability in connection with the licensing agreement of $791,999, which is included in other non-current liabilities on the condensed consolidated balance sheet.

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, nontransferable 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. In exchange for the license, the agreement requires the Company to pay Epic an initial license fee that was paid subsequent to September 30, 2020 and will be capitalized as an intangible asset during the fourth quarter of 2020, royalties, support fees and supplemental license fees for additional platforms. During the nine months ended September 30, 2020, Epic did not earn any royalties under the agreement. During a two-year support period, Epic will use commercially reasonable efforts to provide the Company 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, the Company can only actively develop new or existing authorized products during a five-year active development period, which terminates on August 11, 2025.

Intangible assets consist of the following:

	Licensing Agreements	Software	Distribution Contracts	Accumulated Amortization	Total
Balance as of January 1, 2020	$ 3,620,000	$ 2,340,000	$ 560,000	$ (1,192,844)	$ 5,327,156
Purchase of intangible assets	891,999	-	-	-	891,999
Amortization expense	-	-	-	(407,646)	(407,646)
Balance as of September 30, 2020	$ 4,511,999	$ 2,340,000	$ 560,000	$ (1,600,490)	$ 5,811,509
Weighted average remaining amortization period at September 30, 2020 (in years)	12.4	4.9	-		

Amortization of intangible assets consists of the following:

	Licensing Agreements	Software	Distribution Contracts	Accumulated Amortization
Balance as of January 1, 2020	$ 311,094	$ 321,750	$ 560,000	$ 1,192,844
Amortization expense	215,432	192,214	-	407,646
Balance as of September 30, 2020	$ 526,526	$ 513,964	$ 560,000	$ 1,600,490

The estimated aggregate amortization expense of intangible assets for the next five years is as follows:

For the Years Ended December 31,	Licensing Agreements	Software	Total
2020	$ 90,870	$ 83,571	$ 174,441
2021	363,481	334,286	697,767
2022	363,481	334,286	697,767
2023	363,481	334,286	697,767
2024	363,481	334,286	697,767
Thereafter	2,440,679	405,321	2,846,000
	$ 3,985,473	$ 1,826,036	$ 5,811,509

[1] NTD: Disclosure of these specific terms of the agreement to be discussed in light of related confidentiality issues.

NOTE 4 – ACCRUED EXPENSES

Accrued expenses consisted of the following:

	September 30, 2020	December 31, 2019
Accrued royalties	$ 1,215,594	$ 268,558
Accrued professional fees	3,854	81,480
Accrued consulting fees	66,666	166,667
Payable to Le Mans joint venture	-	124,320
Accrued development costs	385,457	145,193
Accrued hosting fees	194,950	-
Accrued rent	43,017	43,017
Accrued taxes	31,320	18,860
Accrued other	17,547	4,843
Total	$ 1,958,405	$ 852,938

NOTE 5 – MEMBER'S EQUITY

Stock Purchase Agreement

On August 18, 2020, the Company entered into a stock purchase agreement with HC2 and Continental General Insurance Company ("Continental") in which the Company has agreed to purchase an aggregate of 106,307 shares of common stock of 704Games, equal to 26.2% of 704Games' equity interests, at a price of $11.2881 per share for an aggregate consideration of $1,200,000. If, within and including the date that is six months from the date of the agreement, the Company completes a purchase of some or all of the (i) 41,204 shares of common stock held by Gaming Nation, Inc. or its affiliates or transferees, (ii) 30,903 shares of common stock held by PlayFast Games, LLC or its affiliates or transferees and (iii) 10,301 shares of common stock held by Leo Capital Holdings, LLC ("Leo Capital") or its affiliates or transferees (the "Subject Shares") at a purchase price higher than $11.2881 per share, then, no later than five days following the completion of the purchase, the Company shall pay each of HC2 and Continental an amount per share equal to the amount by which such purchase price per Subject Share exceeds the greater of (a) $11.2881 or (b) the highest price per share previously paid by the Company for any Subject Shares. During the nine months ended September 30, 2020, the Company recognized an adjustment to non-controlling interest and member's equity attributable to Motorsports Gaming US LLC of $927,102 in connection with the purchase of the 106,307 shares of common stock. Following the Company's purchase of shares from HC2 and Continental, the Company's ownership interest in 704Games increased to 79.7% from 53.5%. See Note 10 – Subsequent Events – Stock Purchase Agreement for additional details.

NOTE 6 – RELATED PARTY TRANSACTIONS

On April 1, 2020, the Company entered into a promissory note with the Company's parent, Motorsport Network, for a line of credit of up to $10,000,000 at an interest rate of 10% per annum. The principal amount under the promissory note was primarily funded through one or more advances from Motorsport Network, including an advance in August 2020 for purposes of acquiring an additional ownership interest in 704Games. Previous non-interest-bearing advances due to Motorsport Network as of December 31, 2019 also were included in the amount outstanding under the promissory note at the time it was executed. The promissory note does not have a stated maturity date and is payable upon demand at any time at the sole and absolute discretion of Motorsport Network, which has agreed, pursuant to a Side Letter Agreement related to the Promissory Note, dated September 4, 2020, not to demand or otherwise accelerate any amount due under the promissory note that would otherwise constrain the Company's liquidity position, including the Company's ability to continue as a going concern. The Company may prepay the promissory note in whole or in part at any time or from time to time without penalty or charge. In the event the Company or any of its subsidiaries consummates certain corporate events, including any capital reorganization, consolidation, joint venture, spin off, merger or any other business combination or restructuring of any nature, or if certain events of default occur, the entire principal amount and all accrued and unpaid interest will be accelerated and become payable. During the nine months ended September 30, 2020, the Company recorded related party interest expense of $439,723. As September 30, 2020, approximately $10.4 million had been borrowed by the Company under the promissory note. See Note 10 – Subsequent Events – Promissory Note Line of Credit for additional details.

From time to time, Motorsport Network, and other related entities pay for Company expenses on the Company's behalf. In addition, Motorsport Network occasionally advances funds through a line of credit to the Company. During the nine months ended September 30, 2020 and 2019, the Company incurred expenses of $524,479 and $833,738 respectively, that were paid by Motorsport Network on its behalf and are reimbursable by the Company under the promissory note. During the nine months ended September 30, 2020 and 2019, the Company received proceeds of $1,462,000 and $2,274,875, respectively, in connection with advances from Motorsport Network.

During the nine months ended September 30, 2020 and 2019, an entity wholly owned by Motorsport Network provided services associated with In-Kind Consideration of $356,447 and $556,152, respectively, to 704Games in connection with the terms of the acquisition. Such amounts are reflected as related party operating expenses on the unaudited condensed consolidated statements of operations.

See Note 7 – Commitments and Contingences – Operating Leases for additional details.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

Litigation

Certain conditions may exist as of the date the condensed 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 condensed 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.

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. As of September 30, 2020 and December 31, 2019, the Company has not accrued any amounts for contingencies.

Services Agreement

On January 1, 2020, the Company entered into a three-year services agreement with Motorsport Network, pursuant to which Motorsport Network will provide exclusive legal, development and accounting services on a full-time basis to support the Company's business functions. The services agreement can be extended by mutual agreement and may be terminated by either party at any time. Pursuant to the services agreement, the Company is required to pay monthly fees to Motorsport Network as follows: (i) $5,000 for legal services, (ii) $2,500 for accounting services and (iii) on an hourly, per use basis, from $15 to $30 per hour for development services.

Operating Leases

The Company leases its facilities under operating leases. The Company's rent expense under its operating leases was $201,173 and $121,560 for the nine months ended September 30, 2020 and 2019, respectively.

On February 21, 2020, the Company entered into a sublease agreement for office space in Charlotte, North Carolina, that provides for rent payments to the Company in the amount of $14,896 per month and ends on August 31, 2024. On March 1, 2021 and each anniversary thereafter for the duration of the term of the sublease, the monthly payment to the Company shall increase by 3% per annum. The security deposit is approximately $30,000. During the nine months ended September 30, 2020, the Company recorded $108,272 of sublease income. Such amount is reflected in other income, net on the unaudited condensed consolidated statements of operations.

On May 15, 2020, the Company entered into a five-year lease agreement for office space in Miami, Florida with the managing member of Motorsport Network. The base rent from the lease commencement date through April 15, 2025 is $3,000 per month. The Company has the option to renew the lease for two separate five-year terms, with monthly rent to be negotiated prior to such extension. The security deposit is $6,000.

On September 9, 2020, the Company entered into a one-year lease agreement for approximately 1,600 square feet of office space in Silverstone, England. The base rent is approximately $6,250 per month over the term of the lease for a total base rent lease commitment of approximately $75,000. The security deposit is approximately $15,000.

Employment Agreement

The Company entered into an employment agreement, effective as of January 1, 2020, with Dmitry Kozko, Chief Executive Officer of the Company, for a term expiring on December 31, 2024. After such term expires, Mr. Kozko will be employed as an employee "at will." Mr. Kozko's base salary will be $500,000 per annum, subject to annual increases to 103% of the base salary paid to Mr. Kozko in the prior calendar year. Mr. Kozko is entitled to participate (in addition to the additional incentive compensation described below) in all equity incentive plans generally available to the Company's executive officers, subject to the compensation committee of the Company determining any awards and performance metrics for such awards under any such plans. Mr. Kozko is also entitled to certain additional incentive compensation outside of the Company's equity incentive plans, subject to the satisfaction of certain conditions pursuant to Mr. Kozko's employment agreement. Mr. Kozko's employment agreement also provides for payments to him and/or vesting acceleration of certain equity awards upon the termination of his employment in certain circumstances and upon a "Change in Control" (as such term is defined in the employment agreement), as applicable.

Joint Venture Agreement

On March 15, 2019, Motorsport Games (Party B) entered into a joint venture agreement with Automobile Club de l'Ouest (Party A), whereby Motorsport Games acquired 45 B Shares, which represented 45% of the equity interests of Le Mans, and Automobile Club de l'Ouest acquired 55 A Shares of Le Mans, which represented the remaining 55% of the equity interests of Le Mans. Both joint venture partners hold proportional voting rights, and Automobile Club de l'Ouest appoints 3 board seats and the Company appoints 2 board seats. Under the joint venture agreement, Motorsport Games and Automobile Club de l'Ouest are jointly and severally liable for the fulfillment of the obligations of the joint venture. The Company, along with Automobile Club de l'Ouest, discuss and approve a budget for the joint venture on an annual basis. To the extent there is a loss for such year, the Company would be required to fund its proportionate share. The parties agreed to make the following in-kind contributions to Le Mans:

i. Automobile Club de l'Ouest has and will continue to provide a dedicated team to develop and implement the business and has and will continue to make the 24 Hours of Le Mans brand available to Le Mans under a separate license agreement; and
ii. Motorsport Games has provided and will continue to provide a dedicated team to develop and implement the business and has and will continue to make itself and its employees, who have experience in e-sports and e-gaming platforms, available to develop the business and create a dedicated gaming platform for use by and to facilitate the continued development of the business.

During the nine months ended September 30, 2020 and 2019, the Company's investment in Le Mans generated a loss of $69,764 and $485,956, which is included in loss attributable to equity method investment in the condensed consolidated statements of operations. As of September 30, 2020, the Company did not have a payable to Le Mans. As of September 30, 2020 and December 31, 2019, there was $65,156 and $0 of investment recorded on the Company's condensed consolidated balance sheets.

See Note 3 – Intangible Assets for additional details.

See Note 5 – Member's Equity – Stock Purchase Agreement for additional details.

NOTE 8 – 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 Nine Months Ended September 30,	
Customer	**2020**	**2019**
Customer A	31.72%	48.87%
Customer B	25.94%	21.24%
Customer D	23.03%	15.07%
Total	80.69%	85.18%

* Less than 10%.

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

Customer	September 30, 2020	December 31, 2019
Customer A	70.67%	82.99%
Customer C	17.88%	*
Total	88.55%	82.99%

* Less than 10%.

A reduction in sales from or loss of these customers 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 Nine Months Ended September 30,	
Supplier	2020	2019
Supplier A	37.56%	29.39%
Supplier B	n/a	20.01%
Supplier C	n/a	13.87%
Supplier G	32.95%	*
Total	70.51%	63.27%

* Less than 10%.

NOTE 9 – 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 nine months ended September 30, 2020 and 2019 were (i) the Gaming segment and (ii) the esports segment. The Company's chief operating decision-maker has been identified as the CEO, 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 September 30, 2020 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. Given that the Company's esports segment just began its operations in late 2018, it has no separate assets. That being said, the Company expects that its esports segment will have separate assets in the future.

Segment operating profit is determined based upon internal performance measures used by the chief operating decision-maker. 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 income (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 Nine Months Ended September 30,	
	2020	2019
Revenues:		
Gaming	$ 15,821,290	$ 9,566,873
Esports	290,291	-
Total Segment and Consolidated Revenues	$ 16,111,581	$ 9,566,873
Gross Profit:		
Gaming	$ 10,839,542	$ 5,790,177
Esports	10,556	-
Total Segment and Consolidated Gross Profit	$ 10,850,098	$ 5,790,177

	September 30, 2020	December 31, 2019
Segment Total Assets:		
Gaming	$ 18,590,207	$ 12,777,274
Esports	-	-
Consolidated Total assets	$ 18,590,207	$ 12,777,274

NOTE 10 - SUBSEQUENT EVENTS

The Company evaluates subsequent events and transactions that occur after the balance sheet date up to the date that the unaudited condensed 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 condensed consolidated financial statements or notes.

Stock Purchase Agreement

On October 6, 2020, the Company entered into a stock purchase agreement with Leo Capital in which the Company agreed to purchase an aggregate of 10,301 shares of common stock of 704Games, which is equal to 2.5% of the outstanding equity interests of 704Games, at a price of $11.2881 per share for an aggregate consideration of approximately $116,000. Following the Company's purchase of shares from Leo Capital, the Company's ownership interest in 704Games increased to 82.2% from 79.7%.

Promissory Note Line of Credit

On November 23, 2020, the Company and Motorsport Network entered into an amendment to the promissory note dated April 1, 2020, effective as of September 15, 2020. Under the terms of the amendment, the line of credit under the promissory note was increased from $10,000,000 to $12,000,000. All other terms remained the same.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Sole Member
Motorsport Gaming US LLC and Subsidiaries

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Motorsport Gaming US LLC and subsidiaries (the "Company"), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in member's equity, and cash flows for the year ended December 31, 2019, the successor period from August 15, 2018 through December 31, 2018, and the predecessor period from January 1, 2018 through August 14, 2018, and the related notes to the consolidated financial statements. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of December 31, 2019 and 2018, and the consolidated results of its operations and its cash flows for the year ended December 31, 2019, the successor period from August 15, 2018 through December 31, 2018, and the predecessor period from January 1, 2018 through August 14, 2018 in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 3 to the consolidated financial statements, the Company changed its method of accounting for testing of goodwill impairment effective January 1, 2019 due to the adoption of Accounting Standards Update ("ASU") No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.*

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 audits. 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 audits, 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 audits included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Dixon Hughes Goodman LLP

We have served as the Company's auditor since 2017.

Raleigh, North Carolina
September 4, 2020
(except for Note 5, as to
which the date is October 23, 2020)

MOTORSPORT GAMING US LLC & SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2019	**2018**
Assets		
Current Assets:		
Cash	$ 1,960,279	$ 3,413,427
Accounts receivable, net of sales allowances of $1,891,681 and $1,836,598 as of December 31, 2019 and 2018, respectively	5,092,332	5,203,754
Prepaid expenses and other current assets	77,021	82,423
Total Current Assets	7,129,632	8,699,604
Property and equipment, net	127,406	70,735
Goodwill	137,717	712,732
Intangible assets, net	5,327,156	6,137,406
Other assets	55,363	49,781
Total Assets	$ 12,777,274	$ 15,670,258
Liabilities and Member's Equity		
Current Liabilities:		
Accounts payable	$ 266,854	$ 832,141
Accrued expenses	852,938	989,397
Due to related parties	8,045,522	4,481,196
Total Liabilities	9,165,314	6,302,734
Member's Equity:		
Member's (deficiency) equity attributable to Motorsport Gaming US LLC	(3,064,354)	499,792
Noncontrolling interest	6,676,314	8,867,732
Total Member's Equity	3,611,960	9,367,524
Total Liabilities and Member's Equity	$ 12,777,274	$ 15,670,258

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

MOTORSPORT GAMING US LLC & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Successor	Successor	Predecessor
	For the Year Ended December 31, 2019	For the Period From August 15, 2018 to December 31, 2018	For the Period From January 1, 2018 to August 14, 2018
Revenues	$ 11,850,787	$ 10,768,629	$ 3,988,148
Cost of revenues	4,888,877	4,184,569	1,126,171
Gross Profit	6,961,910	6,584,060	2,861,977
Operating Expenses:			
Sales and marketing (1)	3,771,570	2,429,939	1,114,661
Development (2)	4,784,034	1,694,359	2,207,757
General and administrative	2,605,782	869,928	2,002,377
Depreciation and amortization	401,622	235,485	53,411
Loss on impairment of goodwill	575,015	-	-
Total Operating Expenses	12,138,023	5,229,711	5,378,206
(Loss) Income From Operations	(5,176,113)	1,354,349	(2,516,229)
Interest income	35,728	-	-
Interest expense	-	-	(26,250)
Loss attributable to equity method investment	(608,656)	-	-
Other (expense) income, net	(6,523)	4,904	29,727
(Loss) Income Before Income Taxes	(5,755,564)	1,359,253	(2,512,752)
Income tax benefit	-	-	2,323
Net (Loss) Income	(5,755,564)	1,359,253	(2,510,429)
Less: Net (loss) income attributable to noncontrolling interest	(2,191,418)	859,461	-
Net (Loss) Income Attributable to Motorsport Gaming US LLC	$ (3,564,146)	$ 499,792	$ (2,510,429)

(1) Includes related party expenses of $593,094, $364,294 and $0 for the Year Ended December 31, 2019, for the Period from August 15, 2018 to December 31, 2018 (Successor) and for the Period from January 1, 2018 to August 14, 2018 (Predecessor), respectively

(2) Includes related party expenses of $15,229, $108,375 and $0 for the Year Ended December 31, 2019, for the Period from August 15, 2018 to December 31, 2018 (Successor) and for the Period from January 1, 2018 to August 14, 2018 (Predecessor), respectively

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

MOTORSPORT GAMING US LLC & SUBSIDIARIES
(SUCCESSOR)
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBER'S EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2019 AND FOR THE PERIOD FROM AUGUST 15, 2018 TO DECEMBER 31, 2018

	Member's Equity (Deficiency) Attributable to Motorsport Gaming US LLC	Noncontrolling Interest	Total Member's Equity
Balance - August 15, 2018	$ -	$ -	$ -
Change of control adjustments	-	8,008,271	8,008,271
Net income	499,792	859,461	1,359,253
Balance - December 31, 2018	499,792	8,867,732	9,367,524
Net loss	(3,564,146)	(2,191,418)	(5,755,564)
Balance - December 31, 2019	$ (3,064,354)	$ 6,676,314	$ 3,611,960

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

MOTORSPORT GAMING US LLC & SUBSIDIARIES
(PREDECESSOR)
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE PERIOD FROM JANUARY 1, 2018 TO AUGUST 14, 2018

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance - January 1, 2018	188,715	$ 189	$ 17,874,513	$ (14,010,414)	$ 3,864,288
Cumulative effect of adoption of ASC 606	-	-	-	666,927	666,927
Share-based compensation	-	-	546,546	-	546,546
Net loss	-	-	-	(2,510,429)	(2,510,429)
Balance - August 14, 2018	188,715	$ 189	$ 18,421,059	$ (15,853,916)	$ 2,567,332

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

MOTORSPORT GAMING US LLC & SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Successor	Successor	Predecessor
	For the Year Ended December 31, 2019	For the Period From August 15, 2018 to December 31, 2018	For the Period From January 1, 2018 to August 14, 2018
Cash Flows from Operating Activities:			
Net (loss) income	$ (5,755,564)	$ 1,359,253	$ (2,510,429)
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Stock-based compensation expense	-	-	546,546
Depreciation and amortization	861,872	408,078	53,411
Sales return and price protection reserves	55,083	1,836,598	(2,151,487)
Loss on impairment of goodwill	575,015	-	-
Loss on equity method investee	608,656	-	-
Changes in operating assets and liabilities:			
Accounts receivable	56,339	(6,026,720)	5,700,890
Prepaid expenses and other current assets	5,402	1,149,771	(1,147,461)
Other assets	(5,582)	(49,781)	-
Accounts payable	(565,287)	(145,566)	71,862
Accrued expenses	(260,780)	(825,918)	-
Deferred revenue	-	-	2,981
Deferred rent	-	-	(6,367)
Other current liabilities	-	-	832,115
Net Cash (Used In) Provided By Operating Activities	(4,424,846)	(2,294,285)	1,392,061
Cash Flows From Investing Activities:			
Cash acquired in the purchase of 704Games Company	-	1,232,974	-
Acquisition of equity method investee	(484,335)	-	-
Purchase of property and equipment	(108,293)	(6,458)	(17,420)
Net Cash (Used In) Provided By Investing Activities	(592,628)	1,226,516	(17,420)
Cash Flows From Financing Activities:			
Repayment of notes payable - related parties	-	-	(750,000)
Proceeds from (repayments of) advances from related parties	3,564,326	4,481,196	(38,813)
Net Cash Provided By (Used In) Financing Activities	3,564,326	4,481,196	(788,813)
Net (Decrease) Increase In Cash	(1,453,148)	3,413,427	585,828
Cash - Beginning of the Period	3,413,427	-	647,147
Cash - End of the Period	$ 1,960,279	$ 3,413,427	$ 1,232,975
Supplemental Disclosures of Cash Flow Information:			
Cash paid during the period for:			
Interest	$ -	$ -	$ 67,375
Non-cash investing and financing activities:			
Reduction in other current assets due to adoption of ASC 606	$ -	$ -	$ 267,324
Reduction in deferred revenue due to adoption of ASC 606	$ -	$ -	$ 934,249
Net assets (excluding cash) attributable to Motorsport Gaming US LLC acquired in the acquisition of 704Games Company	$ -	$ 7,053,444	$ -
Accrued loss on equity method investee	$ (124,321)	$ -	$ -

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

NOTE 1 – BUSINESS ORGANIZATION AND NATURE OF OPERATIONS

Motorsport Gaming US LLC ("Motorsport Games") was established on August 2, 2018 under the laws of the State of Florida. Motorsport Gaming US LLC, through its subsidiaries, including 704Games Company ("704Games"), which Motorsport Games acquired a 53.5% equity interest in on August 14, 2018 (collectively, the "Company"), is a leading racing game developer, publisher and esports ecosystem provider of official motorsport racing series throughout the world, including NASCAR, the iconic 24 Hours of Le Mans endurance race and the associated World Endurance Championship, the British Touring Car Championship (the "BTCC") and others. The Company develops and publishes multi-platform racing video games including for game consoles, personal computer (PC) and mobile platforms. As of the date the financial statements were issued, Motorsport Games' wholly owned and majority owned subsidiaries were as follows:

- 704Games Company
- Racing Pro League, LLC
- MS Gaming Development LLC
- Motorsport Games Limited

In addition, the Company organizes and facilitates esports tournaments, competitions, and events for its licensed racing games as well as on behalf of third-party racing game developers and publishers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Liquidity

The Company has not yet achieved profitability and expects to continue to incur cash outflows from operations. It is expected that its operating expenses will continue to increase and, as a result, the Company will eventually need to generate significant revenues to achieve profitability.

The Company expects that its cash on hand will fund its operations for at least one year from the date the financial statements were issued. Although the Company's management believes that it has access to capital resources, there are currently no commitments in place for new financing at this time and there is no assurance that the Company will be able to obtain funds on commercially acceptable terms, if at all. If the Company is unable to obtain adequate funds on reasonable terms, it may be required to significantly curtail or discontinue operations or obtain funds by entering into financing agreements on unattractive terms. The Company's operating needs include the planned costs to operate its business, including amounts required to fund working capital and capital expenditures.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements are 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 and shareholders are reflected as non-controlling interest in the accompanying consolidated financial statements and, accordingly, profits and losses are allocated to the non-controlling interest in proportion to the ownership percentages of the non-controlling members and shareholders. 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.

On February 18, 2019, the Company formed its subsidiary, Racing Pro League, LLC, under the laws of the State of Delaware.

On March 15, 2019, Motorsport Games entered into a joint venture agreement whereby the parties formed Le Mans Esports Series Limited ("Le Mans"), of which Motorsport Games acquired a 45% ownership interest. The Company accounts for its investment in its unconsolidated entity, Le Mans, using the equity method of accounting in accordance with Accounting Standards Codification ("ASC") 323. The equity method is an appropriate means of recognizing increases or decreases measured by U.S. GAAP in the economic resources underlying the investments. Under the equity method, an investor recognizes its share of the earnings or losses of an investee in the periods for which they are reported by the investee in its financial statements rather than in the period in which an investee declares a dividend or distribution. An investor adjusts the carrying amount of an investment for its share of the earnings or losses recognized by the investee. See Note 10 – Commitments and Contingencies – Joint Venture Agreement for additional details.

On April 4, 2019, the Company formed its wholly owned subsidiary, MS Gaming Development LLC, under the laws of Russia.

Successor

The consolidated financial statements for the period from August 15, 2018 to December 31, 2018 and for the year ended December 31, 2019 include the accounts of Motorsport Games and its subsidiaries, including 704Games ("Successor"). All significant inter-company accounts and transactions have been eliminated in consolidation.

Predecessor

The financial statements for the period from January 1, 2018 to August 14, 2018 include the accounts of 704Games ("Predecessor").

Predecessor and Successor Periods

As a result of the Company's acquisition of a 53.5% equity interest in 704Games in August 2018, Motorsport Games is the acquirer for accounting purposes and 704Games is the acquiree and the accounting predecessor. The financial statement presentation distinguishes the results into two distinct periods, the period up to August 14, 2018 (the "Acquisition Date") ("Predecessor Period") and the periods including and after that date (the "Successor Period"). The transaction was accounted for as a business combination using the acquisition method of accounting and the Successor financial statements reflect a new basis of accounting that is based on the fair value of the net assets acquired.

As a result of the application of the acquisition method of accounting as of the effective time of the transaction, the accompanying consolidated financial statements include a black line division which indicates that the Predecessor and Successor reporting entities shown are presented on a different basis and are, therefore, not directly comparable. Due to the acquisition accounting, acquired assets and assumed liabilities have been recorded at fair value as of the acquisition date. As such, the predecessor and successor presentation may not be directly comparable.

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 reserves for sales returns and price protection, valuation allowance of deferred income taxes, valuation of acquired companies and equity investments, the recognition and disclosure of contingent liabilities, and goodwill and intangible assets impairment testing. 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.

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. As of December 31, 2019 and 2018, the Company did not have any 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, periodically evaluates the creditworthiness of the financial institutions and has determined the credit exposure to be negligible. As of December 31, 2019 and 2018, the Company had $1,487,254 and $3,163,125 of domestic cash balances in excess of FDIC insured limits. The Company's foreign bank accounts are not subject to FDIC insurance.

Accounts Receivable

Accounts receivable are carried at their contractual amounts, less an estimate for sales allowances. Management estimates the allowance for sales based on previous experience, existing economic conditions, actual sales and inventories on hand. See Note 2 – Summary of Significant Accounting Policies – Revenue Recognition and Sales Allowances - Sales Allowance, Sales Returns and Price Protection Reserves for additional details.

Balances that are still outstanding after management has performed reasonable collection efforts are written off through a charge to the allowance and a credit to accounts receivable. As of December 31, 2019 and 2018, the Company determined that all of its accounts receivable were fully collectible and, accordingly, no allowance for doubtful accounts was recorded. Sales allowances as of December 31, 2019 and 2018 were $1,891,681 and $1,836,598, respectively.

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.

Equipment, furniture and fixtures are depreciated over a range of three to five years. Leasehold improvements are amortized over the lives of the leases or estimated useful lives of the assets, whichever is shorter. 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.

Goodwill and Intangible Assets

The Company has recorded goodwill in connection with its acquisition of 704Games. Under ASC 350, Intangibles—Goodwill and Other ("ASC 350"), goodwill is not amortized but is reviewed annually for impairment, or more frequently, if impairment indicators arise which may indicate that the Company may not be able to recover the carrying amount of the net assets of the reporting unit. The Company has determined that its reporting units align with its operating segments. See Note 13 – Segment Reporting. In evaluating goodwill 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 a reporting unit 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 a reporting unit is less than its carrying value, then the Company performs a one-step quantitative impairment test by comparing the fair value of a reporting unit with its carrying amount and recognizes a loss on impairment in the event the carrying value exceeds the fair value. In assessing the fair value of a reporting unit, the Company utilizes the Income Approach-Discounted Cash Flow Method as well as the Market Approach-Guideline Public Company Method. See Note 6 – Goodwill for details.

Intangible assets that have finite lives are amortized over their estimated useful lives and are subject to the provisions of ASC 350. The Company's intangible assets consist of the following which were acquired in connection with the acquisition of 704Games:

Intangible Asset	Useful Life
License agreements	16 years
Software	10 years
Distribution contracts	1 year

The Company is a party to a series of license agreements with NASCAR for worldwide rights to use the NASCAR brand. Through the acquisition of 704Games in 2018, the Company obtained the exclusive right, subject to certain limited exceptions, to use certain licensed rights (including the rights of certain NASCAR teams) to develop, promote, advertise, distribute, manufacture and package simulation-style video gaming products, which are NASCAR-branded video game products that have a stock car and/or truck racing theme relating to NASCAR-sanctioned events intended to replicate authentic NASCAR racing competition rules and structure. In addition, the Company has the exclusive right to use simulation-style video gaming products as the platform for conducting and administering esports leagues and events for NASCAR, subject to certain limited exceptions. The Company's current license arrangement with NASCAR, which was extended 10 years simultaneously with the acquisition of 704Games, expires on December 31, 2029. The license arrangement provides for a commitment by both parties to participate in exclusive negotiations to renew the license, beginning March 1, 2028, and lasting for a period of at least 90 days. The license arrangement also requires the Company to pay royalties, including certain minimum annual guarantees, on an ongoing basis to NASCAR and to meet certain product distribution, development, marketing and related milestones.

Impairment of Long-Lived Assets

The Company reviews for impairment of long-lived assets on an annual basis or whenever events or changes in circumstances indicate that the carrying amount of an asset might not be recoverable. An impairment would be recognized when estimated future cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

Fair Value of Financial Instruments

The Company measures the fair value of financial assets and liabilities based on ASC 820 "Fair Value Measurements and Disclosures" ("ASC 820"), which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

Level 1 — quoted prices in active markets for identical assets or liabilities;

Level 2 — quoted prices for similar assets and liabilities in active markets or inputs that are observable; and

Level 3 — inputs that are unobservable (for example, cash flow modeling inputs based on assumptions).

The carrying amounts of accounts receivable, accounts payable, accrued expenses and amounts due to related parties approximate fair value due to the short-term nature of these instruments.

Segment Reporting

The Company uses "the management approach" in determining reportable operating segments. The management approach considers the internal organization and reporting used by the Company's chief operating decision maker for making operating decisions and assessing performance as the source for determining the Company's reportable segments. The Company's chief operating decision maker 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

On January 1, 2018, the Company adopted ASC Topic 606, "Revenue from Contracts with Customers" ("ASC 606"). The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than required under prior U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, allocating the transaction price to each separate performance obligation and recognizing revenue as performance obligations are satisfied.

The Company adopted ASC 606 for all applicable contracts using the modified retrospective method, which would have required a cumulative-effect adjustment, if any, as of the date of adoption. The adoption of ASC 606 had a material impact on the Company's consolidated financial statements as of the date of adoption. A required adjustment recognized in retained earnings was due to prior software revenue recognition accounting standards. Because the Company did not have vendor-specific objective evidence of fair value ("VSOE") for unspecified future updates or online hosting, the Company was not able to account for performance obligations separately, and therefore, the entire sales price of most transactions that had multiple performance obligations was recognized ratably over the period the Company expected to provide the future updates and/or online hosting performance obligations (the "Estimated Offering Period"). Under ASC 606, this VSOE requirement was eliminated and was replaced with a requirement to determine the Company's best estimate of the stand-alone selling price of each performance obligation and allocate the transaction price to each distinct performance obligation on a relative stand-alone selling price basis.

The Company currently derives revenue principally from sales of its games and related extra content that can be played by customers on a variety of platforms, which includes game consoles, PCs, mobile phones and tablets. The Company's product and service offerings include, but are not limited to, the following:

1) *Sales of Games* - Full console and mobile games contain a software license that is delivered digitally or via physical disc at the time of sale;

2) *Sales of Extra Content* – Includes (a) extra content that is downloaded by console players that provides the ability to customize and/or enhance their gameplay and (b) virtual currencies that provide mobile players with the ability to purchase extra content that allows them to customize and/or enhance their gameplay; and

3) *Esports Competition Events* - Hosting of online esports competitions that generates sponsorship revenue.

Sales of Games. Sales of games are generally determined to have a singular distinct performance obligation, as the Company does not currently have an obligation to provide future update rights or online hosting. As a result, the Company recognizes revenue equal to the full transaction price at the point in time the customer obtains control of the software license and the Company satisfies its performance obligation.

Sales of Extra Content. Revenue received from sales of extra content are derived primarily from the sale of (a) digital in-game content that is downloaded by the Company's console customers that enhance their gameplay experience, typically by providing car upgrades or additional drivers and (b) virtual currencies that can be used by mobile customers to purchase content that allows them to customize and/or enhance their gameplay. Virtual currencies may not be used for any purpose other than for these in-game purchases. Revenue related to extra 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 extra content, either by downloading the digital in-game content or by using the virtual currencies to purchase extra content. For console customers, extra content is either purchased in a pack or on a standalone basis. Revenue associated with extra content from console customers is deferred until the content has been delivered digitally to the customer. Revenue associated with virtual currencies is deferred until the virtual currency has been used by the customer to purchase extra content, which is the point in time the customer obtains control.

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 the contract, which is generally the concurrent time the event is held and the customer obtains control. In the event the Company enters into a contract with a customer to sponsor for 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 obligation.

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 performance obligations are satisfied.

During the Successor Periods ended December 31, 2019 and 2018 or during the Predecessor Period ended August 14, 2018, there was no revenue recognized from performance obligations satisfied (or partially satisfied) in previous periods.

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

	Successor	Successor	Predecessor
	For the Year Ended December 31, 2019	For the Period From August 15, 2018 to December 31, 2018	For the Period From January 1, 2018 to August 14, 2018
Revenues:			
Gaming	$ 11,775,787	$ 10,768,629	$ 3,988,148
Esports	75,000	-	-
Total Revenues	$ 11,850,787	$ 10,768,629	$ 3,988,148

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 our goods and services to the customer. Determining the transaction price often requires significant 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. See below for additional information regarding our sales returns and price protection reserves.

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.

Principal Versus Agent Considerations

The Company evaluates 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, Apple's App Store, and Google's Play Store, in order to determine whether or not 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 App Store or Google Play Store, the third party is considered the principal and, as a result, the Company reports revenue net of the fees retained by the storefront. For contracts with customers where revenue is generated via the Apple App Store or Google Play Store, the Company has determined that it is the principal and, as a result, reports revenue on a gross basis, with mobile platform fees included within cost of revenues.

Sales Allowance, Sales Returns and Price Protection Reserves

Sales returns and price protection are considered variable consideration under ASC 606. The Company reduces revenue for estimated future returns and price protection which may occur with distributors and retailers ("channel partners"). See Note 2 – Summary of Significant Accounting Policies – Accounts Receivable for additional details. 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 sales returns 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 high returns or higher price protection in subsequent periods. The Company recognized sales allowances and price protection reserves for the Successor Periods ending December 31, 2019 and 2018 in the amount of $2,483,147 and $1,782,403, respectively, which were included as reductions of revenues.

Income Taxes

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 No. 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. The Company is considered to be disregarded from its owner for U.S. tax purposes. In addition, for its 2019 fiscal year, the Company is the parent company to another disregarded entity, MS Gaming Development LLC, and a regarded entity taxed as a separate corporation, 704Games. 704Games was acquired on August 14, 2018 and the Company has no other material tax effective items other than those items attributed to it from 704Games.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations and technical corrections to tax depreciation methods for qualified improvement property. Under ASC 740, the effects of new legislation are recognized upon enactment. Accordingly, the CARES Act is effective beginning in the quarter ended March 31, 2020. The Company does not currently believe that such provisions will have a material impact on the Company's consolidated financial statements.

Stock-Based Compensation

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. 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.

Advertising Expenses

The Company recognizes advertising expenses as incurred. Advertising expenses were $3,487,498 and $2,189,645 for the Successor Periods ended December 31, 2019 and 2018, respectively, and $734,561 for the Predecessor Period ended August 14, 2018.

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 (the United States Dollar, the Russian Ruble 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 approximately $8,000 of transaction losses for the Successor Period ended December 31, 2019. The Company did not have any transaction losses for the Successor Period ended December 31, 2018 and the Predecessor Period ended August 14, 2018. Such amounts have been classified within general and administrative expenses in the accompanying consolidated statements of operations.

Subsequent Events

The Company has evaluated events that have occurred after the balance sheet date but before the financial statements are issued. Based upon that evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the financial statements, except as disclosed in Note 14, Subsequent Events.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update "(ASU") 2016-02, Leases (Topic 842), which applies a right-of-use model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. The ASU requires a lessor to classify leases as either sales-type, direct financing or operating, similar to existing U.S. GAAP requirements. Classification depends on the same five criteria used by lessees under U.S. GAAP plus certain additional factors. The new leases standard addresses other considerations including identification of a lease, separating lease and non-lease components of a contract, sale and leaseback transactions, modifications, combining contracts, reassessment of the lease term, and remeasurement of lease payments. Early adoption is permitted. This update is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is currently evaluating ASC 842 and its impact on its consolidated financial statements and disclosures.

In January 2017, the FASB issued ASU 2017-04, "Intangibles - Goodwill and Other: Simplifying the Test for Goodwill Impairment" ("ASU 2017-04"), which amends the guidance to eliminate Step 2 from the goodwill impairment test. Instead, under the amendments in the new guidance, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount. The entity should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. The amendments will be effective for annual or any interim goodwill impairment tests in fiscal years beginning after December 15, 2020. The Company early adopted ASU 2017-04 effective January 1, 2019 and, as a result, was able to eliminated Step 2 from its goodwill impairment test that it conducted during the year ended December 31, 2019. See Note 2 – Summary of Significant Accounting Policies – Goodwill and Intangible Assets.

In November 2019, the FASB issued ASU 2019-11, "Codification Improvements to Topic 326, Financial Instruments – Credit Losses" ("ASU 2019-11"). ASU 2019-11 is an accounting pronouncement that amends ASU 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The amendments update guidance on reporting credit losses for financial assets. These amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments in ASU 2019-11 are effective for annual reporting periods beginning after December 15, 2022, 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). The Company is currently evaluating ASU 2019-11 and its impact on its consolidated financial statements and disclosures.

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes" ("ASU 2019-12"). The amendments in ASU 2019-12 simplify the accounting for income taxes by removing certain exceptions to the general principles in Topic 740. The amendments also improve consistent application of and simplify U.S. GAAP for other areas of Topic 740 by clarifying and amending existing guidance. This update is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption of the amendments is permitted, including adoption in any interim period for periods for which financial statements have not yet been made available for issuance. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. Additionally, an entity that elects early adoption must adopt all the amendments in the same period. The Company is currently evaluating ASU 2019-12 and its impact on its consolidated financial statements and disclosures.

NOTE 3 – BUSINESS COMBINATION

On August 14, 2018, Motorsport Games entered into a stock purchase agreement with 704Games for the purchase of 217,352 shares of common stock of 704Games, representing a 53.5% equity interest in 704Games (the "Acquisition"), for the purpose of acquiring the exclusive gaming license agreement with NASCAR to be its official video game developer and publisher. In addition, the Company acquired the right to create and organize esports leagues and events for NASCAR. As a result of the Acquisition, the 704Games' former consolidating parent, HC2 Holdings, Inc.'s ("HC2"), ownership percentage was diluted to 26.2% and HC2 ceased to have majority control of 704Games, resulting in a change in ownership under FASB ASC 805, Business Combinations. Accordingly, the assets acquired and the liabilities assumed were recorded at their estimated fair value based on the third-party valuations. Goodwill from the Acquisition principally relates to intangible assets that do not qualify for separate recognition, including assembled workforce, market presence, and synergies. Goodwill is not tax deductible. Acquired accounts receivable were comprised of outstanding invoices 704Games issued to its customers for the provided services, which were recorded at their estimated fair value.

In exchange for the acquired controlling interest in 704Games, Motorsport Games agreed to pay $4,000,000 cash at closing of the transaction to 704Games, and subject to certain adjustments, to pay $3,000,000 cash to 704Games on February 1, 2019 (the "2019 Payment") and to provide advertising, promotional and other services to 704Games valued at $4,000,000 during the 48 months following the transaction (the "In-Kind Consideration" and, together with the 2019 Payment, the "Delayed Consideration"). During the Successor Periods ended December 31, 2019 and 2018, In-Kind Consideration totaling $641,938 and $472,669, respectively, was provided to 704Games. See Note 9 – Related Party Transactions for additional details.

The Delayed Consideration amount was subject to and conditioned upon 704Games achieving a minimum $15,574,000 in revenue (the "Expected Revenue") for the 2018 calendar year. As the Expected Revenue was less than $15,574,000, the 2019 Payment amount automatically was adjusted to $1,660,000, which also reduced the Delayed Consideration amount dollar-for-dollar for the actual dollar difference between the Expected Revenue and the actual revenue of 704Games for the 2018 calendar year as reflected in the audited financial statements of 704Games for the year ended December 31, 2018. The 2019 Payment in the amount of $1,660,000 was paid by Motorsport Games to 704Games during the year ended December 31, 2019.

Additionally, the terms of the Acquisition required the Company to obtain a long-form amendment to that certain Distribution and License Agreement, dated as of January 1, 2015, by and between the Company and NASCAR Team Properties on or before February 1, 2019. Such long-form amendment was obtained in the required timeframe.

The Company estimated the fair value of the Delayed Consideration using the Monte Carlo simulation using the Geometrics Brownian Motion ("GBM"), where generated random variables using the GBM were applied to the forecasted revenue metrics. The following key assumptions were utilized by the Company: (i) revenue projections, (ii) risk-free rate, which was estimated based on the rate of treasury securities with the same term as the mid-period of the projection periods, and (iii) revenue volatility, which was estimated based on an analysis of historical asset volatilities for similar companies and adjusted for operating leverage to estimate revenue volatility.

The purchase price allocation was completed subsequent to the acquisition date. The aggregate purchase price was allocated to the assets acquired and liabilities assumed as follows:

Purchase Consideration:		
Cash	$	4,000,000
Delayed Consideration:		
2019 Payment at fair value		1,245,550
In-Kind Consideration at fair value		3,753,600
Total Purchase Consideration	$	8,999,150
Less:		
Debt-free net working capital	$	5,895,248
Property and equipment		89,671
In-Kind Consideration receivable		3,753,600
Other non-current assets		36,170
Licensing agreements		3,620,000
Software		2,340,000
Distribution contracts		560,000
Fair Value of Identified Net Assets		16,294,689
Less: Fair Value Attributable to Noncontrolling Interest		(8,008,271)
Fair Value of Identified Net Assets Attributable to Motorsport Gaming US LLC		8,286,418
Remaining Unidentified Goodwill Value	$	712,732

The components of debt free net working capital are as follows:

Current assets:		
Cash	$	5,232,974
Accounts receivable		1,013,632
2019 Payment receivable		1,245,550
Other current assets		1,196,113
Total current assets	$	8,688,269
Less current liabilities:		
Accounts payable and accrued expenses		1,924,044
Due to affiliate		33,880
Deferred revenue		835,097
Total current liabilities	$	2,793,021
Debt free net working capital	$	5,895,248

As of the acquisition date and December 31, 2018, the fair value of the Delayed Consideration was recorded as a liability on the balance sheet of Motorsport Games and as an asset on the balance sheet of 704Games. Accordingly, the Delayed Consideration was eliminated in consolidation as of the acquisition date and December 31, 2018. Except for the fair value of the Delayed Consideration that was eliminated in consolidation as of the acquisition date, the assets and liabilities of 704Games were recorded in the Company's consolidated financial statements as of the acquisition date.

The fair value of the 2019 Payment as of the date of acquisition and as of December 31, 2018 was $1,245,550 and $1,660,000, respectively, which such change in fair value of $414,450 was recognized during the year ended December 31, 2018 as a gain on change in fair value on 704Games' financial statements and as a loss on change in fair value on Motorsport Games' financial statements, with the amounts fully eliminated in consolidation, while noting that the amount of the gain on change in fair value attributable to the non-controlling interest in 704Games was allocated based on its ownership percentage.

As of the date of the Acquisition and December 31, 2019, the Company expects to collect all contractual cash flows related to receivables acquired in the Acquisition. Acquisition related costs are expensed as incurred and are recorded within general and administrative expenses on the consolidated statements of operations. Acquisition related costs were approximately $0 and $10,000 for the Successor Periods ended December 31, 2019 and 2018, respectively. Acquisition related costs were approximately $117,000 for the Predecessor Period ended August 14, 2018.

The Company utilized the excess earnings method to estimate the fair value of the licensing agreements. The following key assumptions were utilized by the Company: (i) the discount rate, which was based on the Company's discount rate plus a 200-basis point premium and (ii) the amortization benefit, which was calculated based on a sixteen year straight line tax amortization.

The Company utilized the relief from royalty method to estimate the fair value of the developed software. The following key assumptions were utilized by the Company: (i) projected revenue from the services attributable to the asset (ii) an arm's length royalty rate that would otherwise be charged by the licensor of the asset to a licensee of the asset, which was estimated to be approximately 5% and (iii) a discount rate that reflects the risk associated with the asset, which was estimated to be approximately 42%. The developed software has an estimated useful life of ten years.

The Company utilized the with and without method to determine the fair value of the distribution contracts. The with and without method is based on the use of two scenarios. The first scenario incorporates the distribution contracts in the projection of cash flows. The second scenario assumes that the Company does not have the distribution contracts in place. The difference in the fair value between the two scenarios indicates the fair value of the distribution contracts. The distribution contracts have an estimated useful life of one year.

The Company had utilized the business enterprise income valuation approach to determine the fair value attributable to the non-controlling interests, which included a discount rate of 40%.

Total revenues of 704Games since the date of acquisition through December 31, 2018 were $10,768,629. Total net income of 704Games since the date of acquisition through December 31, 2018 was $1,843,303.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following balances as of December 31, 2019 and 2018:

	December 31,	
	2019	2018
Furniture and fixtures	$ 52,309	$ 35,743
Computer software and equipment	109,992	42,186
Office equipment	8,132	8,132
Leasehold improvements	6,460	-
	176,893	86,061
Less: accumulated depreciation	(49,487)	(15,326)
Property and equipment, net	$ 127,406	$ 70,735

Depreciation expense was $51,622 and $25,484 for the Successor Periods ended December 31, 2019 and 2018, respectively. Depreciation expense was $53,411 for the Predecessor Period ended August 14, 2018.

NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following:

	Licensing Agreements	Software	Distribution Contracts	Accumulated Amortization	Total
Balance as of August 15, 2018	$ 3,620,000	$ 2,340,000	$ 560,000	$ -	$ 6,520,000
Amortization expense	-	-	-	(382,594)	(382,594)
Balance as of December 31, 2018	3,620,000	2,340,000	560,000	(382,594)	6,137,406
Amortization expense	-	-	-	(810,250)	(810,250)
Balance as of December 31, 2019	$ 3,620,000	$ 2,340,000	$ 560,000	$ (1,192,844)	$ 5,327,156
Weighted average remaining amortization period at December 31, 2019 (in years)	14.6	8.6	-		

Amortization of intangible assets consists of the following:

	Licensing Agreements	Software	Distribution Contracts	Accumulated Amortization
Balance as of August 15, 2018	$ -	$ -	$ -	$ -
Amortization expense	84,844	87,750	210,000	382,594
Balance as of December 31, 2018	84,844	87,750	210,000	382,594
Amortization expense	226,250	234,000	350,000	810,250
Balance as of December 31, 2019	$ 311,094	$ 321,750	$ 560,000	$ 1,192,844

Amortization expense was $810,250 (of which $460,250 is included in cost of revenues and $350,000 is included in operating expenses on the consolidated statements of operations) and $382,594 (of which $172,593 is included in cost of revenues and $210,001 is included in operating expenses on the consolidated statements of operations) for the Successor Periods ended December 31, 2019 and 2018, respectively. There was no amortization expense for the Predecessor Period ended August 14, 2018.

The estimated aggregate amortization expense of intangible assets for the next five years is as follows:

For the Years Ended December 31,	Licensing Agreements	Software	Total
2020	$ 226,250	$ 234,000	$ 460,250
2021	226,250	234,000	460,250
2022	226,250	234,000	460,250
2023	226,250	234,000	460,250
2024	226,250	234,000	460,250
Thereafter	2,177,656	848,250	3,025,906
	$ 3,308,906	$ 2,018,250	$ 5,327,156

NOTE 6 - GOODWILL

The changes in the carrying amount of goodwill are as follow:

Balance - August 15, 2018	$ 712,732
Loss on impairment of goodwill	-
Balance - December 31, 2018	712,732
Loss on impairment of goodwill	(575,015)
Balance - December 31, 2019	$ 137,717

During the Successor Period ended December 31, 2019, due to a projected decrease in revenue and after considering all quantitative and qualitative factors, the Company determined that it was more likely than not that the reporting unit's (704Games) carrying value exceeded its fair value and, as a result, the Company completed quantitative impairment test and recorded a loss on impairment of goodwill of $575,015. As of December 31, 2019, the Company's revenue projections were reduced in order to give effect to the fact that the development of the planned premium esports platform of 704Games was delayed and, therefore, the Company did not generate any revenue in 2019 associated with this premium esports platform. As a result, actual 2019 revenues were significantly less than what was originally projected for the 2019 period due to the premium esports platform never being implemented. This 2019 shortfall also resulted in lower expected revenues for 2020 and 2021. See Note 2 – Summary of Significant Accounting Policies – Goodwill and Intangible Assets for additional details.

NOTE 7 – ACCRUED EXPENSES

Accrued expenses consisted of the following:

	December 31,	
	2019	2018
Accrued software	$ -	$ 255,211
Accrued royalties	268,558	447,830
Accrued professional fees	81,480	43,000
Accrued consulting fees	166,667	66,667
Payable to Le Mans joint venture	124,320	-
Accrued development costs	145,193	-
Accrued advertising fees	-	130,800
Accrued rent	43,017	16,140
Accrued taxes	18,860	19,941
Accrued other	4,843	9,808
Total	$ 852,938	$ 989,397

NOTE 8 – MEMBER'S EQUITY

Stock-Based Compensation

During the Predecessor period ended August 14, 2018, the Company recognized aggregate stock-based compensation expense of $546,546 related to stock options and warrants. As of December 31, 2019, there was no unrecognized stock-based compensation expense.

Stock Options – 704Games

704Games has outstanding ten-year options with two employees to purchase an aggregate of 16,113 shares of common stock at an exercise price of $55.67 per share. Based on the terms of the option agreements, as part of the Acquisition, these options became fully vested.

In applying the Black-Scholes option pricing model to stock options granted during the Predecessor period ended August 14, 2018, the Company used the following assumptions:

	Predecessor
	For the Period From January 1, 2018 to August 14, 2018
Expected term (years)	3.75 - 5,04
Expected volatility	50.53%
Risk free interest rate	2.79% - 2.83%
Expected dividends	0.00%

There we no option grants during the Successor Periods ended December 31, 2019 and 2018.

A summary of the stock option activity during the year ended December 31, 2019 is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Term (Years)	Intrinsic Value
Outstanding at January 1, 2019	16,113	$ 55.67		
Granted	-	-		
Forfeited	-	-		
Exercised	-	-		
Outstanding at December 31, 2019	16,113	$ 55.67	7.6	$ -
Exercisable at December 31, 2019	16,113	$ 55.67	7.6	$ -

Stock Warrants – 704Games

704Games has outstanding ten-year warrants to purchase 4,000 shares of common stock at an exercise price of $93.03 per share. The issuance date fair value of $187,706 was recognized in the Predecessor period ended August 14, 2018. As of December 31, 2019, the warrants are fully vested, have no intrinsic value and have a weighted average remaining life of 5.4 years.

Stock Appreciation Rights – 704Games

On April 3, 2017, as amended on August 8, 2018, 704Games effected the 2017 Appreciation Plan (“SAR Plan”) that provides a means whereby directors, officers, employees, consultants or advisors of 704Games can be granted Stock Appreciation Rights (“SARs”) as incentive compensation measured by reference to the value of common stock. A total of 25,734 SARs may be granted under the SAR Plan. The SARs granted under the SAR Plan that vest are to be settled in cash only upon the occurrence of a change of control event, as defined in the SAR Plan.

On August 8, 2018, in connection with the Acquisition, an aggregate of 20,583 SARs were amended, such that their strike price was reduced from $88.76 to $55.67 per share.

As of December 31, 2018, there were 20,583 SARs outstanding with an exercise price of $55.67 per share. During the year ended December 31, 2019, an aggregate of 6,671 SARs were forfeited, such that as of December 31, 2019, there were 13,912 SARs outstanding with an exercise price of $55.67 per share. The Company determined that the SARs do not result in liability classification and no compensation expense should be recognized, as the contingent event (the liquidity event) is not probable as it is outside the control of the employee. The probability of the contingent event will be reassessed by the Company at each reporting period.

NOTE 9 – RELATED PARTY TRANSACTIONS

On August 3, 2018, the Company entered into an agreement with its parent, Motorsport Network, to provide the Company exclusive promotion services for the Company’s business, organizations, products and services. The promotion agreement shall remain in effect until such date that Motorsport Network no longer holds at least twenty percent (20%) of the voting interest in the Company, at which time the promotion agreement will terminate automatically, unless otherwise extended by the parties. The Company shall give Motorsport Network an exclusive first look on any media-related activity in consideration of the promotion services.

From time to time, the Company’s parent, Motorsport Network, and other related entities pay for Company expenses on the Company’s behalf. In addition, Motorsport Network occasionally advances funds to the Company.

During the Successor Periods ended December 31, 2019 and 2018, the Company incurred expenses of $647,513 and $8,027, respectively, that were paid by Motorsport Network on its behalf and are reimbursable by the Company.

During the Successor Periods ended December 31, 2019 and 2018, the Company received proceeds of $2,274,875 and $4,000,500, respectively, in connection with non-interest-bearing advances from Motorsport Network.

During the Successor Periods ended December 31, 2019 and 2018, Motorsport Network provided services to 704Games on behalf of Motorsport Games in connection with the Acquisition In-Kind Consideration of $641,938 and $472,669, respectively. As these services were provided to 704Games by Motorsport Network and not by Motorsport Games, Motorsport Games incurred a liability to Motorsport Network for these services. Accordingly, the value of the services was recorded in the consolidated statements of operations as related party operating expenses with a corresponding amount due to related party liability on the consolidated balance sheets.

As of December 31, 2019 and 2018, there was $8,045,522 and $4,481,196, respectively, related to these transactions included within due to related parties on the consolidated balance sheets. See Note 14 – Subsequent Events – Promissory Note Line of Credit for additional details.

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Litigation

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.

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. As of December 31, 2019 and 2018, the Company has not accrued any amounts for contingencies.

NTP Agreement

As a result of the Acquisition, the Company is a party to an agreement (the "NPT Agreement") with NASCAR® Team Licensing Trust d/b/a NASCAR® Team Properties ("NTP"). As part of the NTP Agreement, the Company has royalty minimums to be paid annually to NTP through December 31, 2029. The NTP Agreement included a warrant issued to NTP to purchase 4,000 shares of the common stock of 704Games, which vested over a four-year period and expires in August 2025. See Note 8 – Member's Equity – Stock Warrants – 704Games for additional details.

Operating Leases

The Company leases its facilities under operating leases. The Company's rent expense under its operating leases was $161,695 and $59,166 for the Successor Periods ended December 31, 2019 and 2018, respectively. The Company's rent expense under its operating lease was $132,587 for the Predecessor Period ended August 14, 2018.

On March 7, 2019, the Company entered into a lease agreement for 2,190 square feet of office space in Orlando, Florida beginning April 1, 2019 and ending April 30, 2021. The base rent ranges from $3,833 to $3,947 per month over the term of the lease for a total base rent lease commitment of approximately $93,000. The security deposit is approximately $4,000.

On May 3, 2019, the Company entered into a lease agreement for 5,586 square feet of office space in Charlotte, North Carolina beginning May 3, 2019 and ending August 31, 2024. The base rent ranges from $13,965 to $16,189 per month over the term of the lease for a total base rent lease commitment of approximately $954,000. The security deposit is approximately $42,000. See Note 14 – Subsequent Events – Sublease Agreement for details associated with a sublease of the office space.

On April 15, 2019, the Company entered into a three-year lease agreement for office space in Moscow, Russia beginning April 15, 2019 and ending April 15, 2022. The base rent is $9,000 per month over the term of the lease for a total base rent lease commitment of approximately $324,000. The security deposit is approximately $10,000.

Future minimum payments under our non-cancellable operating leases as of December 31, 2019 are as follows:

For the Years Ending December 31,	Total
2020	$ 325,758
2021	299,766
2022	208,320
2023	186,782
2024	127,628
	$ 1,148,254

Joint Venture Agreement

On March 15, 2019, Motorsport Games (Party B) entered into a joint venture agreement with Automobile Club de l'Ouest (Party A), whereby Motorsport Games acquired 45 B Shares, which represented 45% of the equity interests of Le Mans, and Automobile Club de l'Ouest acquired 55 A Shares of Le Mans, which represented the remaining 55% of the equity interests of Le Mans. Both joint venture partners hold proportional voting rights, and Automobile Club de l'Ouest appoints 3 board seats and the Company appoints 2 board seats. Under the joint venture agreement, Motorsport Games and Automobile Club de l'Ouest are jointly and severally liable for the fulfillment of the obligations of the joint venture. The Company, along with Automobile Club de l'Ouest, discuss and approve a budget for the joint venture on an annual basis. To the extent there is a loss for such year, the Company would be required to fund its proportionate share. The parties agreed to make the following in-kind contributions to Le Mans:

i. Automobile Club de l'Ouest has and will continue to provide a dedicated team to develop and implement the business and has and will continue to make the 24 Hours of Le Mans brand available to Le Mans under a separate license agreement; and
ii. Motorsport Games has provided and will continue to provide a dedicated team to develop and implement the business and has and will continue to make itself and its employees, who have experience in e-sports and e-gaming platforms, available to develop the business and create a dedicated gaming platform for use by and to facilitate the continued development of the business.

During the year ended December 31, 2019, the Company's investment in Le Mans generated a loss of $608,656, which is included in loss attributable to equity method investment in the consolidated statements of operations. As of December 31, 2019, the Company had a $124,321 payable to Le Mans, which represents the balance due to Le Mans attributable to the Company's proportionate share of the loss generated by Le Mans during 2019. As of December 31, 2019, there was no investment recorded on the Company's consolidated balance sheet.

NOTE 11 - 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, 2019 and 2018:

	December 31,	
	2019	2018
Assets:		
Net operating loss carryforwards	$ 2,255,880	$ 1,161,843
Charitable contribution carryforward	780	-
Goodwill	294,822	164,903
Other assets	48,878	559,112
Total assets	2,600,360	1,885,858
Liabilities:		
Depreciable assets	4,847	-
Other intangible assets	973,073	1,113,109
Total liabilities	977,920	1,113,109
Net assets before valuation allowance	1,622,440	772,749
Valuation allowance	(1,622,440)	(772,749)
Net deferred tax (liability) asset	$ -	$ -

A reconciliation between the Company's effective income tax rate and the federal statutory income tax rate for the Successor Periods ended December 31, 2019 and 2018 and the Predecessor Period ended August 14, 2018 is as follows:

	Successor	Successor	Predecessor
	For the Year Ended December 31, 2019	For the Period From August 15, 2018 to December 31, 2018	For the Period From January 1, 2018 to August 14, 2018
Federal statutory income tax benefit	21.0%	21.0%	21.0%
State taxes, net of federal benefit	-	4.4%	7.9%
Permanent differences	-0.1%	-7.5%	-1.5%
Change in valuation allowance	-14.8%	-25.5%	-27.3%
Effect of flow through entities	-6.1%	7.6%	0.0%
Effective income tax rate	0.0%	0.0%	0.1%

As of December 31, 2019, the Company has United States federal net operating loss carryforwards available to reduce future taxable income in the amount of $8.96 million. Such net operating loss carryforwards are attributable to 704Games. Approximately $3.6 million of the Federal net operating losses do not expire due to changes made by the Tax Cuts and Jobs Act (TCJA). The remaining federal net operating losses of $5.36 million begin to expire in 2035 and the state net operating losses expire between 2030 and 2039. As a result of the 704Games 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, 2019 and 2018, as management concluded that 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 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 2016-2019 remain open for examination.

NOTE 12 – 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:

	Successor	Successor	Predecessor
Customer	For the Year Ended December 31, 2019	For the Period From August 15, 2018 to December 31, 2018	For the Period From January 1, 2018 to August 14, 2018
Customer A	39.99%	47.25%	16.49%
Customer B	22.43%	11.22%	24.08%
Customer C	*	18.71%	*
Customer D	15.86%	*	20.80%
Customer E	*	*	18.55%
Total	78.28%	77.17%	79.92%

* Less than 10%.

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	2019	2018
Customer A	82.99%	80.57%
Total	82.99%	80.57%

A reduction in sales from or loss of these customers 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:

	Successor	Successor	Predecessor
Supplier	**For the Year Ended December 31, 2019**	**For the Period From August 15, 2018 to December 31, 2018**	**For the Period From January 1, 2018 to August 14, 2018**
Supplier A	28.39%	*	*
Supplier B	22.41%	24.63%	12.29%
Supplier C	15.16%	17.58%	10.11%
Supplier D	*	27.86%	37.86%
Supplier E	10.63%	*	*
Supplier F	*	*	19.70%
Total	76.59%	70.06%	79.96%

* Less than 10%.

NOTE 13 – 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 Successor Periods ended December 31, 2019 and 2018 and the Predecessor Period ended August 14, 2018 were (i) the Gaming segment and (ii) the esports segment. The Company's chief operating decision-maker has been identified as the CEO, 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, 2019 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. Given that the Company's esports segment just began its operations in late 2018, it has no separate assets. That being said, the Company expects that its esports segment will have separate assets in the future.

Segment operating profit is determined based upon internal performance measures used by the chief operating decision-maker. 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:

	Successor	Successor	Predecessor
	For the Year Ended December 31, 2019	For the Period From August 15, 2018 to December 31, 2018	For the Period From January 1, 2018 to August 14, 2018
Revenues:			
Gaming	$ 11,775,787	$ 10,768,629	$ 3,988,148
Esports	75,000	-	-
Total Segment and Consolidated Revenues	$ 11,850,787	$ 10,768,629	$ 3,988,148
Gross Profit:			
Gaming	$ 6,909,410	$ 6,584,060	$ 2,861,977
Esports	52,500	-	-
Total Segment and Consolidated Gross Profit	$ 6,961,910	$ 6,584,060	$ 2,861,977
(Loss) Income From Operations:			
Gaming	$ (4,860,903)	$ 1,499,578	$ (2,516,229)
Esports	(275,168)	(134,293)	-
Total Segment and Consolidated (Loss) Income From Operations	$ (5,136,071)	$ 1,365,285	$ (2,516,229)
Depreciation and Amortization			
Gaming	$ 861,872	$ 408,078	$ 53,411
Esports	-	-	-
Total Segment Depreciation and Amortization	$ 861,872	$ 408,078	$ 53,411
Interest Expense:			
Gaming	$ -	$ -	$ 26,250
Esports	-	-	-
Total Segment Interest Expense	$ -	$ -	$ 26,250
Equity in (Loss) Income:			
Gaming	$ -	$ -	$ -
Esports	(608,656)	-	-
Total Segment Equity in (Loss) Income	$ (608,656)	$ -	$ -
Expenditures for Additions to Long-Lived Assets:			
Gaming	$ (108,293)	$ (6,548)	$ (17,420)
Esports	-	-	-
Total Expenditures for Additions to Long-Lived Assets:	$ (108,293)	$ (6,548)	$ (17,420)

	December 31, 2019	December 31, 2018
Segment Total Assets:		
Gaming	$ 12,777,274	$ 15,670,258
Esports	-	-
Consolidated Total assets	$ 12,777,274	$ 15,670,258

NOTE 14 - 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.

COVID-19

The global spread of the COVID-19 pandemic has created significant business uncertainty for the Company and others, resulting in volatility and economic disruption. Additionally, the outbreak has resulted in government authorities around the world implementing numerous measures to try to reduce the spread of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place, stay-at-home or total lock-down (or similar) orders and business limitations and shutdowns.

As a result of the COVID-19 pandemic, including the related responses from government authorities, the Company's business and operations have been impacted, including the temporary closure of its offices in Orlando, Florida and Moscow, Russia, which has resulted in the Company's employees working remotely. During the COVID-19 outbreak, demand for the Company's games has generally increased, which the Company believes is primarily attributable to a higher number of consumers staying at home due to COVID-19 related restrictions. Similarly, there has been a significant increase in viewership of the Company's esports events since the initial impact of the virus, as these events began to air on both digital and linear platforms, particularly as the Company was able to attract many of the top "real world" motorsport stars to compete. However, several retailers have experienced, and continue to experience, closures, reduced operating hours and/or other restrictions as a result of the COVID-19 pandemic, which has negatively impacted the sales of the Company's products from such retailers. Additionally, in the Company's esports business, the COVID-19 pandemic has resulted in the postponing of certain events to later dates or shifting events from an in-person format to online only.

The Company continues to monitor the evolving situation caused by the COVID-19 pandemic, and it may take further actions required by governmental authorities or that it determines are prudent to support the well-being of its employees, suppliers, business partners and others. The degree to which the COVID-19 pandemic impacts the Company's operations, business, financial results, liquidity, and financial condition will depend on future developments, which are highly uncertain, continuously evolving and cannot be predicted. This includes, but is not limited to, the duration and spread of the pandemic, its severity, actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Adverse economic and market conditions as a result of COVID-19 could also adversely affect the demand for the Company's products and may also impact the ability of its customers to satisfy their obligations to the Company.

Employment Agreement with Dmitry Kozko

The Company entered into an employment agreement, effective as of January 1, 2020, with Dmitry Kozko, Chief Executive Officer of the Company, for a term expiring on December 31, 2024. After such term expires, Mr. Kozko will be employed as an employee "at will." Mr. Kozko's base salary will be $500,000 per annum, subject to annual increases to 103% of the base salary paid to Mr. Kozko in the prior calendar year. Mr. Kozko is entitled to participate (in addition to the additional incentive compensation described below) in all equity incentive plans generally available to the Company's executive officers, subject to the compensation committee of the Company determining any awards and performance metrics for such awards under any such plans. Mr. Kozko is also entitled to certain additional incentive compensation outside of the Company's equity incentive plans, subject to the satisfaction of certain conditions pursuant to Mr. Kozko's employment agreement. Mr. Kozko's employment agreement also provides for payments to him and/or vesting acceleration of certain equity awards upon the termination of his employment in certain circumstances and upon a "Change in Control" (as such term is defined in the employment agreement), as applicable.

Sublease Agreement

On February 21, 2020, the Company entered into a sublease agreement for office space in Charlotte, North Carolina, that provides for rent payments to the Company in the amount of $14,896 per month and ends on August 31, 2024. On March 1, 2021 and each anniversary thereafter for the duration of the term of the sublease, the monthly payment to the Company shall increase by 3% per annum. The security deposit is approximately $30,000.

Promissory Note Line of Credit

On April 1, 2020, the Company entered into a promissory note with Motorsport Network for a line of credit of up to $10,000,000 at an interest rate of 10% per annum. The principal amount under the promissory note was primarily funded through one or more advances from Motorsport Network, including an advance in August 2020 for purposes of acquiring an additional ownership interest in 704Games. Previous non-interest-bearing advances due to Motorsport Network as of December 31, 2019 also were included in the amount outstanding under the promissory note at the time it was executed. The promissory note does not have a stated maturity date and is payable upon demand at any time at the sole and absolute discretion of Motorsport Network, which has agreed, pursuant to a Side Letter Agreement related to the Promissory Note, dated September 4, 2020, not to demand or otherwise accelerate any amount due under the promissory note that would otherwise constrain the Company's liquidity position, including the Company's ability to continue as a going concern. The Company may prepay the promissory note in whole or in part at any time or from time to time without penalty or charge. In the event the Company or any of its subsidiaries consummates certain corporate events, including any capital reorganization, consolidation, joint venture, spin off, merger or any other business combination or restructuring of any nature, or if certain events of default occur, the entire principal amount and all accrued and unpaid interest will be accelerated and become payable. As of the date the financial statements were issued, approximately $10 million had been borrowed by the Company under the promissory note.

Licensing Agreement

On May 29, 2020, the Company secured a licensing agreement with the BARC (TOCA) Limited ("BARC"), the exclusive promoter of the BTCC. Pursuant to the agreement, the Company was granted an exclusive 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 and mobile applications, esports series and esports events (including the Company's esports platform). In exchange for the license, the agreement requires the Company to pay BARC an initial fee in two installments, the first of which was due on June 5, 2020 and the second installment on the earlier of 60 days after the release of the products contemplated by the license or May 29, 2022. Following the initial fee, the agreement also requires 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.

Services Agreement

On January 1, 2020, the Company entered into a three-year services agreement with Motorsport Network, pursuant to which Motorsport Network will provide exclusive legal, development and accounting services on a full-time basis to support the Company's business functions. The services agreement can be extended by mutual agreement and may be terminated by either party at any time. Pursuant to the services agreement, the Company is required to pay monthly fees to Motorsport Network as follows: (i) $5,000 for legal services, (ii) $2,500 for accounting services and (iii) on an hourly, per use basis, from $15 to $30 per hour for development services.

Stock Purchase Agreement

On August 18, 2020, the Company entered into a stock purchase agreement with HC2 and Continental General Insurance Company ("Continental") in which the Company has agreed to purchase an aggregate of 106,307 shares of common stock of 704Games at a price of $11.2881 per share for an aggregate consideration of $1,200,000. If, within and including the date that is six months from the date of the agreement, the Company completes a purchase of some or all of the (i) 41,204 shares of common stock held by Gaming Nation, Inc. or its affiliates or transferees, (ii) 30,903 shares of common stock held by PlayFast Games, LLC or its affiliates or transferees and (iii) 10,301 shares of common stock held by Leo Capital Holdings or its affiliates or transferees (the "Subject Shares") at a purchase price higher than $11.2881 per share, then, no later than five days following the completion of the purchase, the Company shall pay each of HC2 and Continental an amount per share equal to the amount by which such purchase price per Subject Share exceeds the greater of (a) $11.2881 or (b) the highest price per share previously paid by the Company for any Subject Shares.

Formation of Subsidiary

On February 6, 2020, the Company formed its wholly owned subsidiary, Motorsport Games Limited.

Lease Agreement

On May 15, 2020, 704Games entered into a five-year lease agreement for office space in Miami, Florida with an entity owned by Mike Zoi, the manager of Motorsport Network. The base rent from the lease commencement date through April 15, 2025 is $3,000 per month. The Company has the option to renew the lease for two separate five-year terms, with monthly rent to be negotiated prior to such extension. The security deposit is $6,000.

Shares

Class A Common Stock

Prospectus

Joint Book-Running Managers

Canaccord Genuity **The Benchmark Company**

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. Other Expenses of Issuance and Distribution

The following table sets forth all expenses to be paid by us, other than underwriting discounts and commissions, in connection with this offering. All amounts shown are estimates except for the Securities and Exchange Commission, or SEC, registration fee, the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee and the Nasdaq Capital Market listing fee.

	Amount
SEC registration fee	$ *
FINRA filing fee	*
Nasdaq Capital Stock Market listing fee	*
Printing expenses	*
Accounting fees and expenses	*
Legal fees and expenses	*
Transfer agent and registrar fees	*
Miscellaneous fees	*
Total	$ *

* To be completed by amendment

Item 14. Indemnification of Directors and Officers

Section 145 of the Delaware General Corporation Law (the "DGCL") grants each corporation organized thereunder the power to indemnify any person who is or was a director, officer, employee or agent of a corporation or enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the corporation, by reason of being or having been in any such capacity, if he acted in good faith and in a manner reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Section 102(b)(7) of the DGCL enables a corporation in its certificate of incorporation or an amendment thereto to eliminate or limit the personal liability of a director to the corporation or its stockholders for monetary damages for violations of the director's fiduciary duty, except (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) pursuant to Section 174 of the DGCL (providing for liability of directors for unlawful payment of dividends or unlawful stock purchases or redemptions) or (iv) for any transaction from which a director derived an improper personal benefit. Our certificate of incorporation will include a provision that eliminates the personal liability of directors for monetary damages for actions taken as a director to the fullest extent authorized by the DGCL.

We have entered, and intend to continue to enter, into separate indemnification agreements with our directors and executive officers to provide these directors and executive officers additional contractual assurances regarding the scope of the indemnification set forth in our certificate of incorporation and bylaws and to provide additional procedural protections. At present, there is no pending litigation or proceeding involving any of our directors or executive officers regarding which indemnification is sought. The underwriting agreement to be filed as Exhibit 1.1 to this registration statement will also provide for, under certain conditions, the indemnification by the underwriter of the Company and its executive officers and directors for certain liabilities arising under the Securities Act and otherwise.

We intend to obtain insurance policies under which, subject to the limitations of the policies, coverage will be provided to our directors and executive officers against loss arising from claims made by reason of breach of fiduciary duty or other wrongful acts as a director or executive officer, including claims relating to public securities matters, and to us with respect to payments that may be made by us to these directors and executive officers pursuant to our indemnification obligations or otherwise as a matter of law.

Item 15. Recent Sales of Unregistered Securities

On July 20, 2020, the Company entered into a promotional services agreement with Fernando Alonso. Pursuant to this agreement, Mr. Alonso agreed to provide certain promotional services and to perform an advisory role for the Company. Subject to the closing of this offering and the satisfaction of certain other closing conditions, at the time of, or as promptly as possible after the closing of this offering, the Company agreed to issue to Mr. Alonso such number of shares that represents 3.0% of the issued and outstanding shares of the Class A common stock of the Company as of the closing date of this offering. The shares will be issued to Mr. Alonso in reliance upon the exemption from the registration requirements of the Securities Act set forth in Section 4(a)(2) of the Securities Act.

Item 16. ***Exhibits and Financial Statement Schedules***

(a) Exhibits

Exhibit Number	Description of Exhibit	Method of Filing
1.1	Form of Underwriting Agreement	To be filed by amendment hereto
2.1	Form of Plan of Conversion of Motorsport Gaming US LLC	Previously filed
2.2	Form of Delaware Certificate of Conversion	Previously filed
2.3	Form of Florida Articles of Conversion	Previously filed
2.4	Stock Purchase Agreement, dated August 14, 2018, by and between 704Games Company and Motorsport Gaming US LLC	Previously filed
3.1	Articles of Organization of Motorsport Gaming US LLC, as currently in effect	Previously filed
3.2	Operating Agreement of Motorsport Gaming US LLC, as currently in effect	Previously filed
3.3	Form of Certificate of Incorporation of Motorsport Games Inc. (to be effective upon completion of the registrant's conversion from a limited liability company to a corporation)	Previously filed
3.4	Form of Bylaws of Motorsport Games Inc. (to be effective upon completion of the registrant's conversion from a limited liability company to a corporation)	Previously filed
4.1	Form of Class A common stock Certificate	Previously filed
5.1	Opinion of Snell & Wilmer L.L.P.	To be filed by amendment hereto
10.1	Services Agreement, dated January 1, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	Previously filed
10.2.1	Exclusive Promotion Agreement, dated August 3, 2018, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	Previously filed
10.2.2	Amendment to Exclusive Promotion Agreement, effective as of December 1, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	Filed herewith
10.3	Promissory Note, dated April 1, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	Previously filed
10.4	Stockholders' Agreement, dated August 14, 2018, by and among Gaming Nation Inc., PlayFast Games, LLC, Leo Capital Holdings, LLC, HC2 Holdings 2, Inc., Continental General Insurance Company, Motorsport Gaming US LLC and 704Games Company	Previously filed

10.5	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	Previously filed
10.6.1	Limited Liability Company Agreement of Racing Pro League, LLC, effective March 1, 2019	Previously filed
10.6.2	Amendment to Limited Liability Company Agreement, dated December 11, 2020	Filed herewith
10.7.1*	License Agreement, dated February 11, 2020, by and between National Association for Stock Car Auto Racing, LLC and Racing Pro League, LLC	Previously filed
10.7.2	Amendment to License Agreement, dated December 11, 2020, by and between National Association for Stock Car Auto Racing, LLC and Racing Pro League, LLC	Filed herewith
10.8.1*	Second Amended and Restated Distribution and License Agreement, dated January 1, 2019, by and between 704Games Company and NASCAR Team Properties	Previously filed
10.8.2	Amendment to Second Amended Distribution and License Agreement, dated November 30, 2020, by and between 704Games Company and NASCAR Team Properties	Filed herewith
10.9*	License Agreement, dated May 29, 2020, by and between BARC (TOCA) Limited and Motorsport Gaming US LLC	Previously filed
10.10.1*	Distribution Agreement, dated April 18, 2016, by and between U&I Entertainment, LLC and 704Games Company LLC	Previously filed
10.10.2	Amendment to Distribution Agreement, dated November 23, 2020, by and between U&I Entertainment, LLC and 704Games Company	Filed herewith
10.11+	Employment Agreement, effective as of January 1, 2020, by and between Motorsport Gaming US LLC and Dmitry Kozko	Previously filed
10.12+	Offer Letter, effective as January 3, 2020, by and between Motorsport Gaming US LLC and Jonathan New	Previously filed
10.13.1+	Statement of Terms and Conditions of Employment, dated June 26, 2018, by and between Autosport Media UK Limited and Stephen Hood	Previously filed
10.13.2+	Letter Agreement, dated April 5, 2019, by and between Autosport Media UK Limited and Stephen Hood	Previously filed
10.13.3+	Statement of Terms and Conditions of Employment, dated October 1, 2020, by and between Motorsport Games Limited and Stephen Hood	Previously filed
10.14.1	Promotional Services Agreement, dated July 20, 2020, by and between Motorsport Gaming US LLC and Fernando Alonso Diaz	Previously filed
10.14.2	Amendment to Promotional Services Agreement, dated November 23, 2020, by and between Motorsport Gaming US LLC and Fernando Alonso Diaz	Filed herewith
10.15+	Form of Motorsport Games Inc. 2020 Equity Incentive Plan	Previously filed
10.16+	Form of Incentive Stock Option Award Agreement Under the Motorsport Games Inc. 2020 Equity Incentive Plan	Previously filed
10.17+	Form of Restricted Stock Award Agreement Under the Motorsport Games Inc. 2020 Equity Incentive Plan	Previously filed
10.18	Grant of the Right of First Refusal, dated May 19, 2020, by and between Motorsport Gaming US LLC and Luminis International B.V.	Previously filed
10.19*	Software Development and License Agreement, dated May 19, 2020, by and between Motorsport Gaming US LLC and Studio397 B.V.	Previously filed
10.20*	License Agreement, dated August 11, 2020, by and between Epic Games International S.à.r.l. and MS Gaming Development LLC	Previously filed

10.21 *	Xbox Console Publisher License Agreement, by and between Microsoft Corporation and 704Games Company	Filed herewith
10.22 *	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	Filed herewith
10.23	Stock Purchase Agreement, dated August 18, 2020, by and among HC2 Holdings 2, Inc., Continental General Insurance Company and Motorsport Gaming US LLC	Previously filed
10.24+	Form of Stock Option Award Agreement to Dmitry Kozko	Previously filed
10.25	Lease Agreement, dated May 15, 2020, by and between Lemon City Group, LLC and 704Games Company	Previously filed
10.26	Side Letter Agreement relating to Promissory Note, dated September 4, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	Previously filed
10.27	Stock Purchase Agreement, dated October 6, 2020, by and among Leo Capital Holdings, LLC and Motorsport Gaming US LLC	Previously filed
10.28	Amendment to Promissory Note, dated November 23, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	Previously filed
10.29*	Letter of Intent, dated November 23, 2020, by and between Automobile Club de l'Ouest and Motorsport Gaming US LLC	Filed herewith
21.1	Subsidiaries of the registrant	Previously filed
23.1	Consent of Dixon Hughes Goodman LLP, Independent Registered Public Accounting Firm	To be filed by amendment hereto
23.2	Consent of Snell & Wilmer L.L.P.	Contained in Exhibit 5.1
24.1	Powers of Attorney	See signature page

* Portions of the exhibit, marked by brackets, have been omitted because the omitted information (i) is not material and (ii) would likely cause competitive harm if publicly disclosed.

\+ Indicates management contract or compensatory plan.

(b) Financial statement schedules

Schedules not listed above have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Miami, State of Florida, on , 2020.

MOTORSPORT GAMING US LLC

By: _____
Dmitry Kozko
Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Dmitry Kozko and Jonathan New, and each one of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in their name, place, and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective on filing pursuant to Rule 462(b) under the Securities Act of 1933, as amended, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
By: _____ Dmitry Kozko	Chief Executive Officer and Executive Chairman (Principal Executive Officer)	, 2020
By: _____ Jonathan New	Chief Financial Officer and Director (Principal Financial and Accounting Officer)	, 2020
By: _____ Neil Anderson	Director	, 2020
By: _____ Francesco Piovanetti	Director	, 2020
By: _____ Rob Dyrdek	Director	, 2020

Exhibit 10.2.2

AMENDMENT TO EXCLUSIVE PROMOTION AGREEMENT

This Amendment to Exclusive Promotion Agreement (as defined below) is effective as of December 1, 2020 (this "**Amendment**").

WHEREAS, Motorsport Gaming US LLC, a Florida limited liability company ("**Motorsport Games**"), and Motorsport Network LLC, a Florida limited liability company ("**Motorsport Network**"), entered into that certain Exclusive Promotion Agreement, effective as of August 3, 2018 (the "**Agreement**"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement.

WHEREAS, Section 5.d. of the Agreement allows the parties to modify the Agreement if agreed in writing by both Motorsport Games and Motorsport Network.

WHEREAS, Motorsport Games and Motorsport Network desire to amend Section 4 of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, Motorsport Games and Motorsport Network hereby agree that the Agreement shall be amended as follows:

1. **Recitals**. All of the recitals contained herein are true and correct and are incorporated herein by this reference.

   Amendment. Section 4 of the Agreement is hereby amended by adding the following sentence at the end of Section 4:

   "Notwithstanding the foregoing, the Parties and/or its direct and indirect parent entities shall have the right to disclose this Agreement and its terms and conditions as required by the applicable securities laws, rules and regulations."

2. **Limited Effect**. Except as expressly amended and modified by this Amendment, the Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

3. **Governing Law**. This Amendment and the rights and obligations of the parties hereto shall be construed in accordance with and governed by the internal laws of the State of Florida without regard to principles of conflicts of law.

4. **Counterparts**. This Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Amendment.

[Signatures are on following page.]

IN WITNESS WHEREOF, the parties to this Amendment have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the date first set forth above.

MOTORSPORT GAMING US LLC		**MOTORSPORT NETWORK LLC**	
By:	*/s/ Dmitry Kozko*	By:	*/s/ Mike Zoi*
Print name:	Dmitry Kozko	Print name:	Mike Zoi
Title:	CEO	Title:	Manager

Exhibit 10.6.2

AMENDMENT TO LIMITED LIABILITY COMPANY AGREEMENT

This Amendment to the LLC Agreement (as defined below) is effective as of December 11, 2020 (this "**Amendment**").

WHEREAS, Racing Pro League, LLC, a Delaware limited liability company (the "**Company**"), 704Games Company, a Delaware corporation ("**704GAMES**"), and RTA Promotions, LLC, a Delaware limited liability company ("**RTA**"), entered into that certain Limited Liability Company Agreement of Racing Pro League, LLC effective as of March 1, 2019 (the "**LLC Agreement**"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the LLC Agreement.

WHEREAS, Section 16.3 allows the LLC Agreement to be amended with the written agreement of all members of the Company.

WHEREAS, 704GAMES and RTA, being all of the members of the Company, desire to amend the LLC Agreement as set forth herein.

NOW THEREFORE, in consideration of the mutual covenants contained herein, 704GAMES and RTA hereby agree that the LLC Agreement shall be amended as follows:

1. **Recitals**. All of the recitals contained herein are true and correct and are incorporated herein by this reference.

2. **Amendment**.

   Section 12.2(c) of the LLC Agreement is hereby amended by adding a new sentence in the end of such Section 12.2(c) as follows: "Notwithstanding anything to the contrary set forth herein or any other document, 704Games and/or its direct and indirect parent entities shall have the right to disclose this Agreement, any amendments or modifications thereto, and their respective terms and conditions as required by the applicable securities laws, rules and regulations."

   The definition of "Change of Control" in Article XVII of the LLC Agreement is hereby amended to add the following sentence in the end of such definition: "Notwithstanding anything to the contrary contained herein, an initial public offering of securities of Motorsport Gaming US LLC, a parent of 704Games Company, and any subsequent issuances of securities by Motorsport Gaming US LLC shall not be deemed a Change of Control regardless of any direct or indirect change in beneficial ownership of a majority of the total voting power of then-outstanding equity in Motorsport Gaming US LLC."

3. **Limited Effect**. Except as expressly amended and modified by this Amendment, the LLC Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

4. **Governing Law**. This Amendment and the rights and obligations of the parties hereto shall be construed in accordance with and governed by the internal laws of the State of Delaware without regard to principles of conflicts of law.

5. **Counterparts**. This Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Amendment.

[Signatures are on following page.]

IN WITNESS WHEREOF, the parties to this Amendment have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the date first set forth above.

RACING PRO LEAGUE, LLC

By: 704Games Company, its Managing Member
By: */s/ Dmitry Kozko*
Print name: Dmitry Kozko
Title: CEO

704Games Company

By: */s/ Dmitry Kozko*
Print name: Dmitry Kozko
Title: Director

RTA Promotions, LLC

By: */s/ Jonathan S. Marshall*
Print name: Jonathan S. Marshall
Title: Executive Director

Exhibit 10.7.2

AMENDMENT TO LICENSE AGREEMENT

This Amendment to License Agreement (as defined below) is effective as of December 11, 2020 (this "**Amendment**").

WHEREAS, Racing Pro League LLC, a Delaware limited liability company ("**Pro League**" or "**Licensee**"), and National Association for Stock Car Auto Racing, LLC f/k/a National Association for Stock Car Auto Racing, Inc., a corporation organized under the laws of Florida ("**NASCAR**" or "**Licensor**"), entered into that certain License Agreement, effective as of February 11, 2020 (the "**License Agreement**"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the License Agreement.

WHEREAS, Section 17(a) of the License Agreement Terms and Conditions allows the parties to modify the License Agreement if agreed in a signed writing by both Pro League and NASCAR.

WHEREAS, Pro League and NASCAR desire to amend Sections 17(b) and 17(d) of the License Agreement Terms and Conditions.

NOW THEREFORE, in consideration of the mutual covenants contained herein, Licensee and Licensor hereby agree that the License Agreement shall be amended as follows:

1. **Recitals**. All of the recitals contained herein are true and correct and are incorporated herein by this reference.

2. **Amendment**.

   Section 17(b) of the License Agreement Terms and Conditions is hereby amended by adding a new sentence in the end of such Section 17(b) as follows: "Notwithstanding anything to the contrary set forth herein or any other document, Licensee and/or its direct and indirect parent entities shall have the right to disclose this Agreement, any amendments or modifications thereto, and their respective terms and conditions as required by the applicable securities laws, rules and regulations, provided that Licensee and/or its direct and indirect parent entities seek confidential treatment of certain business terms and proprietary information of the Agreement as mutually agreed upon by the parties."

   Section 17(d) of the License Agreement Terms and Conditions is hereby amended and replaced in its entirety as follows: "This Agreement is personal to Licensee, and Licensee shall not sublicense, franchise, or otherwise transfer any of its rights, except as permitted under this Agreement. Neither this Agreement nor any of each Party's rights shall be sold, transferred or assigned by such Party without the other Party's prior written approval, and no rights shall devolve by operation of law or otherwise upon any assignee, receiver, liquidator, trustee or other Party. Any attempted transfer in violation of this section shall be null and void. Further, any assignment or attempted assignment pursuant to the change of control of Licensee or merger or the sale of stock, assets or business of Licensee shall not be effective without the prior written consent of Licensor, which shall not be unreasonably withheld. Subject to the foregoing, this Agreement shall be binding upon any approved assignee or successor of a Party and shall inure to the benefit of the other Party, its successors and assigns; provided, however, that any such approved transfer shall not relieve a Party of its obligations hereunder to the other Party. Notwithstanding the foregoing and anything herein to the contrary, Licensee shall be permitted to freely assign, sell and/or transfer its rights to: (i) Licensee's current members (the "Licensee Parties"), and/or (ii) any member of one of the Licensee Parties, so long as such member is, at the time of the assignment, sale and/or transfer, an owner in good standing of a NASCAR Cup Series charter agreement. However, and notwithstanding the foregoing, Licensor shall have a thirty (30) day right to terminate this Agreement in the event of a potential conflict due to the assignment, sale or transfer of Licensee's rights to a member of one of the Licensee Parties who was not a member of either of the Licensee Parties as of April 3, 2019 (i.e., Chip Ganassi Racing, Penske Racing South, Richard Childress Racing, Roush Fenway Racing, Hendrick Motorsports, Germain Racing, Leavine Family Racing, Stewart-Haas Racing, Richard Petty Motorsports, Joe Gibbs Racing, Circle Sport/Go Fas (CSGFR, LLC), JTG Racing, and Wood Brothers Racing)."

3. **Limited Effect**. Except as expressly amended and modified by this Amendment, the License Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

4. **Governing Law**. This Amendment and the rights and obligations of the parties hereto shall be construed in accordance with and governed by the internal laws of the State of North Carolina without regard to principles of conflicts of law.

5. **Counterparts**. This Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Amendment.

[Signatures are on following page.]

IN WITNESS WHEREOF, the parties to this Amendment have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the date first set forth above.

LICENSOR:		**LICENSEE:**	
NATIONAL ASSOCIATION FOR STOCK CAR AUTO RACING, LLC		**RACING PRO LEAGUE, LLC**	
By:	*/s/ Paul Sparrow*	By:	704Games Company, its Managing Member
Print name:	Paul Sparrow	By:	*/s/ Dmitry Kozko*
Title:	Managing Director	Print name:	Dmitry Kozko
		Title:	CEO

AMENDMENT TO DISTRIBUTION AND LICENSE AGREEMENT

This Amendment to Distribution and License Agreement (as defined below) is effective as of November 30, 2020 (this "**Amendment**").

WHEREAS, 704Games Company, a Delaware corporation ("**704GAMES**" or "**Licensee**"), and NASCAR Team Properties, a series trust organized under the laws of Delaware ("**NTP**" or "**Licensor**"), entered into that certain Second Amended and Restated Distribution and License Agreement, effective as of January 1, 2019 (the "**Distribution and License Agreement**"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Distribution and License Agreement.

WHEREAS, Section 15.2 of the Distribution and License Agreement allows the parties to modify the Distribution and License Agreement if agreed in writing by both 704GAMES and NTP.

WHEREAS, 704GAMES and NTP desire to amend Section 8.2(c) of the Distribution and License Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, 704GAMES and NTP hereby agree that the Distribution and License Agreement shall be amended as follows:

1. **Recitals**. All of the recitals contained herein are true and correct and are incorporated herein by this reference.

2. **Amendment**. Section 8.2(c) of the Distribution and License Agreement is hereby amended and restated in its entirety as follows:

   "(c) if 704GAMES (i) discontinues is business as now conducted, (ii) sells all or substantially all of its assets, (iii) sells or grants rights to any product line or division that includes any of the Licensed Products, or (iv) directly or indirectly assigns, transfers, sublicenses or encumbers any of its rights under this Agreement in violation of the terms hereof without the prior express written consent of NTP;".

   Section 11 of the Distribution and License Agreement is hereby amended by adding the following sentence in the end of Section 11: "Notwithstanding anything to the contrary set forth herein or any other document, Licensee and/or its direct and indirect parent entities shall have the right to disclose this Agreement, including any amendments or modifications thereof, and their respective terms and conditions as required by the applicable securities laws, rules and regulations, provided that Licensee and/or its direct and indirect parent entities seek confidential treatment of certain business terms and proprietary information of the Agreement as mutually agreed upon by the parties."

3. **Limited Effect**. Except as expressly amended and modified by this Amendment, the Distribution and License Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

4. **Governing Law**. This Amendment and the rights and obligations of the parties hereto shall be construed in accordance with and governed by the internal laws of the State of North Carolina without regard to principles of conflicts of law.

5. **Counterparts**. This Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Amendment.

[Signatures are on following page.]

IN WITNESS WHEREOF, the parties to this Amendment have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the date first set forth above.

LICENSOR:		**LICENSEE:**	
NASCAR TEAM PROPERTIES SOLELY FOR AND WITH RESPECT TO ITS VIDEO GAME AND DIGITAL SERIES		**704GAMES COMPANY**	
By:	*/s/ Paul Sparrow*	By:	*/s/ Dmitry Kozko*
Print name:	Paul Sparrow	Print name:	Dmitry Kozko
Title:	Trustee	Title:	CEO

Exhibit 10.10.2

AMENDMENT TO DISTRIBUTION AGREEMENT

This Amendment to Distribution Agreement (as defined below) is effective as of November 23, 2020 (this "**Amendment**").

WHEREAS, 704Games Company, a Delaware corporation ("**704GAMES**") and U&I Entertainment, LLC, a Minnesota limited liability company ("**U&I**"), entered into that certain Distribution Agreement, dated as of April 18, 2016 (the "**Agreement**"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement.

WHEREAS, Section 12.4 of the Agreement allows the parties to modify the Agreement if agreed in writing by both 704GAMES and U&I.

WHEREAS, 704GAMES and U&I desire to amend Section 11.1 of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, 704GAMES and U&I hereby agree that the Agreement shall be amended as follows:

1. **Recitals**. All of the recitals contained herein are true and correct and are incorporated herein by this reference.

2. **Amendment**. Section 11.1 of the Agreement is hereby amended by adding the following sentence at the end of Section 11.1: "Notwithstanding anything to the contrary set forth herein or any other document, each Party and/or its direct and indirect parent entities shall have the right to disclose this Agreement and its terms and conditions as required: (i) by the applicable securities laws, rules and regulations; and (ii) to its shareholders, subject always to such Party ensuring its shareholders comply with the confidentiality provisions of this Agreement."

3. **Effect of this Amendment**. (i) This Amendment is intended to be a valid and legally binding amendment to the Agreement in accordance with Clause 12.4; and (ii) except as expressly amended and modified by this Amendment, the Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

4. **Governing Law**. This Amendment and the rights and obligations of the parties hereto shall be construed in accordance with and governed by the internal laws of the State of Minnesota without regard to principles of conflicts of law.

5. **Counterparts**. This Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Amendment.

[Signatures are on following page.]

IN WITNESS WHEREOF, the parties to this Amendment have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the date first set forth above.

U&I Entertainment, LLC		**704GAMES COMPANY**	
By:	*/s/ Martin Hawk*	By:	*/s/ Dmitry Kozko*
Print name:	Martin Hawk	Print name:	Dmitry Kozko
Title:	Trustee	Title:	CEO

Exhibit 10.14.2

AMENDMENT TO PROMOTIONAL SERVICES AGREEMENT

This Amendment to Promotional Services Agreement (as defined below) is effective as of November 23, 2020 (this "**Amendment**").

WHEREAS, Motorsport Gaming US LLC, a Florida limited liability company ("**Company**"), and Fernando Alonso Diaz ("**Consultant**"), entered into that certain Promotional Services Agreement, effective as of July 20, 2020 (the "**Agreement**"). Capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Agreement.

WHEREAS, Section 11 of the Agreement allows the parties to modify the Agreement if agreed in writing by both the Company and Consultant.

WHEREAS, Company and Consultant desire to amend Section 5 of the Agreement.

NOW THEREFORE, in consideration of the mutual covenants contained herein, Company and Consultant hereby agree that the Agreement shall be amended as follows:

1. **Recitals**. All of the recitals contained herein are true and correct and are incorporated herein by this reference.

2. **Amendment**. Section 5 of the Agreement is hereby amended by adding the following sentence at the end of Section 5:

   "Notwithstanding anything to the contrary set forth herein or any other document, the Company and/or its direct and indirect parent entities shall have the right to disclose this Agreement and its terms and conditions as required by the applicable securities laws, rules and regulations."

3. **Limited Effect**. Except as expressly amended and modified by this Amendment, the Agreement shall continue to be, and shall remain, in full force and effect in accordance with its terms.

4. **Governing Law**. This Amendment and the rights and obligations of the parties hereto shall be construed in accordance with and governed by the internal laws of the State of Florida without regard to principles of conflicts of law.

5. **Counterparts**. This Amendment may be executed simultaneously in any number of counterparts. Each counterpart shall be deemed to be an original, and all such counterparts shall constitute one and the same instrument. Delivery of an executed counterpart of a signature page of this Amendment in Portable Document Format (PDF) or by facsimile transmission shall be as effective as delivery of a manually executed original counterpart of this Amendment.

[Signatures are on following page.]

IN WITNESS WHEREOF, the parties to this Amendment have caused their names to be signed hereto by their respective officers thereunto duly authorized as of the date first set forth above.

COMPANY:		**CONSULTANT:**
MOTORSPORT GAMING US LLC		
By:	*/s/ Dmitry Kozko*	*/s/ Fernando Alonso Diaz*
Print name:	Dmitry Kozko	Fernando Alonso Diaz
Title:	CEO	

Exhibit 10.21

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item (601)(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

XBOX CONSOLE PUBLISHER LICENSE AGREEMENT

This Xbox Console Publisher License Agreement is entered into and effective as of [***] ("***Effective Date***"), between Microsoft Corporation, a Washington corporation, ("***Microsoft***"), and 704Games Company, a Florida company ("***Publisher***").

RECITALS

Microsoft or its Affiliates provide a family of computer game and entertainment systems, including the Xbox One, Xbox One S, Xbox One X, and their successors and variants (collectively, "***Xbox One***"), a next generation game and entertainment system and its successors and variants (collectively, ***"Xbox Series"***), and an associated proprietary online service (known as "***Xbox Live***".) Publisher intends to develop and/or publish software products for Xbox Consoles on the terms in this Agreement. The parties agree as follows:

1. Exhibits. The following exhibits are incorporated into this Agreement by this reference:

Exhibit 1: Digital Store Payments **Exhibit 2:** Physical Disc Manufacture and Sales

2. Definitions. As further described in this Agreement, the following terms have the following respective meanings:

2.1. "***Affiliate***" means a person or entity that Controls, is Controlled by, or is under common Control with a party (but only for so long as Control exists), where "Control" of a person or entity means the possession, directly or indirectly, of the power to direct or cause the direction of the management, operating policies, or assets of that person or entity, whether by way of ownership of more than 50% of its voting or equity securities or assets or by way of contract, management agreement, voting trust, or otherwise.

2.2. "***Agreement***" means this Xbox Console Publisher License Agreement and includes this document (including all Exhibits), the Publisher Guide, any approved Concept submission forms (in the form approved by Microsoft), any other documents expressly referenced in other parts of this Agreement, the GDK Licenses, and applicable terms of the NDA.

2.3. "***Avatar***" means a character that is a virtual representation of an End User created using the Microsoft- provided avatar creator tools.

2.4. "***Avatar Items***" means items such as wearables for use with an Avatar.

2.5. "***Base Game***" means each software product (in either digital or physical format), as described in an approved Concept, including any Title Updates (if and to the extent approved by Microsoft) but does not include Demo, Trial, Premium Downloadable Content, or additional downloadable content.

2.6. "***Beta***" is a portion of an applicable Software Title that may be distributed to a select audience at no cost to test and help further develop a Software Title.

2.7. "***Branding Specifications***" means the specifications as provided by Microsoft for using Microsoft Trademarks, as set forth in the Publisher Guide.

2.8. "***Business Day***" means any day other than Saturday, Sunday, or national holidays in the U.S.A.

2.9. "***Certification***" means the approval process in which Microsoft approves or disapproves of a Software Title for distribution.

2.10. "**Certification Requirements**" means the requirements necessary to ensure proper functioning of the Software Title on Xbox Consoles and Xbox Services, as further described in this Agreement. Certification Requirements include Xbox Requirements, technical certification requirements, and functional test cases. The Certification Requirements will be set forth in the Publisher Guide and enforced during Certification.

2.11. "***Commercial Release***" or "***Commercially Released***" means the first availability of a Software Title to End Users not designated as a Demo or Trial.

2.12. "***Competitive Platforms***" means: [***]

2.13. "***Concept***" means a detailed description of Publisher's proposed Software Title, including such information as may be requested by Microsoft.

2.14. "***Data Protection Law***" means any law, rule, regulation, decree, statute, or other enactment, order, mandate or resolution, applicable to Publisher or Microsoft, relating to data security, data protection and/or privacy, and any implementing, derivative or related legislation, rule, regulation, and regulatory guidance, as amended, extended, repealed and replaced, or re-enacted.

2.15. "***Demo***" means a small portion of an applicable Software Title or timed availability of full Software Title that is provided to End Users at no or minimal cost to advertise or promote a Software Title.

2.16. "***DFU***" or "***Digital Finished Unit***" means an object-code copy of a Software Title that has passed Certification and has been approved by Microsoft and Publisher for Commercial Release.

2.17. "***Digital Content***" means any content, feature, or service published by Publisher for electronic distribution under this Agreement. Digital Content includes DFUs, PDLC, Game Features, Title Updates, Beta, Demo, Avatar Items, Trials, trailers, "themes," "gamer pictures" or any other category of digital content or online service approved by Microsoft or otherwise described in the Publisher Guide.

2.18. "***End User***" means an individual or entity that uses an Xbox Console, its features or applications, and associated services.

2.19. "***Game Features***" means content, features, or services (e.g., map packs, levels, and multiplayer functionality) related to consuming a specific Software Title that are made available to End Users, whether included in the Software Title or otherwise distributed via Xbox Services or Publisher Services (as defined in Section 11.3).

2.20. "***IPR***" means any patents, copyrights, trademarks and service marks, trade secrets, moral rights, and any other intellectual property or proprietary rights arising at any time under the applicable law of any applicable jurisdiction.

2.21. "***Marketing Guidelines***" means the requirements that form the basis for Microsoft's review and approval of Publisher's Marketing Materials and any media plan as per the Publisher Guide.

2.22. "***Marketing Materials***" collectively means all press releases, marketing, advertising, or promotional materials related to a Software Title, including web advertising and Publisher's web pages to the extent they refer to Software Title(s) that will be used and distributed by Publisher in the marketing of Software Title(s).

2.23. "***Microsoft Store***" means the proprietary online marketplace or store through which Digital Content is made available to End Users. Microsoft may elect to change the branding and/or name of Microsoft Store from time to time.

2.24. "***Microsoft Trademarks***" means the Microsoft trademarks so identified in the Publisher Guide.

2.25. "***NDA***" means the Microsoft Corporation Non-Disclosure Agreement entered into between the parties and signed by Publisher on [***].

2.26. "***Personal Data***" means any information relating to an identified or identifiable natural person ("Data Subject") and any other data or information that constitutes personal data or personal information under any applicable Data Protection Law.

2.27. "***Premium Downloadable Content (PDLC)***" means downloadable additional content offered to an End User for a fee, such as a game add-on, available from the Microsoft Store for use with or in a Software Title.

2.28. "***Project xCloud***" means the cloud-based game streaming features and service of Xbox Consoles. Microsoft may elect to change the branding and/or name of Project xCloud from time to time.

2.29. "***Sales Territory***" means the Asian Sales Territory, Australian Sales Territory, European, Middle East and African Sales Territory, Japan Sales Territory, North American Sales Territory, and South American Sales Territory as described further in the Publisher Guide.

2.30. "***Software Title***" means each software product that Publisher publishes for Xbox Consoles, in either digital or physical format, including any Title Updates (if and to the extent approved by Microsoft) and all Digital Content for such Software Title.

2.31. "***Streaming Devices***" means [***].

2.32. "***Sub-Publisher***" means an entity that has a valid Xbox Console Publisher License Agreement with Microsoft or a Microsoft Affiliate, and with which Publisher has entered into a written agreement to allow such entity to publish a Software Title in specific countries.

2.33. "***Trial***" means a subset of a full Software Title that can be converted to the full experience through digital entitlements and to which an End User is granted limited or timed access at no cost.

2.34. "***User Generated Content***" means any content that originates from End Users in any format, including graphics, text, or voice content published through or as part of a Software Title.

2.35. "***Verification Version***" means a unit of a Software Title that is intended to comply fully with all terms of this Agreement and that has not passed Certification, which is provided by Publisher for testing purposes.

2.36. "***Xbox Console(s)***" means collectively, Xbox One and Xbox Series.

2.37. "***Xbox Console Remote Access***" means the features that allow End Users to access their gameplay experiences from their Xbox Consoles on Streaming Devices.

2.38. "***Xbox Requirements***" or "***XRs***" means objective requirements regarding proper operation of Software Titles in relation to Xbox Consoles and Xbox Services, as stated in the Publisher Guide and enforced during Certification, and policy requirements that are enforced over the life of the Software Title.

2.39. "***Xbox Services***" means the proprietary online service offered by Microsoft to Xbox Live Users. The current product name of Xbox Services is "Xbox Live." Microsoft may elect to change the branding and/or name of Xbox Services from time to time.

2.40. **Other Terms.** Other initially capitalized terms are defined by their first use.

3. Game Development Kit License / Loaned Equipment.

3.1. **Xbox One and Game Development Kit License.** Xbox One Development Kits ("***XDK***") and Game Development Kits ("***GDK***") are licensed to Publisher and/or its Affiliates(s) under the terms of the development kit license(s) between Publisher and/or its Affiliate(s) and Microsoft for the relevant territory (each a "***GDK License***"). Microsoft retains title and ownership of the XDK and GDK, which will be licensed to Publisher and/or its Affiliates during the Term.

3.2. **Loaned Equipment.** Microsoft may periodically loan Publisher certain Microsoft assets in relation to Publisher's development, marketing, and promotion of Software Titles. Such loaned assets may include Xbox Console kiosks, Xbox Console hardware, and accessories ("***Loaned Equipment***"). With respect to all Loaned Equipment provided to Publisher: (1) Publisher will not provide the Loaned Equipment to any third party not approved by Microsoft in advance ("***Approved Third Party***") and, if so approved, Publisher will be responsible for ensuring that the Approved Third Party complies with this Section 3.2; (2) Publisher is solely liable for theft, damage, loss, or injury to people or property occurring while such Loaned Equipment is in Publisher's or an Approved Third Party's possession or control; (3) the Loaned Equipment will be used only in a Microsoft-approved location; (4) Publisher's insurance policy described in Section 18 will cover all theft, loss, damage, or injury to people or property in relation to Publisher's or an Approved Third Party's use or possession of Loaned Equipment; (5) Publisher (and any Approved Third Party) will use only power supplies, power cords, cables, and other parts and accessories provided by Microsoft to connect to or use Loaned Equipment; and (6) Publisher will return Loaned Equipment to Microsoft by the date requested (and in accordance with any shipping instructions provided by Microsoft). For clarity, Microsoft retains title and ownership of the Loaned Equipment.

4. **Publisher Guide.** Microsoft will provide Publisher access to a guide containing program-wide requirements and information applicable to the Xbox Consoles platform (as supplemented, revised or updated by Microsoft from time to time, the "***Publisher Guide***"), including Xbox Requirements, Branding Specifications, Marketing Guidelines, Xbox Games Store policy, End User data requirements, and other information regarding other operational aspects of Xbox Consoles, and Xbox Services. Each Software Title must comply with the Publisher Guide. On publication of a supplement, revision, or updated version of the Publisher Guide, Publisher will automatically be bound by all provisions. After a Software Title has completed optional certification or within [***] of submission for Certification, however, Publisher will not be obligated to comply, for such Software Title only, with any subsequent changes made by Microsoft to the Xbox Requirements or other required categories in the Publisher Guide, unless (1) such subsequent changes are intended to address privacy, security or technical integrity issues, or (2) compliance will not add significant expense or delay to a Software Title's development or Certification. Changes made to Branding Specifications or Marketing Guidelines will be effective as to a Software Title that has passed Certification only on a "going forward" basis (i.e., only to such Marketing Materials created more than [***] after Microsoft notifies Publisher of the change), unless Publisher can implement the change without delaying the publishing of affected Marketing Materials.

5. **Software Title Approval process.** The standard approval process for a Software Title is summarized below and is further described in the Publisher Guide.

5.1. **Concept.** Publisher will deliver to Microsoft a completed Concept submission form (using Microsoft's then- current form) describing the proposed Software Title. If Publisher wants to host (or have a third party host) any Game Features, Publisher will so indicate on the Concept submission form and must comply with all Publisher Services requirements in this Agreement the Publisher Guide. Microsoft will review Publisher's submission and notify Publisher whether the Concept is approved or rejected. Adherence to the approved Concept submission form is required for Certification.

5.2. **Certification.** Publisher will deliver to Microsoft the proposed final-release version of the applicable Software Title that is complete and ready for Commercial Release, commercial distribution, and access by End Users. Such version must include the final content rating required by Section 5.4. Microsoft will conduct compliance, compatibility, functional, and other testing to determine the Software Title's compliance with Certification Requirements ("***Certification Testing***") and will provide Publisher with the testing results, including any fixes required to pass Certification. Release from Certification for a Software Title requires: (1) passing Certification Testing; (2) conforming with the approved Concept; (3) providing any other materials required by the Publisher Guide; and (4) ongoing compliance with all Certification Requirements and other required categories in the Publisher Guide, except as otherwise provided in this Agreement. If a Software Title fails Certification, Microsoft may charge Publisher a reasonable fee designed to offset the costs associated with testing for any additional resubmissions. Publisher will not distribute any Software Title or submit any Software Title intended for distribution until Verification Version(s) have been submitted, evaluated, and approved, and Microsoft has given its final approval and release from Certification.

5.3. **Marketing Materials.** Publisher will submit to Microsoft all Marketing Materials that incorporate Microsoft Trademarks and will not use, publish, or distribute any such Marketing Materials until Microsoft has approved them in writing. Publisher will incorporate all changes related to the Microsoft Trademarks that Microsoft may require to bring such Marketing Materials into compliance with the Marketing Guidelines. Additionally, if press releases or announcements otherwise mention Xbox Consoles, Xbox Services, or Xbox Console versions of Software Titles, Publisher will make reasonable efforts to provide Microsoft with notice of such materials and their contents before release.

5.4. **Content rating.** Microsoft will not accept submission of a Software Title for Certification unless Publisher has obtained a rating of "Mature (17+)" (or its equivalent) or lower (i.e., more broadly appropriate) from appropriate rating bodies, including any independent content rating authority(ies) that Microsoft may reasonably designate (e.g., ESRB, PEGI, IARC). Publisher will include such rating(s) prominently on Marketing Materials, as per the applicable rating body's guidelines. For countries not using a content rating system, Microsoft will not approve any Software Title that, in Microsoft's opinion, is unsuitable for Xbox Consoles (e.g., because it contains excessive sexual content or violence, inappropriate language, or other unsuitable elements). If, after Commercial Release, Microsoft or a ratings body determines that a Software Title is suitable for adults only or is indecent, obscene, or illegal, Publisher will recall, at Publisher's own expense, all Marketing Materials for that Software Title. Unless Publisher has obtained, and communicated to Microsoft, a separate rating for Digital Content as per the Publisher Guide, Publisher represents and warrants that all Digital Content not in the initial Base Game for a Software Title will be consistent with the content rating (or, in those countries not using a content rating system, with the overall nature of the content) of the underlying Software Title. Publisher will also comply with any other rating requirements in the Publisher Guide. Microsoft may require removal of Digital Content or require Publisher to obtain a separate rating if Microsoft later deems such content inconsistent with the content rating for the underlying Software Title.

5.5. **User Generated Content.**

5.5.1. **Microsoft approval.** Publisher may not allow End Users to create, share, or otherwise provide User Generated Content through a Software Title without first obtaining Microsoft's express, written, approval. Furthermore, the Software Title must comply with any XRs related to the creation and/or consumption of User Generated Content.

5.5.2. **Third Party Claims.** If Microsoft has approved Publisher to make User Generated Content available, Publisher will maintain a procedure that complies with applicable law for removing User Generated Content in the event of a third party claim regarding the User Generated Content (e.g., of infringement, defamation, or violation of other rights). Microsoft may notify Publisher of any complaints related to User Generated Content. Publisher will remove User Generated Content subject to such claims no later than 48 hours after receipt of a third-party claim or notice from Microsoft. Publisher will notify Microsoft as soon as commercially practicable (and in any event no later than 48 hours) after Publisher receives any third-party claim, which notice will also specify the steps that Publisher has taken or will take in response. To mitigate escalation of any such claim, Microsoft may, in its discretion, take control of the claim and be the sole source of communication to the claimant.

5.5.3. **Violations of End User terms of use or code of conduct.** Microsoft may, in its discretion, require Publisher to remove User Generated Content that violates the End user terms of use, End User code of conduct, or both.

5.6. **Localization.** All Software Titles will be localized as required by local regulation (if applicable) and at least to the same extent (languages, in-game text, and voice) and provided to End Users in the same manner (e.g., incorporated in the Base Game) as any corresponding Competitive Platform product.

6. **Post-release compliance.**

6.1. **Bugs or errors.** Notwithstanding Microsoft's Certification, all Software Titles must remain in compliance with all Certification Requirements in the Publisher Guide on a continuing and ongoing basis. Nothing in this Agreement may be construed to relieve Publisher of its obligation to (and Publisher will, as soon as possible after discovery) correct material bugs and errors in Software Titles whenever discovered (including after Commercial Release) in a mutually-agreed manner (which may be via a Title Update). [***]

6.2. **Title Updates.** All Software Title digital patches and updates provided to End Users for free and that must be accepted for game play (collectively, "***Title Updates***") are subject to Microsoft's approval, except if otherwise stated in this Agreement. Microsoft may require Publisher to develop and provide a Title Update if a Software Title adversely affects Xbox Services. Microsoft reserves the right to remove or reverse a Title Update if such Title Update adversely impacts the Software Title (e.g., Software Title crashes for all End Users). Microsoft will not charge Publisher for Certification or distribution of Title Updates to End Users for any Title Update required by a Publisher Guide change or otherwise requested by Microsoft. However, [***]

6.3. **Minimum Commitment.** [***] Publisher will provide necessary customer support for such Game Feature during its availability and for [***] after discontinuation, and must retain in archive (in object code, source code, and symbol format) all versions of Digital Content made available to End Users during, and at least [***] after, the period in which it was available. Subject to Publisher's compliance with this Section 6.3, Publisher may terminate Microsoft's license to such Game Feature on [***] prior notice (which must include a Microsoft-approved decommission plan). Publisher will clearly notify End Users of the duration of availability, and will notify End Users reasonably in advance of discontinuation, of Game Features.

6.4. **Digital Content Availability.** Unless immediate removal is necessary to comply with Publisher's contractual or other legal obligations, Publisher will provide Microsoft [***] prior notice before removing Digital Content. Notwithstanding termination or expiration of Microsoft's license to distribute Digital Content, Microsoft may retain a copy of Digital Content, and Publisher grants Microsoft a license to redistribute the final version of any Digital Content to End Users who have previously purchased it, directly or indirectly, from Microsoft to their Xbox Consoles for [***], even if the End User is re- downloading to a different Xbox Console unit or within a different country than where originally downloaded.

6.5. **Disablement.** Microsoft may disable or remove any Digital Content from the Xbox Consoles (including by disabling previously downloaded copies on End Users' Xbox Consoles), Xbox Services, or the Microsoft Store, immediately and at any time, globally or in specific countries, if Microsoft determines that: (1) Publisher has breached this Agreement; (2) Publisher has terminated this Agreement in its entirety or as applicable to a particular Software Title, or terminated applicable license grants; (3) such Digital Content or its related Software Title fails to comply with applicable documentation, the approved Concept or other aspects of this Agreement; (4) such Digital Content or its related Software Title materially deviates from the version passing Certification or materially fails to perform as originally intended; (5) such Digital Content or its related Software Title is causing harm to (or is likely to harm) the Xbox Console, Xbox Services, third-party networks, End Users, or otherwise (e.g., due to piracy, security breach or security defects, or technical failure); or (6) such Digital Content is damaging (or is likely to damage) Microsoft's reputation, involve Microsoft in public controversy, or subject Microsoft to liability.

7. Other rights and obligations.

7.1. **Security.** Microsoft may add to the final release version of Software Titles delivered by Publisher to Microsoft such digital signatures, other security technology, and copyright management information (collectively, "***Security Technology***") as Microsoft elects, or Microsoft may elect to modify signatures included in any Security Technology included in the Software Title by Publisher. Additionally, Microsoft may add Security Technology that prohibits playing Software Titles on Xbox Consoles units sold in a country different from the country in which Software Titles are intended to be distributed, or Software Titles modified in any way not authorized by Microsoft. Any changes in Security Technology will not be applicable to Software Titles already in Certification testing, unless otherwise agreed by Publisher. Subject to this Section 7.1, Microsoft may update Security Technology requirements from time to time via the Publisher Guide.

7.2. **Samples.** For each Software Title published under this Agreement, Publisher will provide a reasonable number of samples as per the Publisher Guide (but not to exceed [***] per Software Title). Microsoft may use such samples for non-revenue generating purposes, such as for marketing, as product samples, and for customer support, product and charitable giveaways, testing, and archival purposes. Publisher will not be entitled to any [***] with respect to samples as authorized under this Section 7.2.

7.3. **Demos.** Subject to the Publisher Guide, Publisher may distribute Demo(s) digitally, either as a stand-alone or with other Demos, [***]. All rights, obligations, and approvals in this Agreement that apply to Software Titles will separately apply to any Demo. [***]

7.4. **Trials.** [***] All rights, obligations, and approvals in this Agreement that apply to Software Titles will separately apply to any Trial. [***]

7.5. **Sub-Publishing.** Publisher may enter into independent agreements with other publishers to publish Software Titles in approved countries if: (1) Publisher completes and provides to Microsoft, at least [***] before authorizing a Sub-Publisher to publish any Software Title(s) in each country for each Sub- Publisher, the Sub-Publishing Notification Form (as provided in the Publisher Guide) which will summarize the scope and nature of the Sub-Publishing relationship between Publisher and Sub-Publisher, identify which entity will be responsible for Certification of Software Title(s), list the Software Title(s) for which Sub- Publisher has acquired publishing rights, identify the geographic territory(ies) for which such rights were granted, and identify the term of Publisher's agreement with Sub-Publisher; and (2) Publisher and Sub- Publisher are and remain at all times in good standing under their respective publisher license agreements.

7.6. **Authorized affiliates.** If the parties and Publisher's Affiliate execute the "Authorized Affiliate" form (as provided by Microsoft in the Publisher Guide), such Affiliate may exercise the rights granted to Publisher under this Agreement. The foregoing will not apply to any Publisher Affiliate that operates from a European billing address. Any such European Affiliate must execute a Publisher Enrollment Form with Microsoft Ireland Operations Ltd., in the form provided in the Publisher Guide.

8. Pricing and Payment Exhibits. The parties will make payments to each other under the terms of the following Exhibit(s):

8.1. **Exhibit 1: Digital Store Payments**.

8.2. **Exhibit 2: Physical Disc Manufacture and Sales.**

9. Software Title parity. Each Software Title is subject to the following requirements:

9.1 **Features and content parity.**

9.1.1. [***]

9.1.2. [***]

9.2. **Simship with Competitive Platforms.**

9.2.1. [***]

9.2.2. [***]

9.3. **Software Title feature updates post-Commercial Release.** Subject to hardware limitations and announce/availability of development tools, at any time after Commercial Release, with respect to any hardware feature updates made to a Software Title (e.g., HDR, spatial audio) that are available for Competitive Platform versions, Publisher will (1) in its implementation of such features, optimize the performance and technical capability of Xbox Console versions in parity with the Competitive Platform version; and (2) make the same hardware feature updates commercially available for the Xbox Console versions either before or simultaneously with the Competitive Platform version(s). As used in this Section 9.3, "simultaneously" means within [***] of the availability of such hardware feature on a Competitive Platform.

9.4. **Cross Generation Licenses.** [***] Cross generation licenses must (1) grant End Users rights to both an Xbox One version and an Xbox Series version of the Software Title, and (2) include features and/or performance that differentiates the Xbox Series version of the Software Title from the Xbox One version, as described in the Publisher Guide.

10. Marketing, sales, support, and promotion.

10.1. **Publisher responsible.** As between Publisher and Microsoft, only Publisher will market Software Titles outside of the Microsoft Store, and only Microsoft is responsible and has sole discretion for marketing on the Microsoft Store and/or Microsoft sites. This section does not prohibit Publisher from purchasing advertising on Microsoft's advertising platforms (including the Microsoft Store). Publisher will provide all technical and other support related to Software Titles. Publisher will provide appropriate contact information (including Publisher's street address, telephone number, and the applicable individual/group responsible for customer support) to all End Users and to Microsoft for posting online. Microsoft is solely responsible for providing technical and all other support relating the Microsoft Store and Xbox Consoles.

10.2. **Software Title Marketing license.** Subject to Publisher's prior written consent (which may be via email) in each case (which will not be unreasonably withheld), Publisher grants Microsoft a worldwide, fully-paid, royalty-free, non-exclusive license to: (1) publicly perform and publicly display Software Titles at conventions, events, trade shows, press briefings, public interactive displays, and the like; (2) use the title of, screen shots from, and additional marketing assets related to the Software Title in advertising and promotional material related to Xbox Consoles and other Microsoft products and services, as Microsoft may reasonably deem appropriate; and (3) distribute Demos as a standalone product or with other demo software. The licenses granted in this Section 10.1 are sublicensable to Microsoft's Affiliates and third-party contractors. The parties may from time to time discuss additional proposed marketing and promotion activities. For purposes of the foregoing, it is not unreasonable for Publisher to withhold approval if it deems that its screen shots, advertising materials, and other materials permitted for use pursuant to this Section 10.2 would be depicted with Microsoft titles that compete with Publisher's Software Titles, or Microsoft's proposed use is inconsistent with Publisher's marketing plan for such Software Title (e.g., use by Microsoft prior to Publisher's official announcement of a Software Title). The parties will develop a process to pre- approve uses of Software Titles and screen shots in accordance with this Section 2. Nothing in this Agreement, however, will preclude Microsoft from using screen shots, Marketing Materials, and other materials permitted for use pursuant to this Section 10.2 as permitted by law without a license (e.g., "fair use" under applicable copyright and trademark law).

10.3. **Promotions.** If Publisher wants to distribute Microsoft-generated codes that are redeemable by End Users for Digital Content downloads ("***Tokens***") as part of promotional activities related to a Software Title (each, a "***Token Promotion***"), Publisher will comply with the Publisher Guide, including payment of all applicable fees as set in the Publisher Guide. Microsoft and Publisher may periodically develop, execute, and administer promotions involving Software Title(s) and execute a schedule for each Promotion as per the Publisher Guide.

11. Grant of distribution and other licenses; limitations.

11.1. **Digital Content rights.** In consideration of royalties payable under Exhibit 1, Publisher grants Microsoft a worldwide, transferable, sublicensable license during the Term to: (1) broadcast, transmit, distribute to the public, communicate to the public, make available, host, publicly perform and publicly display, reproduce, stream, and store Digital Content and Software Title gameplay for access, use, viewing, download and storage by End Users and other third parties. [***]

11.2. **Multiple Generation Xbox Console Support**. Publisher agrees that the rights granted to Microsoft in Section 11.1 also include the following rights in support of multiple-generational Xbox Console support:

11.2.1. Microsoft may make all Software Titles that are playable on Xbox One (including Software Titles from prior Xbox generations authorized by Publisher to play on Xbox One) available for access and use on Xbox Series at no cost to End Users who purchased or otherwise obtained rights to (e.g., via subscription) such Software Titles. [***]

11.2.2. Microsoft may make all Software Titles playable on Xbox One (including Software Titles from prior Xbox generations authorized by Publisher to play on Xbox One) available for purchase for access and use on Xbox Series.

11.2.3. Additional requirements for multiple generation Xbox Console support may be included in the Certification Requirements.

11.2.4. Publisher grants Microsoft the right to conduct testing of Software Titles that are playable on Xbox One to ensure compatibility and playability on Xbox Series.

11.2.5. Publisher has obtained and will maintain all third-party rights, consents, and licenses necessary to meet its commitments and obligations in this Section 11.2.

11.3. **Publisher Services.** As between Publisher and Microsoft, Microsoft will solely offer, host, fulfill, and deliver Software Titles, Game Features, and any other Xbox Console related content or services to End Users, [***].

11.3.1. Subject to Publisher's compliance with the terms of the Agreement and the Publisher Guide, Microsoft grants Publisher a worldwide, nonexclusive, royalty-free license to access the Xbox Services, as necessary to implement and operate the Publisher Services.

11.3.2. Subject to Microsoft's advance written consent (which may be by email), Publisher may subcontract to a third party host all or any portion of Publisher's rights or obligations solely with regard to providing Publisher Services. All actions and failures to act of any third party engaged by Publisher are imputed to Publisher and deemed to be Publisher's actions or failures to act. Publisher may provide the third party with access to only those portions of Xbox Services that are necessary to perform hosting services, and to no other portions. Publisher unconditionally and irrevocably guarantees any third party's performance of the applicable obligations imposed by this Agreement and the GDK License.

11.3.3. Additional requirements for Publisher Services may be included in the Publisher Guide.

11.4. **Gameplay record and share.** The Xbox Console gameplay record and share features allow End Users to record their gameplay experiences and publish the recorded gameplay clips to share with third parties via Microsoft and third-party video sharing sites and services. [***], Publisher grants Microsoft a worldwide, fully-paid, royalty-free, non-exclusive, perpetual license to, solely as part of the gameplay record and share features: (1) record portions of Software Title gameplay; (2) copy, archive, host, and have hosted such recordings; (3) create derivative works of such recordings (including by application of various compression and streaming technologies); (4) publicly perform, and publicly display such recordings; and (5) grant to third parties the right to view such recordings. The licenses granted in this Section 11.4 are sublicensable to Microsoft's affiliates, third-party contractors, and End Users.

11.5. **Gameplay streaming features.** The Xbox Console gameplay streaming features allow End Users to share their gameplay experiences with Microsoft and third-party applications and services (e.g., Mixer). [***], Publisher grants Microsoft a worldwide, fully-paid, royalty-free, non-exclusive, perpetual license, solely as part of the gameplay streaming feature, to broadcast, transmit, distribute, host, publicly perform and publicly display, reproduce, make available, communicate to the public, and stream gameplay of a Software Title with Microsoft and third-party applications and services. The licenses granted in this Section 11.5 are sublicensable to Microsoft's Affiliates, third-party contractors, and End Users.

11.6. **Xbox Console Remote Access.** [***], Publisher grants Microsoft a worldwide, fully-paid, royalty-free, non-exclusive, perpetual license, solely as part of the Xbox Console Remote Access feature, to (a) broadcast, transmit, distribute, host, publicly perform and publicly display, reproduce, and stream gameplay of a Software Title; and (b) provide use, access, and control of the gameplay on a Software Title on any Streaming Device.

11.7. **Project xCloud Support.** [***]

11.7.1. [***]

11.8. **Reservation.** All rights not expressly granted in this Agreement are reserved. Without limiting the above, and except to the extent otherwise expressly provided in this Agreement, nothing in this Agreement may be construed as a license to either party's IPR, expressly or by implication, estoppel, exhaustion, or otherwise.

11.9. **Ownership.** Except for IPR supplied by Microsoft to Publisher (including Microsoft Trademarks, licenses in software and hardware granted by a GDK License, or any of Microsoft's IPR that Publisher may have included in any Software Titles), ownership of which Microsoft retains, Publisher will, as between the parties, own all rights in the Software Titles.

11.10. **License to End Users.** Publisher may create a license agreement to govern Publisher's relationship with End Users with regard to Software Titles distributed to them (each, a "***EULA***"). If Publisher elects to bind End Users to a EULA, Publisher's EULA must: (1) to the maximum extent allowed by applicable law, disclaim any warranties, limit liability, and exclude damages on behalf of Microsoft and its Affiliates, either by category (e.g., by a reference to "Publisher's licensors") or by name; (2) disclaim any obligation on the part of Microsoft or its Affiliates to provide support or other services; (3) not prevent or limit access to the Software Title; and (4) not purport to govern or change, in any way, the End User's relationship with Microsoft under Microsoft's applicable agreements with such End User.

12. **Xbox Usage data and Personal Data.** Microsoft may collect and store Xbox Console usage data, including statistics, scores, ratings, and rankings (collectively, "***Xbox User Data***"), which may include End User Personal Data. Microsoft may periodically make certain Xbox User Data available to Publisher in accordance with the then-current Microsoft Privacy Statement. [***] Each party will comply with the obligations imposed on it under Data Protection Law. If Publisher receives Personal Data from Microsoft, then Publisher must comply with the following requirements:

12.1. Publisher must provide End Users with access to Publisher's privacy statement that governs Publisher's use of the Personal Data.

12.2. Publisher must ensure its network, operating system, software, databases, and other relevant computer systems are properly built, configured, and operated to store, manage and protect any Personal Data received or obtained from Microsoft in a secure manner.

12.3. [***]

12.4. [***]

12.5. [***]

12.6. Upon termination of the Agreement for cause, an adverse compliance review finding that Publisher is mishandling data, or upon investigation of Publisher by Microsoft or a third party for mishandling of data, Publisher will, at Microsoft's request, immediately delete or return to Microsoft all copies of Personal Data except to the extent Publisher has the right or obligation under applicable Data Protection Law to retain Personal Data after termination. If requested by Microsoft, Publisher shall confirm deletion in writing within 30 days.

12.7. Publisher will comply with Microsoft's other reasonable requirements governing the use of Xbox User Data set forth in the Publisher Guide.

13. Trademark rights and restrictions.

13.1. **Microsoft Trademarks.** Publisher will incorporate Microsoft Trademarks, and include credit and acknowledge Microsoft as required by the Branding Specifications, in each Software Title, Demo, Trial, and all Marketing Materials. Subject to all terms of this Agreement, Microsoft grants to Publisher a non- exclusive, non-transferable license to use Microsoft Trademarks on Software Titles, Demos, Trials, and Marketing Materials, solely in connection with marketing, sale, and distribution in approved countries. Except as expressly permitted in this Agreement, Publisher is granted no right, and will not purport to permit any third party, to use Microsoft Trademarks in any manner without Microsoft's prior written consent. Publisher has no right to use Microsoft Trademarks in connection with merchandising or selling related or promotional products, other than approved Demos. Publisher will not during the Term contest the validity of, by act or omission jeopardize, or take any action inconsistent with, Microsoft's rights or goodwill in Microsoft Trademarks in any country, including attempted registration of any Microsoft Trademark, or use or attempted registration of any mark confusingly similar to any Microsoft Trademark.

13.2. **Branding Specifications.** Publisher's use of Microsoft Trademarks must comply with the Publisher Guide, including the Branding Specifications. Publisher will not use Microsoft Trademarks with third-party trademarks in a manner that might suggest co-branding or otherwise create confusion as to source or sponsorship of the Software Title or Marketing Materials, or ownership of Microsoft Trademarks, unless Microsoft has approved such use, expressly and in writing. If Publisher learns of any non-conformance with this Section 13.2, it will promptly remedy such non-conformance and notify Microsoft of the non- conformance and remedial steps taken.

13.3. **Ownership; goodwill.** Publisher acknowledges Microsoft's ownership of, and all goodwill associated with, the Microsoft Trademarks. Use of the Microsoft Trademarks will not create any right, title, or interest in this Agreement in Publisher's favor. Publisher's use of the Microsoft Trademarks will inure solely to the benefit of Microsoft.

14. Confidentiality; publicity. The NDA will apply to all Confidential Information (defined in the NDA) provided by the parties under this Agreement or a GDK License (regardless of any earlier termination or expiration of the NDA). Any general terms in the NDA (e.g., applicable law and venue), however, will not apply to the extent they conflict with this Agreement. Except if otherwise stated in this Agreement, neither party will communicate with the press or public about their relationship under, or use the other's name connected to, this Agreement, without the other's express, prior, written consent, not to be unreasonably withheld. Notwithstanding the foregoing, if either party is advised by legal counsel that any portion of this Agreement must be disclosed as part of that party's public filings, it will notify the other in writing and the parties will jointly seek confidential treatment of such information to the maximum extent reasonably possible, in documents approved by both parties and filed with the applicable governmental or regulatory authorities, and Microsoft will prepare a redacted version of this Agreement for filing.

15. Protection of proprietary rights.

15.1. **Microsoft's IPR.** Publisher will promptly notify Microsoft if it learns of any infringement or misappropriation of Microsoft's IPR related to this Agreement. Microsoft may take such actions as it deems advisable to protect its IPR, and Publisher will, on request, cooperate with Microsoft in all reasonable respects, at Microsoft's expense. Microsoft will not, however, be required to take any action and may retain all proceeds derived from any such actions.

15.2. **Publisher's IPR.** Publisher, without Microsoft's express written permission, may bring any action related to actual or potential infringement of Software Titles, Marketing Materials, information, data, logos, software, or any other materials provided or otherwise made available by Publisher under or in relation to this Agreement (excluding only Microsoft Trademarks, Security Technology, and redistributable components in the form delivered to Publisher by Microsoft under a GDK License) (collectively, "***Publisher Content***"), to the extent such infringement involves Publisher's IPR (but not Microsoft's IPR). Publisher will make reasonable efforts to inform Microsoft regarding such actions in a timely manner and may retain all proceeds derived from any such actions.

15.3. **Joint actions.** The parties may jointly pursue cases of infringement involving Software Titles (as such products will contain IPR owned by each of them). Unless otherwise agreed, or unless recovery is expressly allocated between them by the court, if the parties jointly prosecute an infringement lawsuit under this Section 15.2, any recovery will be used first to reimburse the parties' respective reasonable attorneys' fees and expenses, pro rata, and any remaining recovery will also be given to the parties pro rata based on the fees and expenses incurred in bringing such action.

16. Representations, warranties, and disclaimers.

16.1. **Publisher.** Publisher continuously represents and warrants that:

16.1.1. It has full power to enter into this Agreement;

16.1.2. It has not previously granted, and will not grant, any rights to any third party that are inconsistent with the rights granted to Microsoft in this Agreement;

16.1.3. The Publisher Content does not, and Microsoft's and End Users' access to and use of Publisher Content through and in relation to Xbox Consoles will not, infringe or misappropriate any third-party IPR;

16.1.4. It will comply with all laws, regulations, administrative and court orders, and requirements applicable to (and will keep in force all necessary permits, licenses, registrations, approvals, and exemptions throughout the Term, as long as it is) distributing, selling, or marketing Publisher Content and Publisher's obligations under this Agreement;

16.1.5. The Publisher Content does not and will not contain any messages, data, images, or programs that are illegal (e.g., defamatory, obscene, pornographic, or violate privacy laws) or violate content rating requirements in all countries where the Software Title is marketed or distributed; and

16.1.6. Publisher has obtained and will maintain all third-party rights, consents, and licenses necessary for the permitted exploitation of Publisher Content and associated features, including Game Features, User Generated Content, gameplay recording and sharing, gameplay and Project xCloud streaming, remote access, and Digital Content under this Agreement.

16.2. **Microsoft.** Microsoft represents and warrants that it has full power to enter into this Agreement and it has not previously granted, and will not grant, any rights to any third party that are inconsistent with the rights granted to Publisher under this Agreement.

16.3. **Disclaimer. Expressly subject to Section 16.2, Microsoft provides all materials (including the Security Technology) and services under this Agreement "as is," without warranty of any kind, and, to the maximum extent permitted by applicable law, disclaims all other warranties (express, implied, statutory, or otherwise) under the applicable laws of any jurisdiction, regarding the materials and services it provides under this Agreement, including any warranties of merchantability or fitness for a particular purpose, of freedom from computer viruses, and of non-infringement.**

16.4. Excluded damages. To the maximum extent permitted by applicable law, in no event will Microsoft or its affiliates, licensors, or suppliers be liable for any special, incidental, punitive, or consequential damages of any kind or nature whatsoever, arising out of or related to this Agreement or the transactions contemplated under it, including lost profits or lost goodwill and whether based on breach of any express or implied warranty, breach of contract, tort (including negligence), or strict liability, regardless of whether Microsoft has been advised of the possibility of such damage or if such damage could have been reasonably foreseen.

16.5. Limitation of liability. [***]

17. Defense of claims.

17.1. Obligation. If a Claim is brought against a party, its Affiliates, agents, licensees, or successors, or any agents, directors, officers, or employees of any of them (all, collectively, "***Defendant***"), the other party ("***Respondent***") will defend the Claim (including by paying litigation costs and reasonable attorneys' fees) and pay any settlement that Respondent consents to or any adverse final judgment. As used in this Section, "***Claim***" means an unaffiliated third party's demand, suit, or other action to the extent: (1) as alleged, it reflects Respondent's breach of this Agreement; (2) as alleged, it arises from or relates to Respondent's gross negligence or willful misconduct; (3) solely for Microsoft as Respondent, it alleges that Publisher's use in any country of a Microsoft Trademark, as permitted under this Agreement, infringes claimant's trademark rights; or (4) solely for Publisher as Respondent, it relates to any Software Title or User Generated Content (excluding unmodified software delivered to Publisher by Microsoft under a GDK License), including any allegation relating to quality, performance, safety, privacy, security, or arising out of Publisher's use of Microsoft Trademarks in breach of this Agreement.

17.2. Procedure. Defendant: (1) will promptly notify Respondent of any Claim and permit Respondent, using agreed counsel, to answer and defend; (2) at Respondent's reasonable request and expense, will assist in the defense and provide non-confidential information; and (3) at its expense, may participate in the defense with separate counsel. Respondent is not responsible for settlements it does not consent to and will not settle Claims under this Section 17 without Defendant's consent (with both parties' consent not unreasonably withheld). Neither party will stipulate, acknowledge, or admit fault or liability on the other's part without the other's prior, written consent. Respondent will not publicize any settlement without Defendant's prior written consent.

18. Insurance.

18.1. **Coverage.** Publisher will maintain sufficient and appropriate insurance coverage to enable it to meet its obligations under this Agreement and by law. Without limiting the foregoing, Publisher will maintain all coverage required by **Table 1 below** (converted to the equivalent value in local currency, as of the date of issuance). The Professional Liability and Errors & Omissions Liability Insurance ("***E&O***") will include coverage for infringement of any third-party proprietary right, including copyright and trademark infringement, related to Publisher's performance under this Agreement. The E&O insurance retroactive coverage date will be no later than the Effective Date. Publisher will maintain an active policy, or purchase an extended reporting period providing E&O coverage for claims first made and reported to the insurance company within [***] after Microsoft's final payment related to this Agreement.

Table 1– Insurance Coverage Requirements

	Japan Sales Territory	Asian Sales Territory	Other Sales Territories
General liability coverage	[***]	[***]	[***]
E&O coverage	[***]	[***]	[***]
Deductible not to exceed	[***]	[***]	[***]

18.2. **Other requirements.** On request, Publisher will deliver to Microsoft proof of the coverage required by this Section 18. If Microsoft reasonably determines that Publisher's coverage is less than required to meet its obligations under this Agreement, Publisher will promptly acquire such coverage and notify Microsoft.

19. Bankruptcy. The rights conferred by Publisher on Microsoft under this Agreement, including those described in Sections 10.1 and 11, constitute a license running from Publisher to Microsoft of a right to intellectual property for purposes of Section 365(n) of the United States Bankruptcy Code (11 U.S.C. 101, et seq.), and that Microsoft will have, in a bankruptcy proceeding in which Publisher is a debtor, the rights of a "licensee" as set forth in that provision. In a bankruptcy proceeding of Publisher, and notwithstanding any other term of this Agreement, Publisher will not have the power, absent Microsoft's consent in its sole discretion, to assume or assign to a third- party any license running from Microsoft to Publisher of any property, interest, or right created in the Agreement, all such rights being purely personal to Publisher, such that governing non-bankruptcy law will preclude Publisher's assignment (and, if applicable, assumption) of those rights without Microsoft's consent.

20. Term and termination.

20.1. **Term.** This Agreement shall commence on the Effective Date and shall continue until March 31, 2022 (the "Term"). Unless one party gives the other notice of non-renewal within [***] of the end of the then-current term, this Agreement shall automatically renew for successive [***] terms. If the Agreement will expire, the parties will agree on a plan to allow End Users who purchase Software Titles near the expiration date to access and use the Digital Content of such Software Titles for a commercially reasonable time after expiration.

20.2. **Termination.** Either party may terminate this Agreement (in its entirety or solely for an applicable Software Title), effective immediately on notice if: (1) the other party materially breaches this Agreement (other than Section 14, the NDA, or a GDK License) and fails to cure within [***] after notice; (2) the other party materially breaches Section 14, the NDA, or a GDK License; or (3) if the other party becomes Insolvent. If Publisher is the breaching party, Microsoft may suspend availability of Digital Content during any cure period. In addition, Microsoft may terminate this Agreement immediately and without notice if Publisher fails to respond to all Agreement-related communications made by Microsoft during any consecutive [***] period (and automatically-generated responses are deemed not to be a response by Publisher for purposes of this termination right). Any notice of breach must be prominently labeled "Notice of Breach". Additionally, if Microsoft determines, at any time before Commercial Release that the applicable Software Title does not materially comply with the Publisher Guide (subject to Section 4) or any applicable laws, Microsoft may, notwithstanding any prior approvals, terminate this Agreement without cost or penalty on a Software Title by Software Title, or country by country basis, on notice to Publisher. "***Insolvent***" means admitting in writing the inability to pay debts as they mature; making a general assignment for the benefit of creditors; suffering or permitting appointment of a trustee or receiver for all or any assets, unless such appointment is vacated or dismissed within [***]; filing (or having filed) any petition as a debtor under any provision of law relating to insolvency, unless such petition and all related proceedings are dismissed within [***]; being adjudicated insolvent or bankrupt; having wound up or liquidated; or ceasing to carry on business.

20.3. **Effect.** On termination or expiration of this Agreement, Publisher has no further right to, and will not, exercise rights licensed under this Agreement. Publisher will, until the end of the Minimum Commitment term, continue to support existing Game Features for Software Titles sold before the effective date of termination or expiration.

20.4. **Cross-default.** If Microsoft has the right to terminate this Agreement, then it may also terminate the GDK License. If Microsoft has the right to terminate a GDK License, then Microsoft may also terminate this Agreement.

20.5. **Survival.** The following will survive expiration or termination of this Agreement: Sections 2, 6.3-6.4, 8, 10.1, 11.2.1, 11.4 (solely with respect to storing and distributing recorded gameplay clips), 11.5, 11.6, 11.7, 12, 14- 18, 20.3 - 20.5, and 21; Sections 1-5 of Exhibit 1; and Sections 1, 3.6-3.8, 3.10, 3.11, and 4-7 of Exhibit 2.

21. General.

21.1. **Law, venue, attorneys' fees.** Washington State law governs this Agreement (excluding conflicts principles that would require applying different law). If federal jurisdiction exists, the parties consent to exclusive jurisdiction and venue in the King County, Washington federal courts. If not, the parties consent to exclusive jurisdiction and venue in the King County, Washington Superior Court. In any action arising out of or relating to this Agreement, the prevailing party may recover its reasonable attorneys' fees, costs, and other expenses, including those on appeal or in a bankruptcy action.

21.2. **Notice.** All notices under this Agreement will be: (1) in writing; (2) in English; (3) deemed given when received; (4) sent by delivery service, messenger, or registered or certified mail (postage prepaid, return receipt requested); and (5) addressed and sent, with any required copies, as provided in Table 2 below (or as the recipient has otherwise designated, in writing or by email, before notice was sent). Ordinary business communications (excluding, for example, those related to payment or breach) may be sent by email and need not be cc'd.

Table 2– Contact Information

To Microsoft:	Microsoft Corporation One Microsoft Way Redmond, Washington 98052-6399 USA	**To Publisher:**	704games Company 5972 4th Avenue, Miami, FL 33137
Attention:	General Manager, Global Gaming Partnerships and Development	**Attention:**	CEO, Motorsport Gaming US LLC
Phone:	(425) 882-8080	**Phone:**	+1 305 507 87 99
Fax:	(425) 936-7329	**Fax:**	786-319-4168
Copy To:	Microsoft Corporation One Microsoft Way Redmond, Washington 98052-6399 USA Attn: Corporate, External, & Legal Affairs	**Copy To:**	Motorsport Games Silverstone Innovation Centre Silverstone Park, Silverstone NN12 8GX United Kingdom
Copy To Fax:	(425) 936-7329	**Copy To Fax:**	N/A

21.3. **No delay or waiver.** No delay or failure to exercise or enforce any right or remedy under this Agreement, and no course of dealing or performance, will waive any such right or remedy. No express waiver of any right or remedy in one instance will waive such right or remedy in any other instance. All rights and remedies will be cumulative, not exclusive.

21.4. **Assignment.** Publisher may not assign this Agreement, or any right or duty under it, to any third party unless Microsoft expressly consents to such assignment, in writing. Microsoft may assign this Agreement, or any right or duty under it, as it deems appropriate, or authorize its affiliates or contractors to perform this Agreement in whole or part on Microsoft's behalf. A merger, consolidation, or other corporate reorganization, or a transfer or sale of a controlling interest in a party's stock, or of all or substantially all of its assets, is deemed to be an assignment. This Agreement will inure to the benefit of and bind the parties, their successors, administrators, heirs, and permitted assigns.

21.5. **Relationship.** Each party is an independent contractor to the other and has no authority to act on behalf of or bind the other, and this Agreement does not create any other relationship (e.g., employment, partnership, or agency).

21.6. **Interpretation.** If a court of competent jurisdiction finds any part of this Agreement illegal, unenforceable, or invalid, that part will be deemed replaced with an enforceable term most closely matching the parties' intent, and the rest of the Agreement will remain in full force and effect. This Agreement will be interpreted according to its plain meaning without presuming that it should favor either party. Unless stated or context requires otherwise: (1) all internal references are to this Agreement, its parties, and its Exhibits; (2) all monetary amounts are expressed and, if applicable, payable, in U.S. dollars; (3) "***days***" means calendar days; (4) "***may***" means that the applicable party has a right, but not a concomitant duty; (5) "***partner***", if used in this Agreement or related documents, is used in its common, marketing sense and does not imply a partnership; (6) "***notify***" means to give notice as provided in (and "***notice***" means a notice that complies with) Section 21.1; (7) "***current***" or "***currently***" means "as of the Effective Date" but "***then-current***" means the present time when the applicable right is exercised or performance rendered or measured; (8) URLs are understood to also refer to successors, localizations, and information or resources linked from within websites at such URLs; (9) lists of examples following "***including***", ***"e.g.***", "***such as***", or "***for example***" are deemed to include "without limitation"; and (10) "***or***" means "and/or" (i.e., "a or b" is interpreted to mean "a, or b, or both a and b"); and (11) a party's choices under this Agreement are in its sole discretion.

21.7. **Injunction.** Publisher's threatened or actual unauthorized use of Microsoft Trademarks or other Microsoft proprietary rights, and either party's threatened or actual breach of confidentiality provisions, may result in immediate and irreparable damage for which there is no adequate remedy at law. In such event, the non- breaching party is entitled to appropriate injunctive relief from any court of competent jurisdiction.

21.8. **Miscellaneous.** All rights and remedies under this Agreement are cumulative. Each party will pay its own costs to perform (except if expressly stated otherwise). This Agreement: (1) is effective only when manually signed (i.e., with a pen) or signed via an electronic signature service by authorized representatives of both parties, which signature requirement is, without limitation, a material term; (2) is the parties' entire agreement on this subject and merges, replaces, and supersedes all related oral understandings, representations, prior discussions, letters of intent, or preliminary agreements, including any Xbox One Publisher License Agreement between the parties; (3) is formed as of the Effective Date; (4) may be modified only by a writing hand-signed (i.e., with a pen) or signed via an electronic signature service by authorized representatives of each party (except as otherwise expressly provided in this Agreement); and (5) may be executed in counterparts, by fax or other electronic means to accurately send images, or by electronic signature service. The parties have formed this Agreement as of the Effective Date.

21.9. **Microsoft Portal Terms and Conditions.** Publisher may be required to accept terms and conditions for the use of Microsoft web portals, including the App Developer Agreement (or its successor) governing the Microsoft Store and/or Partner Center (the "ADA"). In the event of any conflict between the terms of this Agreement and the ADA, the terms of this Agreement will control regarding the obligations of the parties governed by this Agreement (including the Certification, sale, and support of Publisher's Xbox Console Software Titles).

<Signature page to follow>

Agreed and accepted:

Microsoft Corporation		**704Games Company**	
Signature:	*/s/ Lacee Peterson*	Signature:	*/s/ Stephen Hood*
Name:	Lacee Peterson	Name:	Stephen Hood
Title:	Xbox 3PP Program Manager	Title:	Director, 704Games
Date:	5/14/2020	Date:	5/13/2020

EXHIBIT 1 – DIGITAL STORE PAYMENTS

1. Definitions. Capitalized terms used in this Exhibit but not defined below will have the meanings provided in the Agreement.

1.1. "***CSV***" [***]

1.2. "***CSV Remittance Rate***" [***]

1.3. "***WSP***" or "***Wholesale Price***" means, when used in this Exhibit 1, the price set by Publisher for Digital Content.

2. Digital Content and PDLC.

2.1. **Generally.** Publisher may submit Digital Content to Microsoft for distribution via the Microsoft Store. Publisher will set the WSP, which can be zero. Microsoft may choose to offer such Digital Content to End Users for free, for a fee, or not at all and for sale in currency or via CSV. If Publisher is requesting that Digital Content be delivered for free via the Microsoft Store, Microsoft may also charge Publisher a reasonable fee for such service. For all Digital Content for which Microsoft receives payment, Microsoft will pay Publisher a royalty as per Section 2.2 ("***Royalty Fee***").

2.2. **Royalty.** [***]

2.2.1. **CSV purchases.** [***]

2.2.2. **Non-CSV purchases.** [***]

2.3. **Payment.** [***]

2.4. **Xbox Services billing, collection, and Publisher Hosted Services.** Microsoft has the sole right to bill and collect all fees associated with Xbox Services, including for subscriptions or any Digital Content for which End Users may be charged, which amounts will be in Microsoft's discretion. As between Publisher and Microsoft, Microsoft will solely offer, host, fulfill, and deliver Digital Content and any other Xbox Console-related content or services to End Users, except as permitted for Publisher Services.

2.5. **Offsets.** [***]

2.6. **Additional payment.** [***]

2.7. **Taxes.** Neither party is liable for any of the other party's taxes that the other is legally obligated to pay and that are incurred or arise in connection with or related to transactions under this Agreement, and all such taxes (including net income or gross receipts taxes, franchise taxes, property taxes, or taxes arising from sales between a party and its subscribers or customers) are the financial responsibility of the party legally obligated to pay such tax. Each party will pay to the other any sales, use, or value-added taxes owed by that party solely as a result of entering into this Agreement and required to be collected under applicable law. A party may provide to the other a valid exemption certificate, in which case that other party will not collect taxes covered by such certificate. Each party will defend, indemnify, and hold the other harmless from any taxes (including sales or use taxes paid by one party to the other) or claims, causes of action, costs (including reasonable attorneys' fees), and any other liabilities of any kind whatsoever related to a party's taxes. If any taxes must be withheld on payments made by one party to the other, the paying party will deduct such taxes from the amount otherwise owed and pay them to the appropriate taxing authority. The paying party will secure and deliver to the other an official receipt for those withholdings and other documents reasonably requested by the other to claim a foreign tax credit or refund. The parties will use reasonable efforts to ensure that any taxes withheld are minimized to the extent possible under applicable law. This tax section will govern the treatment of all taxes arising as a result of, or connected with, this Agreement notwithstanding any other section of this Agreement.

3. Audit. Each party will keep all usual and proper records related to its performance under this Agreement (including any addenda or amendments), including audited financial statements and support for all transactions related to the ordering, production, inventory, distribution, or billing/invoicing information for [***] from the date created. Either party ("***Auditing Party***") may, on [***] notice, cause a third-party independent CPA or law firm to audit or inspect the other party's ("***Audited Party***") records no more than once in any [***] period to verify compliance with the financial, royalty, and payment terms of this Agreement. Auditing Party will have access to the previous [***] of Audited Party's records from the date that the audit request notice was received by Audited Party. The right of inspection and consultation will expire with respect to all records related to any amounts payable under this Agreement on the [***] anniversary of the date of the statement or payment to which such records relate. Any such audit will be conducted during regular business hours at Audited Party's offices and will be paid for by Auditing Party, unless Material discrepancies are disclosed. [***]

4. Xbox Play Anywhere. If a Software Title supports Xbox Play Anywhere ("***XPA***"), which means that the Software Title is playable on both Xbox Consoles and Windows 10 (as further described in the Publisher Guide), then Publisher acknowledges that for XPA Software Title(s) purchased via the Microsoft Store, the Royalty Fee set forth in Section 2 of Exhibit 1 shall be the sole compensation payable to Publisher for such XPA Software Title.

EXHIBIT 2 – PHYSICAL DISC MANUFACTURE AND SALES

The terms of this Exhibit govern the manufacturing and sale of Publisher's Software Titles on game media.

1. Definitions. Capitalized terms used in this Exhibit but not defined below will have the meanings provided in the Agreement.

1.1. "***Authorized Replicator***" means a software replicator approved by Microsoft to replicate FPUs for Xbox Consoles.

1.2. "***BTS***" means a Microsoft-designed break-the-seal sticker that will be issued to the Authorized Replicator for placement on the Packaging Materials as specified in the Publisher Guide.

1.3. "***FPU***" or "***Finished Product Unit***" means a copy of a Software Title, in object code form, that has passed Certification, has been affixed to a game media and is approved by Microsoft and Publisher for release and manufacturing. Once Packaging Materials have been added and the BTS has been assigned to the FPU or its packaging, the FPU also includes its accompanying BTS and Packaging Materials.

1.4. "***FPU Verification Version***" means a unit of a Software Title that is intended to comply fully with all terms of the Agreement and this Exhibit and that has not passed Certification, which Publisher or an Authorized Replicator provides for testing purposes.

1.5. ***"Packaging Materials***" means art and mechanical formats for the a Software Title, including retail packaging, End User instruction manual, warranties, End User warnings, FPU media label, and any promotional inserts and other materials to be included in retail packaging.

1.6. "***Security Technology***" means such digital signatures, other security technology, and copyright management information that may be added to an FPU.

1.7. "**SRP**" or "**Suggested Retail Price**" means the highest per unit price that Publisher or its agent recommends the FPU be made commercially available to End Users in the Japan Sales Territory.

1.8. "***Threshold Price***" means the WSP (for the North American, the European Middle East and African, the Asian, the Australian, and the South American Sales Territories) or SRP (for the Japan Sales Territory) at which Publisher intends to sell Software Titles. If the Software Title is bundled with any product or service that is not a Software Title, the Threshold Price will be the WSP or SRP for the entire bundle.

1.9. "***WSP***" or "***Wholesale Price***" [***]

2. Distribution License Conditions

2.1. **Content rating.** Publisher must include the content ratings(s) for all Software Titles prominently on FPUs and Marketing Materials, as per the applicable rating body's guidelines. If, after Commercial Release, Microsoft or a ratings body determines that the Software Title is suitable for adults only or is indecent, obscene, or illegal, Publisher must recall, at Publisher's own expense, all FPUs for the Software Title.

2.2. **Distribution license.** On Certification of a Software Title, approval of Marketing Materials, and receipt of the FPU Verification Version by Microsoft, and subject to all terms of the Agreement and this Exhibit, Microsoft grants Publisher a non-exclusive, non-transferable, personal license to distribute FPUs containing redistributable, sample code, and Security Technology in approved Sales Territories, solely in FPU form, to third parties for distribution to users or directly to End Users. Except for transfers of FPUs through normal distribution channels (e.g., retailers, wholesalers), Publisher may not sublicense, transfer, or assign its rights under this license to any third parties (including any right to distribute Software Titles or FPUs to another entity that will brand, co-brand, or otherwise assume control over such products as a "publisher" as that concept is understood in the console game industry) without Microsoft's express, prior, written consent. Publisher's license does not include any right, power, or authority to subject Microsoft's software (or derivative works of, or IPR associated with, such software) in whole or in part to any terms of an Excluded License. "Excluded License" means any license that requires, as a condition of use, modification, or distribution of software subject to the Excluded License, that such software or other software combined or distributed with such software be: (1) disclosed or distributed in source code form; (2) licensed for the purpose of making derivative works; or (3) redistributable at no charge.

2.3. **Distribution limitations.** Except as provided for in the Agreement and this Exhibit, Publisher will distribute FPUs only in the Sales Territories for which the Software Titles have been approved by Microsoft. Publisher will not, directly or indirectly: (1) export any FPUs from one Sales Territory to another, or outside of Sales Territories; (2) assist or knowingly permit any third party in doing so, except for de minimis quantities of which Publisher provides Microsoft advanced written notice; or (3) distribute FPUs to any person or entity that Publisher has reason to believe may re-distribute or sell such FPUs outside a Sales Territory. Publisher may, however, request to distribute FPUs in countries outside the Sales Territories, and Microsoft will not unreasonably withhold consent.

2.4. **Simship obligations.**

2.4.1. **DFU and FPU Simship.** For each FPU of a Base Game Commercially Released in a given Sales Territory, a DFU of the same Base Game must be made available for distribution in that same Sales Territory, on a country-by-country basis, via the Microsoft Store simultaneously. For purposes of this Section 2.4 only, "simultaneously" means within [***] of FPU Commercial Release.

2.4.2. [***]

3. Manufacturing.

3.1. **Replication.** Publisher will use only Authorized Replicators to produce FPUs. Before placing an order with an Authorized Replicator, Publisher will confirm with Microsoft that such entity is an Authorized Replicator, as such list of Authorized Replicators may change from time to time. A then-current list of Authorized Replicators will be in the Publisher Guide. Publisher will notify Microsoft of its intended Authorized Replicator for each Software Title. The agreement for replication services will be negotiated between Publisher and the applicable Authorized Replicator, subject to the terms of the Agreement and this Exhibit. Microsoft may charge Authorized Replicator for rights, services, or products associated with manufacturing FPUs. The agreement between Microsoft and each Authorized Replicator grants Microsoft the right to instruct Authorized Replicator to cease manufacturing FPUs, or to prohibit releasing FPUs to Publisher or its agents, if Publisher is in breach of the Agreement (including this Exhibit) or any credit arrangement between the parties. Microsoft does not guarantee performance of, and will not be liable for the failure to perform any agreement by, any Authorized Replicators. Microsoft is not obligated to ensure that FPUs are free of defects.

3.2. **Submission to Authorized Replicator.** Microsoft, and not Publisher, will provide to the applicable Authorized Replicator the final release version of the Software Title and all specifications required by Microsoft for manufacturing FPUs, including the Security Technology. Publisher will prepare and deliver to the Authorized Replicator all other items required for manufacturing FPUs, including approved Packaging Materials associated with the FPUs.

3.3. **Verification Versions.** Publisher shall allow Microsoft to cause Authorized Replicator to create several Verification Versions of each FPU that has been submitted, but has not passed Certification, that will be provided to both Microsoft and Publisher for evaluation. Before Authorized Replicator fully manufactures FPUs, both parties must approve the applicable Verification Version. Microsoft's approval of each Verification Version is a condition precedent to Publisher's right to manufacture, however Publisher will grant final approval and will work directly with Authorized Replicator regarding the production run, including by verifying that all FPUs are replicated in conformity with all quality standards and manufacturing specifications, policies, and procedures that Microsoft requires of Authorized Replicators and all Packaging Materials are approved by Microsoft before pack out. Publisher will cause Authorized Replicator to include BTS on each FPU.

3.4. **Manufacturing reports.** Publisher will provide Microsoft with forecasts showing [***] manufacturing projections by Sales Territory for each Software Title. Publisher will use commercially reasonable efforts to cause Authorized Replicator to deliver to Microsoft, within [***] after the end of each [***] during the Term, accurate [***] statements of FPUs manufactured in such [***], for each Software Title and with sufficient detail to satisfy Microsoft. Microsoft will have reasonable audit rights to examine Authorized Replicator's records regarding the number of FPUs manufactured.

3.5. **Samples.** In addition to DFU Samples required in the Agreement, for each Software Title published under the Agreement and this Exhibit, Publisher will provide to Microsoft a reasonable number of samples (as per the Publisher Guide, but not to exceed [***] in which the Software Title will be Commercially Released). Publisher will not be required to pay royalty fees for such FPU samples if the samples are shipped directly from an Authorized Replicator to Microsoft.

3.6. **Support.** Publisher will provide all technical and other support related to FPUs. Publisher will provide appropriate contact information (including Publisher's street address, telephone number, and the applicable individual/group responsible for customer support) to all End Users and to Microsoft for posting on www.xbox.com.

3.7. **Warranty.** Publisher will provide the original End User of any FPU a minimum warranty (in writing and in practice) that complies with local laws (as reasonably determined by Publisher) in each country of each Sales Territory in which the FPU is sold. Publisher will offer End Users additional warranty coverage in the applicable country of each Sales Territory as required by local law.

3.8. **Recall of FPUs.** Notwithstanding anything in the Agreement and this Exhibit to the contrary, if there is a material defect in any FPUs that in Publisher's or Microsoft's reasonable judgment would: (1) significantly impair any End User's ability to play such FPU; or (2) adversely affect Xbox Console gameplay, Microsoft may require Publisher to recall FPUs, at Publisher's own expense, and promptly repair or replace such FPUs if the defect has not been otherwise remedied via a Title Update.

3.9. **No unapproved or unauthorized bundling.** Except as expressly stated in this Section 3.9, Publisher will not market or distribute FPUs bundled with any other product or service, or knowingly permit or assist any third party in such bundling, without Microsoft's prior written consent. [***]

3.10. **Effect and sell-off.** On termination or expiration of the Agreement, Publisher has no further right to, and will not, exercise rights licensed under the Agreement and will promptly cease all manufacture of FPUs through its Authorized Replicators and, other than as provided below, cease using Microsoft Trademarks. Publisher will have [***] after expiration (or termination, if not due to Publisher's breach) ("***Sell-Off Period***") to sell its inventory of FPUs existing as of the date of termination or expiration, after which Publisher will immediately return all unsold FPUs to an Authorized Replicator for destruction. Publisher will cause the Authorized Replicator to: (1) destroy all returned FPUs; and (2) have its authorized representative certify to Microsoft, in writing, that all such FPUs were destroyed. All of Publisher's obligations under the Agreement and this Exhibit will apply during such Sell-Off Period. If the Agreement is terminated due to Publisher's breach, Microsoft may require Publisher to immediately destroy all undistributed FPUs not yet distributed to Publisher's distributors, dealers and/or end users and shall require all those distributing the FPU over which it has control to cease distribution. Publisher will, until the end of the Minimum Commitment term, continue to support existing Game Features for FPUs sold before the effective date of termination or expiration.

3.11. **Duty to defend.** In addition to Publisher's obligations set forth in the "Defense of Claims" Section of the Agreement, Publisher shall defend, indemnify, and hold harmless Microsoft, its Affiliates, and its and their subsidiaries from and against (including by paying any associated costs, losses, damages, or expenses and attorneys' fees) any and all third party claims that relate to the Software Title FPUs or related user generated content, including any allegation relating to quality, performance, safety, privacy, security thereof.

4. **Platform royalty** [***]

Table 1: Royalty Tier

	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
	[***]					
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]						

Table 2: Royalty Rate

	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
	[***]					
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]						

4.1. **Standard Software Titles.** Publisher will submit to Microsoft, at least [***] before placing the first manufacturing order for a Software Title, a completed "***Xbox Console Royalty Tier Selection Form***" as specified in the Publisher Guide (which may require electronic submission) for each Sales Territory. The selection in such form will be effective only once approved by Microsoft.

4.2. **Unit Discounts.** Publisher is eligible for a discount on FPUs manufactured for a particular Sales Territory (a "***Unit Discount***") based on the number of FPUs manufactured for sale in only that Sales Territory [***] as set forth in Table 3 of this Exhibit 2. The discount will be rounded up to the nearest USD Cent, Yen, or Euro Cent.

Table 3: Unit Discounts

[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]

4.3. **Royalty Tier migration.** [***] after Commercial Release of a FPU in a Sales Territory, Publisher may elect to change the Royalty Tier to any other valid Royalty Tier (e.g., migrate from Tier 1 to Tier 2 or from Tier 1 to Tier 3). A Software Title may migrate Royalty Tiers [***]. Publisher must submit to Microsoft, at least [***] before placing the first manufacturing order under the desired migrated Royalty Tier a completed "***Xbox Console Royalty Tier Migration Form"*** as specified in the Publisher Guide (which may require electronic submission). [***]

4.4. **Greatest Hits Program.** In each Sales Territory, if (i) a Software Title meets the criteria set forth below at the time of the targeted Commercial Release date of the Greatest Hits FPU; and (ii) Publisher satisfies all the conditions set forth below, Publisher is authorized to manufacture and distribute Greatest Hits FPUs in such Sales Territory at the royalty rate in Table 1 above applicable to Greatest Hits FPUs.

4.4.1. The Software Title must have been commercially available as a Standard FPU in the applicable Sales Territory for at least [***] at the time of Commercial Release of the Greatest Hits FPU.

4.4.2. As of the date Publisher wishes to Commercially Release the Software Title as a Greatest Hits FPU, Publisher must have manufactured the minimum FPUs and reached the minimum number of DFU transactions for such Software Title as set forth in Table 4 of this Exhibit 2 below:

Table 4: Combined FPU and DFU Transaction Thresholds

[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]

[***]

4.4.3. Packaging for a Greatest Hits Software Title must comply with all Microsoft packaging and branding requirements set forth in the Publisher Guide.

4.4.4. The Greatest Hits FPU version must be the same or substantially equivalent to the Standard FPU version of the Software Title. Publisher may modify or add additional content or features to the Greatest Hits FPU version of the Software Title (e.g., demos or game play changes) subject to Microsoft's review and approval, and Publisher acknowledges that any such modifications or additions may require the Software Title to be re-Certified at Publisher's expense.

4.4.5. Publisher acknowledges that Microsoft may change any of the qualifications for participation in a Greatest Hits Program upon [***] advanced written notice to Publisher.

4.4.6. Publisher shall submit to Microsoft, at least [***] prior to the targeted Commercial Release of the Greatest Hits Software Title, a completed and signed Xbox Console Greatest Hits Programs Election Form in the form available in the Publisher Guide for each Sales Territory. The Xbox Console Greatest Hits Programs Election Form will be effective once it has been approved by Microsoft. If a Greatest Hits Software Title does not have an approved Xbox Console Greatest Hits Programs Election Form as required hereunder (e.g., as a result of the Publisher not providing an Xbox Console Greatest Hits Programs Election Form or because Microsoft has not approved the Xbox Console Greatest Hits Programs Election Form), the royalty rate for such Software Title will default to the Royalty Tier that applied to the last manufacturing of the Software Title (i.e., if Microsoft does not approve an Xbox Console Greatest Hits Programs Election Form because it is filled out incorrectly, the royalty rate will default to the Royalty Tier that applied to the last manufacturing of the Software Title). Publisher may elect either GH Tier 1 or GH Tier 2 at initial Commercial Release as a Greatest Hits Software Title provided that the Greatest Hits Software Title meets the Threshold Price requirements set forth in Table 1 above.

4.4.7. After [***] from the Commercial Release of a Greatest Hits Software Title, Publisher may elect to change the previously elected Greatest Hits Tier royalty rate for such Greatest Hits Software Title to a lower Greatest Hits Tier royalty rate in a specific Sales Territory provided that the Greatest Hits Software Title has a Threshold Price that meets the requirements for the newly elected Greatest Hits Tier royalty rate in Table 2 above.

4.4.8. To change a previously elected Greatest Hits Tier royalty, Publisher must submit to Microsoft, at least [***] before placing the first manufacturing order for the applicable Greatest Hits Software Title, a completed Xbox Console Greatest Hits Royalty Tier Migration Form (a "Greatest Hits Tier Migration Form") set forth in the Publisher Guide for each Sales Territory. The change in royalty rate will only apply to manufacturing orders for such Greatest Hits Software Title placed after the relevant Greatest Hits Tier Migration Form has been approved by Microsoft.

5. Asian Language Localization Incentive Program. [***]

5.1. [***]

5.1.1. [***]

5.1.2. [***]

5.1.3. [***]

5.2. [***]

5.3. [***]

Table 5: Asian Language Localization Program Tier Discounts

	[***]	[***]	[***]	[***]
[***]	[***] and over	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]

5.4. [***]

5.5. Publisher shall submit to Microsoft, at least [***] prior to the first manufacturing order being placed for the Software Title, a completed "Xbox One Asian Language Localization Tier Selection Form" for each Software Title in the form provided in the Publisher Guide. The selection in such form will be effective only once approved by Microsoft. If the Software Title does not have an approved Xbox One Asian Language Localization Tier Selection Form (e.g., due to Publisher not providing, or Microsoft not yet approving the form), the royalty rate for such Software Title will default to Tier 1, regardless of the actual WSP.

6. Japan Tier Reduction Incentive Program. [***]

6.1. [***]Program Qualifications for Japan Tier Reduction Incentive Program:

6.1.1. [***]

6.1.2. [***]

6.1.3. [***]

6.2. [***]

6.3. In order to participate in the program, Publisher shall submit to Microsoft a completed "Xbox Console Royalty Tier Selection Form" as specified in the Publisher Guide (which may require electronic submission) for Japan, at least [***] prior to the first manufacturing order being placed for the Software Title. The participation in the program and Tier selection will be effective only once approved by Microsoft. If the Software Title is not approved to qualify for the program (e.g., due to Publisher not submitting a completed "Xbox Console Royalty Tier Selection Form" electronically), the royalty rate for such Software Title will default to Tier 1, regardless of the actual SRP.

7. **FPU Exchanges for DFUs.** Microsoft may, and may authorize its suppliers and retail partners to, offer End Users the ability to exchange FPUs of Software Titles for DFUs of the same Software Title free of charge to End Users (except for processing and/or administrative fees) and Publisher. The DFU provided to End Users will be the same version of the Software Title as the FPU used for the exchange, or a substantially similar DFU if the same version is not available. Such exchanges will not be deemed the sale of the DFU provided to End Users, and Publisher will not be entitled to any Royalty Fee for the DFU granted to End Users in accordance therewith. All FPUs exchanged in this program will be destroyed either physically or electronically.

8. **Payment process.** Publisher will pre-pay all royalties owed to Microsoft for all FPUs manufactured by its Authorized Replicators prior to the first date of manufacture in a given Sales Territory. Authorized Replicators are authorized by Microsoft to begin production once Microsoft has provided them with written confirmation that Publisher has satisfied its payment obligations with respect to such manufacturing order. Upon the Authorized Replicator's receipt of such confirmation, the Authorized Replicator will determine the timing of production. All payments will be made by wire transfer, in accordance with payment instructions in the Publisher Guide, in the currency stated in Table 5 of this Exhibit 2 below for FPUs manufactured for sale in the applicable Sales Territory. Publisher has [***].

Table 5: Payment Currency

Sales Territory	North American	European, Middle East and African	Australian	Japan	Asian	South American
Currency	U.S. Dollars	Euros	U.S. Dollars	Yen	U.S. Dollars	U.S. Dollars

9. **Billing address.** Publisher may have up to two "bill to" addresses for royalty payment under this Exhibit. Each such address will be for FPUs manufactured by Authorized Replicators in a given Sales Territory. If Publisher includes a "bill-to" address in a European country, Publisher (or its Affiliate) must execute a Publisher Enrollment Form (in the form provided in the Publisher Guide) with Microsoft's affiliate, Microsoft Ireland Operations, Ltd. within [***] before establishing a billing address in a European country. Publisher's billing address(es) for North American Sales Territory and/or either Japan or Asian Sales Territory set forth in Table 6 below.

Table 6: Publisher Addresses

North American Sales Territory	Publisher Entity Name: 704games Company Address: 5972 4th Avenue, Miami, FL 33137 Phone: +1 305 507 87 99 Accounts Payable Contact: Michelle Baker Dillon Accounts Payable Contact Email Alias: michelle.dillon@motorsportgames.com
Japan or Asian Sales Territory	N/A

Exhibit 10.22

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item (601)(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

CONFIDENTIAL

PLAYSTATION GLOBAL DEVELOPER & PUBLISHER AGREEMENT

PLEASE SCROLL DOWN AND READ THIS AGREEMENT CAREFULLY. TO BECOME A LICENSED DEVELOPER OR PUBLISHER ON THE PLAYSTATION PLATFORM, YOU MUST AGREE TO THESE TERMS BY CLICKING THE "ACCEPT" BUTTON BELOW. IF YOU DO NOT AGREE TO THESE TERMS, YOU WILL NOT BE ABLE TO PROCEED. THIS IS A LEGALLY BINDING AGREEMENT. THE PERSON ACCEPTING THIS AGREEMENT ON DEVELOPER'S OR PUBLISHER'S BEHALF REPRESENTS THAT HE OR SHE IS AUTHORIZED TO BIND DEVELOPER OR PUBLISHER TO THIS AGREEMENT.

This PlayStation Global Developer and Publisher Agreement ("**GDPA**"), effective on the Effective Date), is entered into by Sony Computer Entertainment, Inc. ("**SCEI**"), a Japanese company with offices at 1-7-1 Konan, Minato-ku, Tokyo 108-0075, Japan, Sony Computer Entertainment America LLC ("**SCEA**") a Delaware limited liability company with offices at 2207 Bridgepointe Parkway, San Mateo, CA 94404, and Sony Computer Entertainment Europe Ltd. ("**SCEE**"), an English company with offices at 10 Great Marlborough Street, London W1F 7LP, UK, on the one hand (SCEI, SCEA and SCEE each an "**SCE Company,**" and collectively, "**SCE**"), and the entity identified in your PlayStation partner registration ("**Publisher**"), on the other hand.

SCE and its Affiliates design and develop certain core technology relating to its Systems, and operate proprietary network services through PSN, including PlayStation Now.

Publisher desires to be granted a non-exclusive license to develop, publish, have manufactured, market, advertise, distribute or sell PlayStation Compatible Products in accordance with the provisions of this GDPA, and SCE is willing, in accordance with the terms and subject to the conditions of this GDPA, to grant Publisher such a license.

SCE and Publisher agree as follows:

1. **Definition of Terms.** Capitalized terms used in this GDPA are defined in Schedule 1.

2. **SCE Company Authority and Responsibility.** Each SCE Company enters into this GDPA individually and binds itself to and benefits from the terms of this GDPA only to the extent that such terms relate to the exercise of the rights and obligations under this GDPA taking place in that SCE Company's Territory, or otherwise directly relate to that SCE Company or its Territory. Each SCE Company shall have no liability outside of its Territory, shall neither be jointly nor severally liable with the other SCE Companies in their Territories, and nothing contained in this GDPA shall be deemed to make an SCE Company liable with respect to any activities, demands, obligations, covenants, claims or causes of action outside of that SCE Company's Territory. References in this GDPA to "SCE" shall mean "each SCE Company for its respective Territory only," except where the context clearly requires otherwise. Each SCE Company is authorized by each other SCE Company to present and execute this GDPA on behalf of each other SCE Company, and to bind each other SCE Company, as set forth in this Section 2. SCE shall be entitled to modify or expand the Territory of an SCE Company upon reasonable notice to Publisher, including by updating the Guidelines.

3. **Conditional License Grant.** SCE grants to Publisher, for the Term, a non-exclusive, non-transferable license, without the right to sublicense (except as specifically provided in this GDPA), as follows:

3.1 to use the SCE Materials solely to develop PlayStation Compatible Products;

3.2 to publish, distribute, supply, sell, rent, market, advertise and promote Digitally Delivered Products to end-users, through each applicable SCE Company (or its nominated Affiliate) through PSN, and to provide PlayStation Compatible Products to other Licensed Publishers for exploitation under a Licensed Publisher Agreement;

3.3 where Publisher has exercised its rights under Section 3.2 (or where the requirement of such exercise is expressly waived by the applicable SCE Company), to have the equivalent Physical Media Products manufactured by Designated Manufacturing Facilities according to those facilities' terms;

3.4 to publish, distribute, supply, sell, market, advertise and promote Physical Media Products directly to end-users or to third parties for distribution to end-users;

3.5 to use the Licensed Trademarks in connection with the manufacturing, packaging, marketing, advertising, promotion, sale and distribution of Licensed Products; and

3.6 to sublicense end-users the right to use Licensed Products for personal, noncommercial purposes in conjunction with the applicable Systems only.

4. **Compliance with Guidelines.** The licenses granted to Publisher are expressly conditioned on Publisher's compliance, throughout the Term, with this GDPA's terms, with all Guidelines applicable in the relevant Territories, and with all technical specifications that any Designated Manufacturing Facility issues. Subject to the remainder of this Section 4, SCE may remove any Digitally Delivered Product from PSN (in whole or in part) that does not conform to the Guidelines, notwithstanding any approval given to such product pursuant to Section 6.3. Publisher shall be given reasonable notice of modification or additions to the Guidelines. To the extent that Guidelines change after any PlayStation Compatible Product or related materials are approved by SCE pursuant to Section 6.3, Publisher is required to implement any such revised Guidelines only in subsequent orders, patches or re-releases of the relevant Physical Media Products, or subsequent publications of relevant Digitally Delivered Products or other PlayStation Compatible Products, unless otherwise advised by SCE (e.g., for System security reasons or compliance with law or government order). Publisher shall not be required to recall or destroy previously manufactured Physical Media Products unless such Physical Media Products did not comply with the standards, requirements and conditions set forth in the Guidelines at the time they were made, or unless explicitly required to do so in writing by SCE.

5. **Other Limitations on Licensed Rights**

5.1 **Limitations on use of Development Tools.** The development license granted in this GDPA is limited to development and testing of PlayStation Compatible Products, in formats SCE designates, and any other use of the SCE Materials, direct or indirect, is strictly prohibited. Publisher shall not use, modify, sublicense, distribute, create derivative works from, or provide to third parties, the SCE Materials other than as expressly permitted in this GDPA or the Guidelines. Publisher shall not make available to any third party any tools developed or derived from the study of the Development Tools without SCE's express prior written consent. Without limiting the generality of the foregoing, Publisher will not permit the use of the SCE Materials in connection with the emulation of Licensed Products, to develop or test products for any third party emulator of any System, or for any third party hardware that infringes the SCE Intellectual Property Rights (e.g., knock-off PlayStation systems). Publisher will not use or permit the use of any of the SCE Materials in connection with the development of any software, content or service for any computer hardware or software system, except as expressly permitted under this GDPA. Publisher is authorized to copy the libraries contained within the Development Tools solely to the extent necessary to integrate the libraries into PlayStation Compatible Products; to copy the Software Tools to an internal secure repository accessible by authorized personnel; and to make one copy of the Software Tools per Development Site solely for archival, legal or back up purposes. Publisher must comply with all programming procedures, requirements, guidelines and other recommendations in the Guidelines or communicated by SCE. Specifically with respect to the System emulator software, Publisher shall not bypass the System kernel and shall not transmit programming instructions directly to the registers or addresses located in: (i) areas of RAM that are used by the System kernel; or (ii) other System hardware devices (collectively, "**System Bypass Areas**") except with SCE's express prior written consent or to the extent necessary to comply with written instructions in the Documentation. As a prerequisite to requesting SCE's consent, Publisher must comply with SCE's procedures, including submission of a written application accompanied by a detailed specification of Publisher's proposal. Publisher shall not develop any software or tool to circumvent the System Bypass Areas. Publisher shall not make any addition, alteration or improvement to the Development Tools that contravenes or is inconsistent with the Guidelines (including any programming guidelines set forth in the Documentation), or that may compromise the security or integrity of any System, Development Tools, or PSN. Publisher bears all risks arising from incompatibility of its PlayStation Compatible Products and any System resulting from use of Publisher-created tools.

5.2 **Reverse Engineering Prohibited.** Except where such restriction is prohibited by applicable law, Publisher will not directly or indirectly disassemble, decrypt, electronically scan, peel semiconductor components from, decompile, or reverse engineer in any manner, or attempt to reverse engineer or derive any source code from, the Development Tools, or permit, assist or encourage any third party to do so or acquire or use any materials from any third party that does so. Publisher may study the performance, design and operation of the Development Tools solely for the limited purposes of developing and testing PlayStation Compatible Products, or to develop tools to assist Publisher with the development and testing of PlayStation Compatible Products. SCE reserves the right to require Publisher to furnish evidence satisfactory to SCE that Publisher has complied with this Section 5.2.

5.3 **Limitations on Licensed Products.** Unless expressly approved in writing by an SCE Company, Publisher will not:

5.3.1 publish a Licensed Product previously published by another Licensed Publisher in the same Territory for the same System; or

5.3.2 submit for approval as a Licensed Product, under Section 6.3 or otherwise, any non-game product or product which contains significant elements of, or is hybrid with, an audio or video product.

Where an SCE Company consents to any such proposed publication, this GDPA's terms apply, unless otherwise agreed in writing.

5.4 **Limitations Regarding Ownership and Protection of SCE Materials and SCE Intellectual Property Rights.** All rights with respect to the SCE Materials and the Systems, including the SCE Intellectual Property Rights, are the exclusive property of SCE. Nothing herein gives Publisher any right, title or interest in or to the SCE Materials or the Systems, other than the non-exclusive licenses provided in this GDPA. Publisher shall not contest, impair, or dilute (or assist any third party in doing so) any of SCE's rights, title or interests in or to the SCE Materials, the Systems or the SCE Intellectual Property Rights. Publisher shall not (i) apply for, seek to obtain or register any trademark in its own name or in any other person's name, or use or obtain rights to use Internet domain names or addresses, that are identical, similar to or likely to be confused with any of the Licensed Trademarks or any other SCE trademarks or (ii) challenge or attack any SCE Intellectual Property Rights in any part of the SCE Materials or the Systems. Publisher shall not patent anything created or derived from the SCE Materials. Publisher shall take all steps as SCE may reasonably require for the protection and maintenance of the SCE Intellectual Property Rights, including executing licenses or assisting SCE in obtaining registrations. All goodwill associated with the Licensed Trademarks, including any goodwill generated or arising by or through Publisher's or its subcontractors' or sublicensees' activities under this GDPA, accrues to the benefit of and belongs exclusively to the SCE Company that owns or controls the Licensed Trademark in its Territory. The Licensed Trademarks may be modified, supplemented or amended by SCE at any time. Nothing contained in this GDPA grants Publisher the right to use the trademark "SONY" in any manner or for any purpose without SCE's prior written consent. Where it is not possible under applicable law to prevent Publisher from challenging the validity of the SCE Intellectual Property Rights, nothing in this Section 5.4 shall prevent Publisher from doing so.

5.5 **Reservation of Rights.** This GDPA does not grant Publisher any right or license except as expressly authorized by and in strict compliance with this GDPA's terms and conditions. No right or license is to be implied by or inferred from any provision of this GDPA or from the parties' conduct. Subject only to the express rights of Publisher under this GDPA, all rights to the SCE Materials and the SCE Intellectual Property Rights are reserved to SCE.

5.6 **Acknowledgment of Publisher's Ownership Rights.** Separate and apart from the SCE Materials and other rights licensed to Publisher by SCE and to SCE by Publisher under this GDPA, as between Publisher and SCE, Publisher retains all rights, title and interest in and to the Publisher Property, Product Proposals, and Product Information, including Publisher Intellectual Property Rights therein, as well as Publisher's rights in any source code and other underlying material such as artwork and music (but specifically excluding the Licensed Trademarks and the Software Tools or any derivatives of those trademarks or tools), and any names used as titles for PlayStation Compatible Products and other trademarks used by Publisher. Nothing in this GDPA shall restrict the right of Publisher to: (i) develop, distribute or transmit products incorporating the Publisher Property for any hardware platform or service other than the Systems or related services, provided that the Publisher Property and underlying material do not contain or were not developed through use of or in reliance on the SCE Materials or the SCE Intellectual Property Rights, or (ii) use Printed Materials or Advertising Materials for any hardware platform or service other than the Systems or related services, provided that the Printed Materials or Advertising Materials do not contain any Licensed Trademarks.

6. Development of PlayStation Compatible Products, Product Assessment and Quality Assurance

6.1 **Right to Develop.** Pursuant to Section 3 and subject to payment of any applicable fees, SCE grants to Publisher the right to place orders for Hardware Tools pursuant to Section 7, and a non- exclusive, non-transferrable license to use Software Tools, for the sole purpose of developing and testing PlayStation Compatible Products. Each PlayStation Compatible Product developed using, incorporating or with reference to the Development Tools must be expressly authorized by SCE. SCE's authorization may require, at SCE's discretion, consent by Publisher to additional terms, or a requirement that the PlayStation Compatible Product be subject to compatibility, assessment and quality assurance testing by SCE.

6.2 **Developer Support Website.** Subject to the terms of this GDPA, SCE will grant Publisher access to relevant portions of the Developer Website to facilitate the dissemination of the Development Tools and other materials and information.

6.3 **Assessment and Quality Assurance of PlayStation Compatible Products.** Publisher will comply with the requirements and related process for assessment and format quality assurance of PlayStation Compatible Products and Advertising Materials, on a product-by-product basis, as specified in the Guidelines. All Licensed Products must successfully pass SCE's assessment and format quality assurance testing before distribution. SCE may require other PlayStation Compatible Products to undergo assessment and format quality assurance testing, in its sole discretion. SCE may withhold approval of a PlayStation Compatible Product that does not conform to the Guidelines, as determined by SCE in its sole discretion. Only upon and not prior to SCE approval, Physical Media Products may be ordered from a Designated Manufacturing Facility, and Digitally Delivered Products may be placed on PSN.

6.4 **Authentication**. Publisher will use reasonable efforts to protect Licensed Products and any other PlayStation Compatible Products that include Software Tools from and against illegal reproduction or copying by third parties. SCE may use on Licensed Products, or require Publisher to use on Licensed Products, an authentication or authorization system to be provided, licensed or designated by SCE to authenticate and verify all Licensed Products and units of the System. SCE may insert serial numbers or reasonable security measures on Licensed Products for security or authentication purposes.

6.5 **Advice and Support**. Any advice or support provided by any SCE Company or Affiliate to Publisher to assist with the development of PlayStation Compatible Products is provided at the complete discretion of the relevant SCE Company or Affiliate, which may change, suspend, remove or disable access to any such advice or support, or impose limits on its use, at any time without incurring liability. Any such advice or support is provided to Publisher on an "AS IS" and "AS AVAILABLE" basis and SCE shall have no liability whatsoever to Publisher in respect of such support or advice. Any Publisher Property, or other software, materials or information provided by Publisher to any SCE Company or Affiliate in connection with obtaining advice and support is provided at Publisher's own risk (but without prejudice to SCE's obligations under Section 20.6).

6.6 **Third Party Tools.** If Publisher uses any third-party tools to develop PlayStation Compatible Products or any portion thereof, Publisher shall be responsible at Publisher's sole risk and expense for ensuring that it has obtained all necessary licenses for its use.

6.7 **Publisher Compliance, Responsibility, Warnings**. Publisher bears sole responsibility and liability for PlayStation Compatible Product operation, features, capabilities, user-generated content, and Online Activity, including: (i) Online Activity between territories using different television standards, whether PAL, NTSC, or another standard; (ii) any cross-functionality between PlayStation Compatible Products on different Systems or software applications operating on any device other than the Systems that may interact with PlayStation Compatible Products; (iii) the granting of the right to end-users, or preventing end-users from exercising the ability, to copy, modify, distribute, perform, display and share content (including between the Territories) contained in or created from PlayStation Compatible Products ("**User Content**"), and (iv) the suitability or adequacy of health and safety or other warnings or notices that may be appropriate for PlayStation Compatible Products. SCE makes no representation regarding the suitability or adequacy of any System-generated warning or any warning provided, suggested, or required in the Guidelines, Packaging, manual or other templates, or elsewhere by any SCE Company or Affiliate.

6.8 **Peripherals and Compatibility of Licensed Products.** Publisher will not (directly, or indirectly through any third party) develop or distribute any Peripheral without the prior express written consent of SCE. Consent is within SCE's sole discretion, and may be subject to a right to test or evaluate the Peripheral and subject to other terms presented by SCE. Publisher is solely responsible for the functionality and operational compatibility of its Licensed Products with Peripherals that are not distributed by SCE. SCE has no responsibility to test or evaluate the compatibility of Publisher's Licensed Products with Peripherals that are not distributed by SCE. SCE is not responsible for any actual, incidental or consequential damages that may result from any use or inability to use any Peripheral with any PlayStation Compatible Product or System. If SCE elects, in its sole discretion, to test or evaluate the compatibility of Publisher's Licensed Products with any Peripheral then, (i) such testing or evaluation will not obligate SCE to test or evaluate any other Peripheral; (ii) such testing or evaluation will not shift to SCE any responsibility to ensure or assess the functionality or compatibility of any Peripheral or require SCE to report any Peripheral incompatibilities; (iii) SCE will not be deemed to have endorsed any Peripheral solely by reason of such testing or evaluation; and (iv) Publisher will provide SCE, at no additional cost or expense to SCE, with a reasonable number of samples of any Peripherals for testing and review in a timely manner. If any PlayStation Compatible Product fails to perform to SCE's satisfaction with any Peripheral that the PlayStation Compatible Product is intended to support, SCE may require that Publisher modify or remove such portions of the Publisher Property as are intended to support the affected third-party Peripheral.

6.9 **Publisher's Additional Quality Assurance Obligations.** If SCE becomes aware of any material defect (such materiality to be determined by SCE in its sole discretion) with respect to a PlayStation Compatible Product, or if SCE becomes aware of any improper use of the Licensed Trademarks or SCE Materials, then Publisher shall, at no cost to SCE, promptly correct that material defect or improper use, to SCE's commercially reasonable satisfaction, which may include, in SCE's discretion, the recall and re-release of units of an affected PlayStation Compatible Product distributed on physical media, or publication of an update, upgrade or technical fix to an affected PlayStation Compatible Product. If any PlayStation Compatible Product creates any risk of loss or damage to any property or injury to any person, Publisher shall immediately take effective steps, at Publisher's sole liability and expense, to recall and remove that PlayStation Compatible Product from any affected channels of distribution; provided, however, that if Publisher is not acting as the distributor or seller for the PlayStation Compatible Product its obligation shall be to use its best efforts to arrange removal of all affected units of the PlayStation Compatible Product from the relevant distribution channels. Publisher shall provide all end-user support for PlayStation Compatible Products in an efficient manner. SCE expressly disclaims any obligations or liability to provide end-user support with respect to PlayStation Compatible Products.

6.10 **Rating Requirements.** No PlayStation Compatible Product may be published, sold, distributed, marketed, advertised or promoted unless it bears a consumer advisory age rating and product descriptors, either as required by local law or as issued by, and following the rating display requirements of, a consumer advisory ratings system designated by SCE. Publisher alone bears all costs incurred in connection with obtaining any rating. No PlayStation Compatible Product and related Printed Materials or Advertising Materials may bear more than one consumer advisory rating in any Territory. Any digitally delivered PlayStation Compatible Product that can be used with or directly relates to another existing PlayStation Compatible Product must not bear (or must not contain any content which, if rated, would attract) a higher age rating than the rating issued to that other PlayStation Compatible Product, and, save in the case of an add-on to a previously- published PlayStation Compatible Product, shall not bear a rating that is lower than the rating issue to that other PlayStation Compatible Product, unless SCE waives these requirements in writing. Publisher shall comply with any other policies of SCE on the age rating, age gating and labeling of PlayStation Compatible Products intended to protect children as may be provided by SCE to Publisher.

7. Development Tools

7.1 **Acquisition of Development Tools**. For the purposes of this Section 7, "the applicable SCE Company" shall mean the SCE Company in the Territory in which the Development Tools are to be used or, at that SCE Company's direction, another SCE Company. The applicable SCE Company may sell or loan Development Tools to Publisher in its sole discretion, in accordance with this Section 7. For the avoidance of doubt, any Software Tools included with or provided in relation to Hardware Tools are licensed, not sold or loaned, to Publisher pursuant to the terms set forth in Sections 3, 5 and 6. Title to Software Tools does not pass to Publisher upon purchase or loan of the Hardware Tools. The nontransferable license of the Software Tools within the Hardware Tools may act as a restriction or prohibition against the resale of the Hardware Tools. The purchase price or loan fee for Development Tools, and the payment currency, is set forth on the Developer Website, or shall be otherwise notified by the applicable SCE Company to Publisher. Unless otherwise agreed, Publisher shall pay for the Development Tools in full prior to delivery or download, and title to Development Tools shall remain with the applicable SCE Company until it has received full payment (save in the case of the Software Tools where title does not pass to Publisher at any time). If Publisher collects the Development Tools and transfers them outside the country of collection, Publisher agrees to provide the applicable SCE Company with the relevant transport proofs required by the relevant taxation authorities to allow the supply by SCE to be exempt from VAT. The applicable SCE Company reserves the right to either: (i) charge VAT until such documents are provided at which time the VAT will be refunded; or (ii) subsequently charge VAT if those documents are not provided within three months of collection.

7.2 **Credit**. If the applicable SCE Company extends credit terms to Publisher or facilitates third-party financing for Publisher, until Publisher makes payment in full for all items so financed, Publisher (i) grants to that SCE Company, or its designee, a first position purchase money security interest in each Hardware Tool and in the proceeds of disposition of any Hardware Tool and (ii) shall not sell, hypothecate or encumber any such Hardware Tool. Publisher shall execute and deliver to the applicable SCE Company or its designee any documents the SCE Company needs to perfect the security interest, and agrees that applicable SCE Company or its designee may file those documents in its discretion.

7.3 **Orders**. Orders for Development Tools shall be submitted via the Developer Website or as otherwise notified by the applicable SCE Company. The applicable SCE Company may accept or reject, in its discretion, any Development Tools order, and does not warrant that Development Tools shall be available when ordered.

7.4 **Publisher Terms**. Any purchase order or other documentation issued by Publisher, purporting in any way to relate to the purchase, loan or license of Development Tools, does not amend or modify this GDPA or any terms presented by the applicable SCE Company in connection with the order of Development Tools, except as expressly agreed in writing by the applicable SCE Company.

7.5 **Delivery**. Upon acceptance of Publisher's order for Development Tools, and on payment of any applicable purchase or loan fee for the Development Tools, the applicable SCE Company will ship the loaned or purchased Development Tools, when available, to the Development Site. Publisher bears all expenses associated with delivery of the Development Tools, including insurance costs. Risk of loss or damage in transit to the Development Tools vests in Publisher immediately upon the applicable SCE Company's delivery to the carrier of its choice and remains with Publisher until that SCE Company receives return of the Development Tools. Publisher shall provide a signed acknowledgement of receipt in such form as shall be specified by the applicable SCE Company. The applicable SCE Company will make Software Tools, excluding Firmware but including Firmware updates, available at the Developer Website as set forth in Section 6.2, or such other method as chosen by that SCE Company.

7.6 **Deletion of Publisher Code**. Prior to Publisher shipping any Development Tool to the applicable SCE Company either pursuant to an announced upgrade "swap" program, or pursuant to the warranty provisions set forth below, or for any other reason, Publisher shall (i) securely delete Publisher's applications software from the hard drive and all other storage media contained in the Hardware Tool and (ii) execute any documentation required by the applicable SCE Company certifying such deletion.

7.7 **No Refunds**. All Development Tool purchases and loans made under this GDPA are final. In no event shall the applicable SCE Company be obligated to refund all or any portion of the purchase price or loan fee for the Development Tools.

7.8 **Care and Maintenance of Development Tools**. Publisher shall be solely responsible for the installation and administration of Hardware Tools. Publisher shall: (i) keep and use the Development Tools securely and only at the Development Site(s) notified to the applicable SCE Company or specified on the Developer Website, or other location approved in advance in writing by the applicable SCE Company; (ii) allow access to and use of the Development Tools only to persons whose duties justify the need for access and use in the exercise of the license granted under this GDPA, and who are authorized under Section 20.2.2 to have access to the SCE Materials; (iii) designate and authorize an individual to act as the applicable SCE Company's contact with respect to Development Tools and, if Publisher wishes to designate a new designee, provide the applicable SCE Company with written notice according to the procedures set forth on the Developer Website or designated by the applicable SCE Company; (iv) preserve any proprietary rights or other notices placed on the Development Tools by SCE or its Affiliates and place all such notices on any copies made as permitted by this GDPA; (v) keep Development Tools in good and serviceable condition; (vi) ensure full compliance with all instructions relating to the maintenance, security or operation of Development Tools; (vii) maintain and service with all due care the Development Tools at Publisher's expense according to SCE's reasonable, written instructions; (viii) take all necessary further steps to ensure that Publisher does not render Development Tools unsafe or a risk to the health or safety of any person or property; (ix) inform the applicable SCE Company immediately of any bugs, errors, failure or breakdown in Development Tools, however caused; (x) inform the applicable SCE Company immediately of any unauthorized access to or use of the Developer Website and cooperate with that SCE Company to take all actions chosen by that SCE Company to address any unauthorized access or use, including taking any actions to prevent the recurrence of unauthorized use of or access to the Developer Website; and (xi) inform the applicable SCE Company immediately of any suspected, potential or actual loss, theft, breach of security or other exposure involving the Development Tools, report any suspected or actual loss or theft to the police and obtain a police incident number, use best efforts to recover such Development Tools and comply with any corrective action specified by the applicable SCE Company to recover the Development Tools and to prevent any re-occurrence of any loss, theft, breach of security or other exposure involving the Development Tools and Publisher appoints the applicable SCE Company as its attorney-in-fact (in territories where such appointment is legally possible), or otherwise gives that SCE Company its authority, to conduct or assist in the recovery of lost, stolen or missing Development Tools. A breach of Sections 7.8(i) or (ii) constitutes a material breach of this GDPA not capable of remedy.

7.9 **Inspection**. Upon providing Publisher with reasonable, prior notice, the applicable SCE Company may inspect the Development Site at any time during Publisher's normal business hours to verify Publisher's compliance with this GDPA. That SCE Company shall not conduct an inspection in a manner that disrupts Publisher's business activities. Publisher shall also provide that SCE Company with an inventory report of Development Tools in its possession within seven days of SCE's request, including the serial number for each Development Tool and its current physical location.

7.10 **Failure or breakdown**. In the event any failure or breakdown of any of the Development Tools is notified to the applicable SCE Company pursuant to Section 7.8, that SCE Company shall, at its sole election, either repair or replace the Development Tools at no cost to Publisher provided: (i) such notice shall have been given within six months following the date of the delivery of the Development Tools in question or any component part(s) of such Development Tools; (ii) the failure or breakdown is due to defects in materials and/or workmanship which materially diminish or impair the functionality of the Development Tools; and (iii) the failure or breakdown is not attributable in whole or in part to Publisher's negligence or misuse. Any other repairs or replacements are provided at the applicable SCE Company's discretion. Nothing in this GDPA shall impose an obligation on SCE to repair or replace any Development Tools that it considers obsolete or beyond economical repair.

7.11 **Upgrades**. The applicable SCE Company may advise Publisher (either in writing or via the Developer Website) if and when during the Term that SCE Company makes generally available to Licensed Developers or Licensed Publishers, any revised, updated, modified or enhanced version of any component of the Development Tools. Publisher shall be entitled or, at that SCE Company's option, shall be required, to use such new version. The applicable SCE Company may, upon delivery to Publisher of these Development Tools, require Publisher to return to that SCE Company the Development Tools previously in Publisher's possession.

7.12 **Loan of Hardware Tools**. The applicable SCE Company may, in its discretion, loan Hardware Tools to Publisher.

7.12.1 Term, Termination and Return. The term of each applicable loan commences and ends on the dates specified by the applicable SCE Company for each Hardware Tool unit or component. The SCE Company may terminate the loan without cause upon 30-days' notice to Publisher, or immediately if Publisher breaches any obligation in this GDPA. Upon termination: (i) all rights granted to Publisher revert to the applicable SCE Company; (ii) Publisher shall cease and desist from further use of the Development Tools; and (iii) Publisher shall immediately return the loaned Development Tools, including any other SCE Materials, to the applicable SCE Company at Publisher's cost. Publisher shall be responsible for any customs formalities or duties arising in connection with any such returns. If the loaning SCE Company reasonably determines Publisher failed to comply with a provision in this GDPA, it may demand immediate return of the loaned Hardware Tools and all Software Tools, and Publisher shall comply within five business days. If Publisher fails to return any Development Tools, and the applicable SCE Company resorts to legal means to recover the same, then Publisher shall pay all of that SCE Company's expenses, including the replacement value of the loaned Development Tools and SCE's reasonable attorney's fees.

7.12.2 Risk of Loss. If any Hardware Tools are lost, stolen, damaged, destroyed or copied, Publisher shall pay the applicable SCE Company the replacement value of the Hardware Tools, as set forth in the Developer Website or as specified by the applicable SCE Company, in addition to fines, penalties, or any remedy that the applicable SCE Company may have at law or in equity. Publisher shall execute any documents and take all actions that SCE reasonably requests to protect SCE's right, title and interest to the Hardware Tools.

7.12.3 SCE Ownership. SCE retains all right, title and interest to any loaned Hardware Tools, including all Intellectual Property Rights. Publisher shall not sell, lease, license, transfer or dispose of the loaned Hardware Tools, or permit any lien or encumbrance. Publisher shall not do or cause to be done any act or thing in any way impairing or tending to impair SCE's right, title or interest in or to loaned Hardware Tools.

8. Manufacture and Supply of Physical Media Products

8.1 **Designated Manufacturing Facilities.** To ensure compatibility of Physical Media Products with the System, consistent quality of the Physical Media Products, and incorporation of anti-piracy security measures, each SCE Company shall designate and license at least one Designated Manufacturing Facility to reproduce Physical Media Products. Publisher shall purchase all of its requirements for Physical Media Products, including demonstration discs and cards, Printed Materials, Packaging and assembly from a Designated Manufacturing Facility in the Territory in which they are to be distributed by Publisher under this GDPA, except as expressly set forth in this Section 8. Any Designated Manufacturing Facility may enforce the terms of this GDPA that relate to the manufacture and delivery of Physical Media Products. If law in a Territory prohibits SCE from requiring Publisher to use only a Designated Manufacturing Facility to manufacture Physical Media Products, Publisher may have Physical Media Products, including demonstration discs and cards, manufactured by a third party other than a Designated Manufacturing Facility, but Publisher may do so only to the extent the law in the Territory requires that Publisher have the right to do so, and only for Physical Media Products distributed in the Territory with such a prohibition. Publisher's use of a third-party manufacturer other than a Designated Manufacturing Facility must otherwise comply with this GDPA, including the obligation to pay a platform charge.

8.2 **Creation of Master Media.** Using a fully-approved, reproducible file containing final Licensed Product, the applicable SCE Company or the applicable Designated Manufacturing Facility shall create a reproducible master of the Physical Media Product from which all units of the applicable Physical Media Product are to be replicated. Publisher shall be responsible for the costs, as determined by the applicable SCE Company or the applicable Designated Manufacturing Facility, of producing the reproducible masters of Physical Media Products.

8.3 **Orders.** Publisher shall issue Purchase Orders to the applicable Designated Manufacturing Facility, with a copy to the SCE Company in the Territory where the order is placed. No Purchase Orders will be processed for any Physical Media Product unless that product is approved in accordance with Section 6, and complies with the Guidelines. All Purchase Orders shall be subject to approval by the applicable SCE Company, not to be unreasonably withheld, and to acceptance by the applicable Designated Manufacturing Facility pursuant to the Guidelines. Purchase Orders issued by Publisher to a Designated Manufacturing Facility for each Licensed Product approved by the applicable SCE Company shall be non-cancelable and are subject to the terms and conditions of the Designated Manufacturing Facility. Publisher shall not, directly or indirectly, solicit orders for or sell any units of Physical Media Products in any situation where Publisher knows or reasonably should know that any of such Physical Media Products may be exported or resold outside of the Territory in which they are ordered.

8.4 **Manufacture and supply of units.** Upon approval of a Licensed Product and associated Printed Materials pursuant to Section 6, and subject to Sections 8.5 through 8.7, the applicable Designated Manufacturing Facility will, in accordance with the terms and conditions set forth in this Section 8, and at Publisher's request and sole expense (a) manufacture and supply Physical Media Products for and to Publisher; (b) manufacture and supply Publisher's Packaging and Printed Materials; and (c) assemble the Physical Media Products with the related Printed Materials and Packaging. Publisher shall comply with all Guidelines relating to the production of units of Physical Media Products. The applicable SCE Company reserves the right to insert or require Publisher to make arrangements for the insertion of certain Printed Materials relating to the System into each unit.

8.5 **Manufacture and supply of Printed Materials by Designated Manufacturing Facility**. Publisher shall deliver the applicable SCE-approved Printed Materials to the applicable Designated Manufacturing Facility, at Publisher's sole risk and expense, and the Designated Manufacturing Facility will manufacture Printed Materials in accordance with this Section 8. Neither SCE nor any Designated Manufacturing Facility is liable for loss of or damage to Printed Materials.

8.6 **Manufacture of Packaging and Printed Materials by Alternate Source.** Subject to the prior, express, written approval (in its sole discretion) of the SCE Company in the Territory in which the Physical Media Products are to be distributed by Publisher under this GDPA and the Guidelines, Publisher may elect to be responsible for manufacturing its own Packaging and Printed Materials (other than artwork which is to be reproduced or displayed on any Physical Media Product, which Publisher will supply to the applicable Designated Manufacturing Facility for incorporation within the Physical Media Product), at Publisher's sole risk and expense. The applicable SCE Company shall have the right to disapprove any Packaging or Printed Materials that do not comply with the applicable Guidelines. If Publisher elects to supply its own Packaging or Printed Materials, neither SCE nor any Designated Manufacturing Facility shall be responsible for any shortage or delays arising from use of Publisher's own Packaging or Printed Materials.

8.7 **Assembly Services by Alternate Source.** Subject to the prior, express, written approval (in its sole discretion) of the SCE Company in the Territory in which the Physical Media Products are to be distributed by Publisher under this GDPA and the Guidelines, Publisher may procure assembly services from an alternate source. If Publisher elects to be responsible for assembling the Physical Media Products, then the applicable Designated Manufacturing Facility shall ship the component parts of the Physical Media Product to a destination designated by Publisher, at Publisher's sole risk and expense. The applicable SCE Company shall have the right to inspect any assembly facilities that Publisher proposes to use in order to determine if the component parts of the Physical Media Products are being assembled in accordance with SCE's quality standards. The applicable SCE Company may require Publisher to recall any units of any Physical Media Products that fail to comply with the Guidelines. If Publisher elects to use alternate assembly facilities, neither SCE nor any Designated Manufacturing Facility shall be responsible for any shortage or delays or other production issues, including breakage or missing component parts, arising from use of alternate assembly facilities. Publisher shall comply with all applicable labor and employment laws and shall not employ child labor, slave labor or forced labor in connection with the assembly of the Licensed Products, or use any third party that does so.

8.8 **Delivery of Physical Media Products**. The applicable Designated Manufacturing Facility will deliver Physical Media Products to Publisher at Publisher's sole expense, except where otherwise stated in the Guidelines or agreed in writing by the applicable SCE Company, but does not guarantee delivery by any delivery date stipulated by Publisher. Publisher shall have no right to have completed units of Physical Media Products stored at the applicable Designated Manufacturing Facility after manufacture.

8.9 **Ownership of Original Master Discs.** Neither SCE nor any Designated Manufacturing Facility has any obligation to release to Publisher any original reproducible masters created under Section 8, or any other in-process materials. These masters and materials are and will remain the sole property of SCE or the Designated Manufacturing Facility (as applicable). Notwithstanding the foregoing, the Publisher Intellectual Property Rights that is contained in these masters or materials are, as between SCE and Publisher, the sole and exclusive property of Publisher or its licensors.

8.10 **Other Products.** This Section 8 shall apply to the manufacture, order, supply and delivery of other non-standard products or Packaging relating to Licensed Products, if any, ordered by Publisher from a Designated Manufacturing Facility, unless otherwise stated in this GDPA or the Guidelines.

9. **Distribution**. Distribution of any PlayStation Compatible Product is subject to written approval by SCE in its sole discretion. Such approval may be subject to assessment and testing requirements pursuant to Section 6.3, evaluation of the commercial aspects of the PlayStation Compatible Product, and to commercial or other conditions required by SCE (following such evaluation or otherwise), including a requirement that a PlayStation Compatible Product must be distributed through PSN. Licensed Products must be distributed in accordance with Sections 9.1 or 9.2, as applicable.

9.1 **Distribution of Physical Media Products**

9.1.1 Form of Distribution. Unless expressly approved in writing by the SCE Company in the applicable Territory, Licensed Products distributed physically to end-users shall be in the form of Physical Media Products only. Publisher shall not, directly or indirectly, bundle a Licensed Product with any other Licensed Product or any other content, good or service, without SCE's prior written consent. Where such approval is granted, the terms of this GDPA shall apply to those units.

9.1.2 Distribution Channels. Publisher may use distribution channels for Physical Media Products as Publisher deems appropriate, including the use of third-party distributors, resellers, dealers and sales representatives.

9.1.3 Simultaneous Publishing. Any Physical Media Product must be released by Publisher on the same date as any equivalent Digitally Delivered Product, as determined by SCE under Section 9.2 or as otherwise agreed between the parties.

9.2 Distribution of Digitally Delivered Products

9.2.1 Distribution Channel for Digitally Delivered Products. Unless expressly approved in writing by all SCE Companies in the relevant Territories, Digitally Delivered Products and any subscriptions or services associated with Licensed Products shall be distributed through PSN only, in accordance with this Section 9. Publisher may, however, electronically transmit PlayStation Compatible Products from Development Site to Development Site, or from machine to machine over a computer network, for the sole purpose of facilitating development or testing of PlayStation Compatible Products to be carried out under Section 6, provided that Publisher uses reasonable security measures customary within the high technology industry to reduce the risk of unauthorized interception or retransmission of those transmissions.

9.2.2 PSN. Publisher may offer to sell Digitally Delivered Products and subscriptions or other services related to Licensed Products to the SCE Company in each relevant Territory, or, if SCE chooses to make such option available to Publisher, have that SCE Company sell or rent those products on behalf of Publisher, on the terms of this Section 9 and the Guidelines, or other standard terms SCE may communicate to Licensed Publishers. Publisher grants to SCE the right, which may be exercised by SCE directly or through an Affiliate, on or through PSN, throughout the world, to: (i) install, load, host and reproduce Digitally Delivered Products and Product Information on servers; (ii) resell (including by means of a retail voucher or otherwise), deliver and provide access electronically to and use of Digitally Delivered Products (either alone or as part of a bundle) including by means of reproduction, transmission, digital streaming, broadcast, public performance, public display, public communication, digitally wrapping and repackaging (such rights extending to any product (including its offline manual) published exclusively as a Physical Media Product under a Licensed Publisher Agreement which the parties agree shall be digitally wrapped or repackaged by SCE for distribution as a Digitally Delivered Product through PSN subject to the terms of this GDPA); (iii) digitally stream Licensed Products to Users via PlayStation Now, and copy and adapt the Licensed Products as necessary for that purpose; (iv) sublicense to Users, for their personal, non-commercial purposes, the right to browse Digitally Delivered Products; and a worldwide, irrevocable and perpetual right to access, download, re-download, store, use and play Digitally Delivered Products, subject to the terms established by SCE under which Digitally Delivered Products are supplied to Users, including in exchange for rental, subscription, bundle or time-based usage fees, and subject to any rental, subscriptions or other usage terms established by SCE; (v) allow Users to re-download and use any Digitally Delivered Product previously downloaded to the same PSN account, without further charge or obligation; (vi) market, advertise and promote Digitally Delivered Products in any media; (vii) use Digitally Delivered Products, Advertising Material, and Product Information, as is reasonable in SCE's judgment, to facilitate Digitally Delivered Product resale on or through PSN; and (viii) make, store and use copies of Digitally Delivered Products and Product Information internally for testing, development, evaluation, quality control, User support, support in the operation of PSN (and any services offered thereunder) and for archiving, administrative, legal and rating board and other compliance purposes.

9.2.3 License to Product Information. Publisher shall provide SCE with Product Information for each Licensed Product for use by SCE in accordance with this Section 9.2.3 and the Guidelines. Publisher grants to SCE, for the Term, a non-exclusive license to use Product Information to further SCE's resale or other electronic distribution of Digitally Delivered Products. This license includes the following grant of rights to SCE to: (i) use, publish, reproduce, distribute, display, exhibit, transmit and communicate to the public, make available, and publicly perform on or through any media whatsoever Publisher's and its licensors' trademarks, service marks or logos, and Product Information in connection with the marketing or promotion of Digitally Delivered Products on PSN or in connection with any campaign which is primarily aimed at advertising, marketing or promoting PSN, the PlayStation Store, the Systems or the PlayStation brand generally, and; (ii) edit, crop or vignette all such materials as appropriate to comply with technical limitations. The licenses granted in this Section 9.2.3 include a license to use Publisher Intellectual Property Rights as reasonably necessary to exercise the foregoing rights and licenses.

9.2.4 PSN Vouchers. At Publisher's request, SCE may (without obligation) issue PSN voucher codes and printed vouchers displaying such codes for Digitally Delivered Products, subject to agreement with Publisher on Wholesale Price or revenue share, and, where applicable, on payment of SCE's fee for voucher production and supply as stipulated in the Guidelines, for: (i) non-commercial use (including internal use) by Publisher; (ii) promotional use by Publisher; or (iii) supply (but not resale) to consumers. SCE may change the fee on reasonable notice. PSN vouchers issued to consumers may be redeemed in any country of the applicable Territory in which PSN is available.

9.2.5 No Obligation. SCE reserves the right, in its sole discretion (unless otherwise stated), to do any of the following, at any time, without notice to Publisher: (i) operate and manage PSN; (ii) control the timing, manner, extent and duration of any offer, display, supply, distribution, delivery, marketing, advertising and promotion of Digitally Delivered Products acting reasonably and in good faith; (iii) distribute, rent, sell, resell or market any product and service on PSN, including those that compete with Digitally Delivered Products; (iv) use age gates, filters or other restrictions to accessing Digitally Delivered Products and Online Activity; (v) acting reasonably and in good faith, commence or discontinue the marketing, resale, or electronic distribution of any Digitally Delivered Product; and (vi) suspend or cease PSN's operation, in whole or in part, or suspend or cancel the offering or supply of any Digitally Delivered Product to a User in accordance with the ToSUA.

9.2.6 DRM. SCE has no obligation to use any digital rights management technology in conjunction with its resale or other electronic distribution of Digitally Delivered Products. If SCE, in its sole discretion, elects to use means to limit the improper use of Digitally Delivered Products, SCE will do so without any liability to Publisher, and Publisher shall support any such efforts.

9.2.7 Product Submission. Publisher shall provide Digitally Delivered Products to SCE for supply on or through PSN by submitting to an SCE Company a Digitally Delivered Product pursuant to the process described in the Guidelines or otherwise communicated to Publisher by SCE (each such submission a "**Product Submission**"). Each Product Submission must include a true and accurate description of the Digitally Delivered Product, along with complete metadata for the Digitally Delivered Product as specified in the Guidelines or otherwise communicated to Publisher by SCE. Publisher is liable to SCE and Users for inaccurate or misleading (including by omission) product descriptions. There will be no obligation on SCE to supply any Digitally Delivered Product until SCE has accepted the relevant Product Submission (without prejudice to Section 9.2.5(ii)). Each accepted Product Submission is hereby incorporated into and becomes a part of this GDPA. SCE may amend or change the Product Submission process and requirements at any time and will provide reasonable notice to Publisher of those changes. If a change to the Product Submission process or requirements requires additional information from Publisher, Publisher shall promptly provide that information to SCE. Publisher shall follow the Product Submission process that is current at the time Publisher submits Digitally Delivered Products. Any changes that Publisher wishes to make to a Product Submission must be notified to SCE by way of a separate Product Submission.

9.2.8 Removal from PSN Storefront. Publisher may cease the sale or other provision of a Digitally Delivered Product to SCE by providing SCE with written notice no less than 21 days prior to cessation, or as required by the Guidelines. SCE may purchase and resell or license and otherwise make available for electronic distribution via PSN, an unlimited quantity of Digitally Delivered Products until the date of cessation.

9.2.9 Territory Restrictions. SCE shall only be taken to have exercised its rights under this Section 9 in respect of any Digitally Delivered Product in a particular country where SCE's activities in respect of that Digitally Delivered Product are directed at that country. Access to, use of or download of such product through PSN by a User outside the Territory is not a breach of this GDPA or a breach of any Publisher Intellectual Property Rights or (as between SCE and Publisher) the Intellectual Property Rights of any other person.

10. EULAs and Additional Terms

10.1 **Additional Terms.** Publisher may request presentation on PSN of terms describing or limiting use of its Digitally Delivered Products, in accordance with the Guidelines ("**Additional Terms**"). Additional Terms shall be provided to SCE with the relevant Product Submission. Additional Terms shall be reasonable and consistent with industry practice, and SCE reserves the right to reject, in its sole discretion, Additional Terms that it deems are not, and to review and suggest revisions to the Additional Terms, but without liability for them. Publisher is liable to SCE and Users for Publisher's failure to comply with Additional Terms. The Additional Terms must not be inconsistent with the Software Product License Agreement or the ToSUA.

10.2 **Licensed Product Terms.** Publisher acknowledges that the Software Product License Agreement shall be the license effective between Publisher and users of Licensed Products. Publisher shall be entitled to present its own license (a "**Publisher EULA**") provided it is not inconsistent with the Software Product License Agreement or the ToSUA, and includes the following terms:

10.2.1 the Publisher EULA is between Publisher and the user, not between any SCE Company and the user;

10.2.2 Publisher is solely responsible for the Licensed Product;

10.2.3 a limited license to use the Licensed Product only on a System that the user owns or controls or other such system to which the Licensed Product is delivered by PSN; and

10.2.4 each SCE Company (or the SCE Company for the Territory where the Licensed Product is being sold if the Publisher EULA is regional) is a third party beneficiary of the Publisher EULA.

11. Advertising

11.1 **Generally.** Subject to Section 11.2, Publisher may advertise PlayStation Compatible Products or related Online Activity, but all advertising must be carried out in accordance with the Guidelines.

11.2 **In-Game Advertising.** No advertisements shall be placed in Licensed Products, nor shall advertisements be placed or served dynamically in Licensed Products, without the express written approval of SCE. In the event SCE approves such in-game advertisement, the advertisement must comply with the Guidelines. SCE has sole discretion to reject, block placement of, remove or require removal of any advertisement that (i) does not comply with the Guidelines, applicable law, regulations, court decision, other judicial or administrative order, age ratings system, or principles of any applicable age ratings board; or (ii) may cause SCE or any Affiliate to suffer public disrepute, contempt, scandal or ridicule, or which insults or offends the relevant community or any substantial organized group thereof or which could tend to adversely affect SCE or any Affiliate's name, reputation or goodwill. SCE reserves the right to require Publisher to comply with technical requirements to develop and implement a tracking mechanism to verify the number of users viewing advertisements. SCE reserves the right to set, and subsequently modify, advertising royalty fees. For the purposes of this Section 11.2, "advertisement" shall be deemed to include promotion, product placement, and references and trademarks relating to sponsorship.

12. Online Activity & Data Collection

12.1 **Publisher Obligations.** If a Licensed Product allows Users to engage in Online Activity, then Publisher must, at its sole expense for the term in which the User has rights to use the Licensed Product, do the following in compliance with the Guidelines and this GDPA:

12.1.1 host and provide Users with access to Online Activity;

12.1.2 provide Users with customer support in an efficient manner and in accordance with the Guidelines;

12.1.3 monitor and appropriately supervise Online Activity and, where it becomes aware of any breach or suspected breach by a User of the ToSUA, promptly notify SCE of that breach or suspected breach together with details of the User concerned and take steps to remedy any actual breach of the ToSUA;

12.1.4 appoint a dedicated contact person for Online Activity (including, where requested, an emergency email contact to address grief reports made to SCE or Affiliates), who will act as a liaison between SCE and Publisher for all matters relating to the same. Publisher shall give SCE 10 days written notice prior to any change of a designated contact person;

12.1.5 display Additional Terms relating to Online Activity prior to allowing any User to engage in Online Activity for the first time;

12.1.6 operate all Online Activity in a responsible manner, with particular regard to the protection of children and privacy, and in compliance with legal requirements or as stipulated under any voluntary system relating to the labeling and conduct of gameplay websites designated by SCE, and comply with any SCE policy relating to the protection of children during Online Activity and, where Publisher employs PSN authentication on websites in accordance with the Guidelines, implement age filters or gateways to ensure that children do not generally access content which is not appropriate for their age; and

12.1.7 provide notice to SCE and to consumers in a clear and conspicuous manner of any permanent shutdown to a server hosting or supporting Online Activity at least 90 days prior to any shutdown, and, if Online Activity is a significant feature (as determined by SCE in its discretion in the event of a dispute), use best efforts to arrange removal of all affected units of the relevant Physical Media Product from distribution channels.

12.2 **Use of PSN ID.** Publisher must require all end-users to sign in with their unique PSN ID, or such other SCE identifier specified by SCE, when accessing Online Activity.

12.3 **Personal Information Collection by Publisher.** If Publisher collects any Personal Information from a System or software on that System, Publisher shall do so in strict accordance with all applicable laws and regulations, and the Guidelines. Publisher shall, at a minimum:

12.3.1 Implement reasonable and appropriate measures to protect the confidentiality, security, and integrity of any Personal Information collected; and

12.3.2 Without limiting the obligation to comply with all applicable laws and regulations under this Section 12.3, provide notice to users of its privacy practices, including at least material terms relating to the following:

12.3.2.1 the Personal Information collected;

12.3.2.2 the purposes for which Personal Information will be used;

12.3.2.3 to whom Personal Information will be disclosed;

12.3.2.4 where Personal Information will be transferred; and

12.3.2.5 how an individual can access, correct and delete Personal Information about them.

Publisher shall comply with the practices described in Publisher's privacy notice.

12.4 **Personal Information Disclosed to Publisher by SCE.** SCE has no obligation to disclose data collected by or on behalf of SCE or its Affiliates to Publisher. If Personal Information is disclosed in SCE's absolute discretion, Publisher agrees:

12.4.1 to limit its processing of Personal Information strictly to those purposes defined in the Guidelines or in writing by SCE and for no other purpose;

12.4.2 that prior to processing Personal Information for any purposes beyond those defined under Section 12.4.1, it will:

12.4.2.1 obtain SCE's express, written consent to the use of such data for such purposes such consent to be in SCE's sole discretion;

12.4.2.2 inform the individual of Publisher's identity;

12.4.2.3 inform the individual of the purposes for which the data will be used;

12.4.2.4 obtain the individual's explicit consent to such transfer and use; and

12.4.2.5 provide notice to the individual that the use and any disclosure of the data shall be subject to Publisher's privacy policy and that SCE is not responsible or liable for Publisher's use of the data;

12.4.3 to handle Personal Information in accordance with law, Publisher's privacy policy, the Guidelines and with any terms for handling and use presented by SCE;

12.4.4 to implement measures to protect the confidentiality, security, and integrity of any Personal Information that SCE Company shares with Publisher that are reasonable, adequate or otherwise required by Section 12.4.3; and

12.4.5 where such data relates to an end user who is located in a country with, or is a customer of SCE that is subject to, a law, regulation or direction of any competent authority that restricts the export or transfer of such data outside of that country (or its region, such as the European Economic Area), if requested by SCE, Publisher shall implement such agreements and take such steps as are required by that law, regulation or direction to ensure SCE is in compliance with the restriction.

13. Marketing of Licensed Products

13.1 **Marketing Generally.** At no expense to SCE, Publisher will, and will direct its distributors to, diligently market, sell and distribute the Physical Media Products, market Digitally Delivered Products, use commercially reasonable efforts to stimulate demand for all Licensed Products throughout the applicable Territories, and supply units of Physical Media Products to satisfy any resulting demand.

13.2 **Samples.** Publisher will provide sample units of each Physical Media Product to the SCE Company in each relevant Territory in the quantities and per the terms specified in the Guidelines. In the event that Publisher assembles any Physical Media Product using an alternate source in accordance with Section 8.7, Publisher will be responsible for shipping such sample units to each applicable SCE Company, at Publisher's cost and expense, promptly following the commercial release of such Physical Media Product. SCE assumes no liability for release of samples prior to commercial release. SCE shall not directly or indirectly resell any such sample units of the Physical Media Products without Publisher's prior written consent. SCE may distribute sample units to its employees or those of its Affiliates, provided that it uses its reasonable efforts to ensure that such units are not sold into the retail market. In addition, subject to availability, Publisher shall sell to each applicable SCE Company additional units at cost.

13.3 **Marketing Programs.** SCE may invite Publisher to participate in promotional or advertising opportunities that may feature one or more Licensed Products from one or more Licensed Publishers. Participation shall be voluntary and subject to terms to be determined by SCE at the time of the opportunity. In the event Publisher elects to participate, all materials submitted by Publisher to SCE shall be submitted subject to the Guidelines and delivery of such materials to SCE shall constitute acceptance by Publisher of the terms of the offer. Each SCE Company shall be entitled to display and otherwise use an attribution line substantially similar to the following on its multi-product marketing materials: "Copyrights and trademarks are property of their respective owners."

13.4 **PlayStation Website.** Publisher shall provide SCE with Product Information in HTML or such other format as specified by SCE for each of its Licensed Products for display on one or more PlayStation promotional websites. Specifications for Product Information for those websites shall be as provided in the Guidelines. Publisher shall provide each applicable SCE Company with such Product Information for each Licensed Product upon submission of Printed Materials to the applicable SCE Company for approval pursuant to the Guidelines. Publisher shall also provide updates for any such web page in a timely manner as may be required in the Guidelines.

14. **Subcontracting.** Publisher may provide a subcontractor with access to the SCE Materials where required to assist with the development, publication and marketing of PlayStation Compatible Products only where Publisher has: (i) made the subcontractor aware of the confidentiality, data protection, and other relevant provisions of this GDPA; and (ii) received the subcontractor's written commitment to abide by those terms. Publisher shall remain fully liable for Publisher's compliance with all of the provisions of this GDPA, and shall remain fully liable for and hereby unconditionally guarantees all obligations for the compliance of any subcontractor with the confidentiality, data protection, and other provisions of this GDPA. Publisher shall disclose to a subcontractor the SCE Materials only to the extent necessary to allow the subcontractor to assist with the development, publication and marketing of PlayStation Compatible Products. SCE has no obligation to grant any subcontractor access to the Developer Website (and Publisher shall not share its access with a subcontractor). A subcontractor has no right to publish Licensed Products, including any right to order or pay for Publisher's Physical Media Product. SCE may prohibit disclosure of the SCE Materials to a subcontractor under this section at any time, effective immediately upon notice from SCE to Publisher. SCE may subcontract or sublicense any of its rights or obligations under this GDPA.

15. Revenue and Payments

15.1 **Physical Media Products.** Publisher shall pay each Designated Manufacturing Facility located in the Territory in which Publisher distributes Physical Media Products, either directly or through its designee, for Physical Media Products, including Physical Media Products in any "Greatest Hits," "Platinum" or any other program, and demonstration discs, at the rates and in the manner specified in the Guidelines, the terms of this Section 15, or otherwise communicated to Publisher by other means used by SCE to communicate standard terms to Publishers from time to time. Publisher shall inform SCE of its Wholesale Price for each Physical Media Product title which shall form the basis of the platform charge payable to the applicable Designated Manufacturing Facility, such amount to be calculated by SCE and notified to the Publisher in accordance with the Guidelines. Payment shall be made prior to manufacture unless the applicable SCE Company has agreed in writing to extend credit terms to Publisher under Section 15.1.1. The burden of proof under this Section 15 shall be on Publisher. SCE reserves the right to require Publisher to furnish evidence satisfactory to SCE that Publisher has complied with any or all of its obligations pursuant to this Section 15.

15.1.1 Credit Terms. SCE may extend credit terms to Publisher in SCE's sole discretion. Credit terms and limits shall be subject to revocation or extension at SCE's sole discretion. If credit terms are extended to Publisher, Purchase Orders will be invoiced by the Designated Manufacturing Facility upon shipment of Physical Media Products and each invoice will be payable within 30 days of the date of the invoice or other period stated in the Guidelines. Publisher shall be additionally liable for all costs and expenses of collection of any unpaid amounts, including reasonable fees for lawyers and court costs.

15.1.2 General Terms. Each shipment by the Designated Manufacturing Facility to Publisher shall constitute a separate sale, whether said shipment constitutes the whole or partial fulfillment of any Purchase Order. Title to units of Physical Media Products pass to Publisher only upon payment in full of the amounts due under this GDPA for those units. The receipt and deposit of any moneys payable by Publisher under this GDPA shall be without prejudice to any rights or remedies that SCE or the Designated Manufacturing Facility has and shall not restrict or prevent either from challenging the basis for calculation or payment accuracy.

15.1.3 SCE Audit. Publisher shall keep full, complete, and accurate records covering all transactions relating to Physical Media Products ordered and manufactured pursuant to this GDPA including, the Wholesale Price received for Physical Media Products, and all records relating to indirect revenue under Section 15.3. Publisher shall preserve such records, documents, and materials for a period of twenty-four (24) months after the expiration or termination of this GDPA. SCE's acceptance of any accounting statement, purchase order, or payment will not preclude SCE from challenging or questioning the accuracy thereof at a later time. If SCE reasonably believes that the pricing or revenue information provided by Publisher is not accurate, SCE is entitled to request additional documentation from Publisher to support the information provided. In addition, during the Term and for a period of two (2) years thereafter and upon the giving of reasonable prior written notice to Publisher, at SCE's expense, representatives of SCE shall be given access to, and the right to inspect, audit, and make copies and summaries of, and take extracts from, such portions of all records of Publisher, including those records from Publisher's affiliates and branch offices, as they pertain to the Licensed Products and any payments due or credits received. Any such audit shall take place during normal business hours and shall, at SCE's sole election, be conducted either by an independent certified accountant or by an appropriately professionally qualified SCE employee. If such inspection reveals any under-reporting of any payment due to SCE, Publisher shall immediately pay SCE such amount. If any audit conducted by SCE reveals that Publisher has under-reported any payment due to SCE by five percent or more for the relevant audit period, then in addition to the payment of the appropriate amount due to SCE, Publisher shall reimburse SCE for all reasonable audit costs for that audit and all collection costs to recover any unpaid amounts.

15.2 Digitally Delivered Products

15.2.1 Publisher Revenue. In consideration of the rights granted by Publisher under Section 9.2.2, each applicable SCE Company shall pay to Publisher the applicable Wholesale Price or agreed revenue share for the Digitally Delivered Products covered by a Product Submission accepted by SCE. SCE has no obligation to pay for any Digitally Delivered Product (and will be entitled to a refund for amounts paid to Publisher): (i) unless and until SCE receives payment from the relevant User; (ii) that is not fully compliant with this GDPA; (iii) that is defective, non-functional or inaccessible through no fault of SCE; or (iv) that is provided by SCE free of charge as a replacement copy or an agreed promotion. Other than the Wholesale Price or agreed revenue share, Publisher is not entitled to any other fee in connection with any Digitally Delivered Products. No further Wholesale Price or agreed revenue share shall be payable to Publisher where a User exercises an entitlement included with a Licensed Product (whether at purchase or at a later time) to download additional copies to other Systems or other compatible devices, whether by means of emulation or otherwise. Publisher may change a Digitally Delivered Product's Wholesale Price or Additional Terms by providing SCE with a revised Product Submission specifying the changes and the desired effective date. SCE makes no commitment to meet the effective date of any such changes chosen by Publisher. A revised Product Submission shall be subject to the provisions of Section 9.2.7.

15.2.2 Retail Price. Each SCE Company has the sole and exclusive right to set the retail price to Users for Digitally Delivered Products sold or otherwise made available for purchase on or through PSN in its Territory, unless SCE adopts and presents to Publisher an alternative structure for distributing Digitally Delivered Products. The applicable SCE Company may modify any Digitally Delivered Product's retail price at any time without notice to Publisher. Publisher shall not interfere with the applicable SCE Company's price setting, but may provide SCE with suggested retail prices for Digitally Delivered Products. SCE reserves the right to adopt an alternative distribution model upon reasonable notice to Publisher.

15.2.3 Refunds. SCE has no obligation to make any payment to Publisher under Section 15.2.1 in respect of any sale where SCE has chosen to refund the price paid by the User for that sale for any reason, other than where such refund becomes due directly as a result of SCE's failure to comply with the terms of this GDPA.

15.2.4 Report and Payment Terms. SCE will provide Publisher with statements identifying the quantity of Digitally Delivered Product sold or licensed by SCE to, or otherwise purchased by, Users (based upon the date SCE receives payment) as well as any refunds for Digitally Delivered Products. Subject to the receipt of Publisher's valid tax invoice which meets the requirements of the relevant taxation authorities (where requested by an SCE Company), SCE will pay Publisher the Wholesale Price or agreed revenue share for the net quantity of Digitally Delivered Products sold or licensed on PSN in the currency, at the times, and in the manner stated in the Guidelines, or as otherwise communicated to Publisher. Where any amounts that SCE must pay under this GDPA are based on SCE or Affiliate revenue, those amounts are calculated after deduction for consumption taxes (including VAT), duties, charges or assessments which SCE or an Affiliate may have to collect or pay with respect to the sale or licensing of Licensed Products. Applicable currency exchanges will be based on the Sony Corporation official rate, or such other independent third party currency conversion provider as SCE may adopt in its sole discretion, for the period in which the relevant Digitally Delivered Products are sold or licensed on PSN. If the total amount of refunds issued by the applicable SCE Company for refunded Digitally Delivered Products exceeds the amount owed by that SCE Company to Publisher in the relevant period, Publisher shall pay that SCE Company an amount equal to the difference. SCE may withhold sums equal to refunds it has made from any payments due to Publisher and withhold payment of any other disputed funds until such time as the parties resolve any dispute. If requested by SCE, Publisher shall issue credit notes to SCE for all refunds shown in SCE's statement in the month following that in which it receives a statement from SCE itemizing the refund in question.

15.2.5 SCE Subscriptions. From time to time, SCE may offer Publisher the opportunity to make certain Digitally Delivered Products available as part of PlayStation Plus or other premium package of products and services offered through PSN to Users paying the relevant subscription fee. The relevant Digitally Delivered Products and the agreed price, if any, to be paid by SCE for the inclusion of such products shall be recorded in a schedule to this GDPA or otherwise in writing. Failure to provide any such Digitally Delivered Product in the agreed form and at the agreed time shall entitle SCE to a refund of any sums paid for such product as set out in the Guidelines or such agreed writing. Publisher shall not share under this GDPA in any revenue received by SCE or any Affiliate as a result of the operation of or related to PSN generally, including subscription revenue generated by PlayStation Plus, regardless of whether or not a PlayStation Plus subscription is required to access a Licensed Product or elements of a Licensed Product.

15.2.6 Publisher Audit. SCE shall keep complete and accurate records to verify its calculation of proper payment pursuant to this Section 15.2, and shall preserve these records for a period of 12 months after this GDPA's termination, or two years after presenting the applicable periodic statement to Publisher, whichever is earlier. Publisher's acceptance of any accounting statements, records or payment under this GDPA will not preclude Publisher from challenging or questioning the accuracy of any statement or report during the Term and the 12-month period after this GDPA's termination. Publisher will give SCE specific notice of any objection to a statement provided under Section 15.2 within 26 months following the date on which SCE first sent the statement to Publisher, or the statement will become conclusively binding and Publisher waives any further right to object. If Publisher has a good faith and reasonable belief that SCE has not provided accurate information and owes Publisher payment under this Section 15.2 as a result, then Publisher may, upon describing in detail the basis for its reasonable belief and providing objective evidence indicating that SCE has underpaid, request additional, supporting documentation from SCE to verify the resale of Digitally Delivered Product to Users. If the matter remains unresolved, the parties shall then attempt in good faith, for a period of not less than 30 days to resolve any dispute related to any statement or payment challenged by Publisher. If such dispute remains unresolved, Publisher may then, at its expense, hire a nationally recognized, third-party accounting firm, on a non-contingency fee basis, reasonably acceptable to SCE, to inspect, audit and make copies and summaries of and take extracts from, those portions of SCE's records pertaining to payments due or credits received under this Section 15.2. Publisher shall require an accounting firm performing an audit to execute a non-disclosure agreement with SCE in a form acceptable to SCE. Information provided to or obtained by Publisher or the accounting firm performing an audit is deemed SCE Materials. The right to conduct such an audit shall not confer on Publisher the right to access any systems or equipment which comprise or support PSN or any information contained therein. Publisher shall provide SCE with reasonable prior written notice (in no event less than 30 days) of Publisher's intent to perform an audit, but no audit may take place within 45 days after the end of SCE's fiscal year. Any audit must take place during SCE's normal business hours. An audit may not be performed more than once every 12 months, and no record may be audited more than once. If an audit reveals any under-reporting of any payment due to Publisher, SCE shall promptly pay Publisher the under-reported amount. If an audit conducted by Publisher reveals that SCE has under-reported any payment due to Publisher by five percent or more for the relevant audit period and that is no less than $10,000, then in addition to the payment of the appropriate amount due to Publisher, SCE shall reimburse Publisher for reasonable third-party audit costs. Nothing in this GDPA shall give Publisher the right to challenge or audit any statement or records pertaining to any period prior to the Effective Date.

15.3 **Indirect Revenue.** If Publisher receives revenue or credit related to the exploitation of PlayStation Compatible Products (including related Online Activity), other than revenue from the sale of Licensed Products under Sections 9.1 and 9.2, including from product placement, sponsorships, advertising, or companion apps, then SCE shall be entitled to a royalty on such revenue received by or credited to Publisher at a rate to be agreed by the parties, but in no event less than [***]% of the gross revenue received by or credited to Publisher or any affiliate of Publisher. Prior to distribution of any PlayStation Compatible Product, Publisher shall advise SCE of any such exploitation. Publisher shall provide SCE with monthly reports of any such revenue or credits received and shall pay SCE's invoice within 30 days of the date of the invoice. For the avoidance of doubt, nothing in this Section 15.3 shall derogate from Publisher's obligation to distribute Licensed Products only in accordance with Sections 9.1 (for Physical Media Products) and 9.2 (for Digitally Delivered Products).

15.4 **Third Party License Fees**. If SCE's exercise of any of the rights granted by Publisher under this GDPA causes SCE or any Affiliate to become legally responsible for the payment of any fees, costs or expenses to any content rights holder or third party collecting payment for the use of voice, music, video, or other content, including unions, guilds, or performing rights organizations, then SCE reserves the right to offset such third party fees, costs or expenses from amounts due Publisher under this Section 15, or, in SCE's sole discretion, reimbursement by Publisher to SCE or the applicable Affiliate.

15.5 **Service Fees and Charges.** Publisher shall pay all fees for services provided by SCE (including format quality assurance) in accordance with terms set forth in the Guidelines. Where a User downloads a Digitally Delivered Product (including Digitally Delivered Products made available to end users for free), SCE reserves the right to charge Publisher for the cost attributable to bandwidth for such downloads at the current, standard rate set by the applicable SCE Company and specified in the Guidelines. Publisher must pay SCE's current, standard patching fee in respect of any patch published under this GDPA, where the patch is submitted to SCE within 60 days of the approval of the relevant Licensed Product pursuant to Section 6.3, or as otherwise stated in the Guidelines. SCE reserves the right to change, on reasonable notice, the rate or the basis on which any such service fees are calculated.

15.6 **Publisher Deductions & Offsets.** No costs incurred in the development, manufacture, marketing, sale or distribution of PlayStation Compatible Products shall be deducted from any amounts payable by Publisher under this GDPA. There shall be no deduction from any amounts owed by Publisher under this GDPA as a result of any uncollectible accounts owed to Publisher, or for any credits, discounts, allowances or returns which Publisher may credit or grant to any third-party customer of any PlayStation Compatible Products. Publisher may not assert any credit, set-off or counterclaim to justify withholding payment under this GDPA.

15.7 Taxes & Withholding

15.7.1 Taxes. The amounts that the parties must pay under this GDPA are exclusive of taxes (including VAT), duties, charges or assessments which the recipient is required to collect, for which the paying party is solely responsible (except that any such amounts that SCE must pay are deemed to be inclusive of all VAT where any such VAT cannot be reclaimed by SCE). Where required by law, each party shall provide the other with a valid VAT registration number and each shall fulfil its obligations relating to VAT under the applicable reverse charge procedure which, in the EU, is stipulated in Article 196 of the EU VAT Directive 2006/112/EC. If the paying party does not provide the appropriate and valid VAT registration number, or applicable documentation in support of an exemption from VAT, then the supplying party will be entitled to charge VAT at the appropriate rate until such a time as an appropriate and valid VAT registration number, or the applicable documentation, is provided, at which time the VAT charged will be refunded or otherwise credited as permissible by law, provided the VAT registration number or other exemption was valid and appropriate at the time the VAT was charged.

15.7.2 SCE Withholding and Offset. If laws or regulations require that SCE or an Affiliate make deductions from sums payable to Publisher under this GDPA, SCE or its Affiliate may withhold those required deductions from the amounts it pays Publisher, remit the deducted amounts to the proper authorities and furnish Publisher, as soon as reasonably practicable, with an official receipt evidencing those payments, together with documentation as Publisher may reasonably require in making submissions to the proper authority. If requested by SCE, prior to any payment being made by SCE Publisher will provide SCE a certificate of tax residency and other documentation required to verify the tax residency of Publisher and, when applicable, to allow a reduction of tax withholding. SCE reserves the right to offset against any payments owed to Publisher under this GDPA any outstanding amounts owed to any SCE Company or Affiliate under this GDPA or otherwise (including any outstanding fees owed to any SCE Company under Section 15.5). SCE shall be entitled to assert any credit, set-off or counterclaim to justify withholding payment under this GDPA.

15.7.3 Publisher Withholding. Publisher shall be solely responsible for, and shall not withhold from any payment to SCE or an Affiliate, any withholding taxes or other such assessments which may be imposed by any governmental authority with respect to payments to SCE or an Affiliate. Where Publisher has paid any such tax or assessments, Publisher may provide each applicable SCE Company with official tax receipts or other such documentary evidence issued by the applicable tax authorities sufficient to substantiate any such taxes or assessments that have in fact been timely paid. Where such substantiation is provided, and SCE or a Designated Manufacturing Facility has issued an approved credit memo or has approved Publisher's invoice describing the credit, Publisher may apply such credit to subsequent payments to the SCE Company or Designated Manufacturing Facility that approved the credit. If requested by Publisher, SCE will provide Publisher with a certificate of tax residency and other documentation required to allow, where applicable, a reduction of tax withholding.

15.7.4 Minimizing Withholding. Each party shall cooperate in good faith and use reasonable efforts to minimize any withholding tax.

15.8 Server Location. Publisher shall notify SCE in writing of the country location of all servers from which any Online Activity is delivered or made available to Users. Publisher shall notify SCE of any changes to the location of any these servers or the use of additional servers in writing at least three months prior to any change or use of additional servers taking place.

16. Representations and Warranties

16.1 Representations and Warranties of SCE

16.1.1 Each SCE Company represents and warrants, solely for the benefit of Publisher, that it has the right, power and authority to enter into this GDPA for its respective Territory, and to fully perform its obligations hereunder.

16.1.2 The following terms shall apply unless otherwise stated in the Guidelines. All Physical Media Products manufactured by a Designated Manufacturing Facility for Publisher pursuant to this GDPA shall be free from defects in materials and workmanship under normal use and service at time of delivery in accordance with this GDPA. For SCEA and SCEE, the sole obligation of SCE under this warranty shall be, for a period of 90 days from the date of delivery of such Physical Media Products, at SCE's election, either (i) to replace defective Physical Media Products; or (ii) to issue credit for, or to refund to Publisher, the charge for defective Physical Media Products and to reimburse Publisher its reasonable return shipping costs. This warranty is the only warranty applicable to Physical Media Products manufactured by the Designated Manufacturing Facility for Publisher pursuant to this GDPA. This warranty shall not apply to damage resulting from accident, fair wear and tear, wilful damage, alteration, negligence, abnormal conditions of use, failure to follow directions for use (whether given in instruction manuals or otherwise howsoever) or misuse of Physical Media Products, or to Physical Media Products comprising less than 1% (or, if greater, 100 units) in the aggregate of the total number of Physical Media Products manufactured by the Designated Manufacturing Facility for Publisher per Purchase Order of any Physical Media product. If, during such 90 day period, defects appear as aforesaid, Publisher shall notify SCE and, upon request by SCE (but not otherwise), return such defective Physical Media Products, with a written description of the defect claimed, to such location as SCE shall designate. SCE shall not accept for replacement, credit or refund as aforesaid any Physical Media Products except factory defective Physical Media Products (i.e. Physical Media Products that are not free from defects in materials and workmanship under normal use and service). All returns of Physical Media Products shall be subject to prior written authorization by SCE, not unreasonably to be withheld. If no defect exists or the defect is not such as to be covered under this warranty, Publisher shall reimburse SCE for expenses incurred in processing and analyzing the Physical Media Products. For SCEI, any obligation regarding manufacturing Physical Media Products is stated in the Guidelines.

16.2 Representations and Warranties of Publisher. Publisher represents and warrants throughout the Term that:

16.2.1 there is no threatened or pending action, suit, claim or proceeding alleging that the use or possession by Publisher or its affiliates of all or any part of the Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, User Content or any underlying work or content embodied in any of the foregoing, including any name, designation or trademark used in conjunction with any PlayStation Compatible Product, infringes or violates any Intellectual Property Rights or other right or interest of any kind whatsoever anywhere in the world of any third party, or contesting any right, title or interest of Publisher in or to the Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, User Content or any underlying work or content embodied in any of the foregoing, including any name, designation or trademark used in conjunction with any PlayStation Compatible Product;

16.2.2 Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, User Content, and their contemplated or actual disclosure or use under this GDPA, do not and shall not infringe the Intellectual Property Rights, right of publicity, right to privacy, or moral rights anywhere in the world of any third party. Publisher has obtained the consent of all holders of Intellectual Property Rights necessary for SCE's or its Affiliates' use of any Licensed Products (apart from the SCE Materials), Product Proposals, Product Information, Printed Materials, Advertising Materials, User Content and Packaging not provided by the Designated Manufacturing Facility provided by Publisher, which may be reproduced, published, publicly displayed, publicly performed, marketed, sold and distributed by SCE and any Affiliates in accordance with this GDPA. Publisher has made all payments required to any person having any legal rights arising from such disclosure or use so that SCE will not incur any obligation to pay any royalty, residual, union, guild, collecting society or other fees or expenses;

16.2.3 Publisher Property does not contain and is not derived in any manner (in whole or in part), from any software, including without limitation open source software, that would require that any SCE or third party proprietary software or information be: (i) disclosed or distributed in source code form; (ii) licensed for the purpose of permitting modifications or derivative works; (iii) reproduced and/or redistributed (with or without charge); (iv) permitted to be reverse engineered; or (v) used only for non-commercial purposes;

16.2.4 Publisher has the right, power and authority to enter into this GDPA, to grant SCE the rights granted hereunder and to fully perform its obligations hereunder;

16.2.5 the making of this GDPA by Publisher does not violate any separate agreement, rights or obligations existing between Publisher and any other person, and Publisher shall not make any separate agreement with any third party that is inconsistent with any of the provisions of this GDPA;

16.2.6 Publisher has not previously taken any action that could be interpreted as having sold, assigned, leased, licensed or in any other way disposed of or encumbered any of the rights granted to Publisher hereunder. Publisher will not sell, assign, lease, license or in any other way dispose of or encumber any of such rights except as permitted by this GDPA;

16.2.7 neither Publisher nor its affiliates shall make any representation or give any warranty to any person or entity expressly or on SCE's behalf, or to the effect that the PlayStation Compatible Products are connected in any way with SCE other than that the Licensed Products have been developed, marketed, sold and distributed under license from SCE;

16.2.8 if any PlayStation Compatible Product that includes SCE Materials is delivered by Publisher to any other Licensed Publishers or Licensed Developers in source code form, Publisher will take all precautions consistent with the protection of valuable trade secrets by companies in high technology industries to ensure that such third parties protect and maintain the confidentiality of such source code;

16.2.9 PlayStation Compatible Products (apart from the SCE Materials), and any Product Information will (i) be in a commercially acceptable form; (ii) correspond with any written description provided by Publisher to SCE; (iii) be free of unauthorized content (including content that is inconsistent with the age rating applicable to the corresponding PlayStation Compatible Product); (iv) be free of bugs, defects, time bombs or viruses or any content which could disrupt, delay, or destroy the PlayStation Compatible Product, PSN, or a System, or render any of such items less than fully useful; (v) be free of any content that could cause SCE to suffer public disrepute, contempt, scandal or ridicule, which insults or offends the community or any substantial organized group thereof, which could tend to adversely affect SCE's name, reputation or goodwill associated with the System or which otherwise breaches any objectionable content criteria set out in the Guidelines; and (vi) shall be fully compatible with the relevant Systems and all Peripherals listed on the Printed Materials as compatible with the PlayStation Compatible Product;

16.2.10 PlayStation Compatible Products will be developed, marketed, sold and distributed by or at the direction of Publisher in an ethical and responsible manner with respect to the protection of children in the online environment, and in full compliance with all applicable laws, including federal, state, provincial, local laws, and any rules, regulations and standards promulgated thereunder, including lottery, labor, anti-bribery and corruption laws and will not contain content that violates applicable laws, including those relating to privacy or any obscene or defamatory matter;

16.2.11 PlayStation Compatible Products will include adequate and appropriate health and safety warnings that preclude Publisher and SCE liability to third parties;

16.2.12 Publisher's policies and practices with respect to the development, publishing, marketing, sale, and distribution of PlayStation Compatible Products will in no manner reflect adversely upon the name, reputation or goodwill of SCE or any Affiliate;

16.2.13 Publisher will make no false, misleading or inconsistent representations or claims with respect to SCE, PSN, or any System, PlayStation Compatible Product, or Affiliate; and

16.2.14 neither Publisher nor any director, officer or controlling shareholder is under sanction by the United States Office of Foreign Assets Control.

17. Indemnities

17.1 **Indemnification by SCE.** Each SCE Company shall indemnify and hold Publisher and its respective officers, directors, employees, agents, representatives, successors and assigns harmless from and against third-party claims, demands, losses, liabilities, damages, expenses and costs, including reasonable fees for lawyers, expert witnesses and litigation costs, and costs incurred in the settlement or avoidance of any such claim, that result from a breach of any of that SCE Company's representations or warranties set forth in Section 16.1 (collectively, "**SCE- Indemnified Claim(s)**"); provided that: (i) Publisher shall give prompt written notice to the applicable SCE Company of the assertion of any SCE-Indemnified Claim; (ii) the applicable SCE Company may select counsel and control the defense and settlement of any SCE-Indemnified Claim and Publisher shall not agree to the settlement of any SCE-Indemnified Claim without the applicable SCE Company's prior written consent; and (iii) Publisher shall provide the applicable SCE Company reasonable assistance and cooperation concerning any SCE-Indemnified Claim, except that Publisher need not incur any out-of-pocket costs in rendering such assistance and cooperation. The applicable SCE Company has the exclusive right, at its discretion, to commence and prosecute at its own expense any lawsuit or to take such other action with respect to SCE- Indemnified Claims as it deems appropriate.

17.2 **Indemnification by Publisher.** Publisher shall indemnify and hold SCE and its Affiliates and each of their respective officers, directors, employees, agents, representatives, successors and assigns harmless from and against claims, demands, losses, liabilities, damages, expenses and costs, including reasonable fees for lawyers, expert witnesses and litigation costs, and costs incurred in the settlement or avoidance of any such claim, that relate to (i) a breach or alleged breach of any of Publisher's representations or warranties set forth in Section 16.2, or in any collateral contract; (ii) asserted or actual infringement of a third party's Intellectual Property Rights or any individual consumer or class action claim, with respect to Publisher Property, Product Proposals, Product Information, Printed Materials, Advertising Materials, Packaging not provided by the Designated Manufacturing Facility, User Content, and their disclosure or use under this GDPA; (iii) Publisher's support of unauthorized or unlicensed Peripherals or software that do not comply with an appropriate System format specification as set forth in the Guidelines; (iv) Publisher's Advertising Materials, Product Information, or Publisher's failure to comply with Additional Terms or the applicable EULA; (v) any PlayStation Compatible Product features or capability related to cross-regional Online Activity; (vi) asserted or actual personal or bodily injury (including death or disability) or property damage arising out of, in whole or in part, the development, marketing, advertising, sale, distribution or use of any PlayStation Compatible Products unless due directly and solely to the breach of SCE in performing any of the specific duties or providing any of the specific services required of it under this GDPA; (vii) any civil or criminal investigations or actions relating to the development, marketing, advertising, sale or distribution of PlayStation Compatible Products; (viii) access to a Licensed Product outside of the country where SCE directs activity under Section 9.2.9 (Territory Restrictions), (ix) any claim relating to Publisher's handling of data collected from or through a System or software on a System by or on behalf of Publisher or any data provided to Publisher by SCE pursuant to Section 12.4, or (x) any penalties or interest assessed against SCE or an Affiliate for any taxes or charges Publisher is required to remit to any governmental taxing authority with respect to payments made to SCE or an Affiliate (all subsections collectively, "**Publisher-Indemnified Claim(s)**"), provided that (a) SCE shall give prompt written notice to Publisher of the assertion of any Publisher- Indemnified Claim; (b) Publisher shall have the right to select counsel and control the defense and settlement of any Publisher-Indemnified Claim, except that with respect to any Publisher- Indemnified Claims made by a third party against SCE, SCE shall have the right to select counsel for itself and control the defense and settlement of the Publisher-Indemnified Claim against SCE; and (c) SCE shall provide Publisher with reasonable assistance and cooperation concerning any Publisher-Indemnified Claim, except that SCE need not incur any out-of-pocket costs in rendering such assistance and cooperation. Subject to the foregoing, Publisher may, at its discretion, commence and prosecute at its own expense any lawsuit or to take such other action with respect to Publisher-Indemnified Claims as shall be deemed appropriate by Publisher.

18. Limitation of Liability

18.1 **SCE Limitation of Liability for Financial Losses.** In no event shall SCE or any Affiliate, or the officers, directors, employees, agents, licensors or suppliers of any of such entities, be liable for loss of revenue, loss of actual or prospective profits, loss of contracts, loss of anticipated savings, loss of business opportunity, reputation, goodwill or market share, loss of, damage to or corruption of data or for any interest or ex gratia payments (whether such loss, damages or payments are direct, indirect, special, incidental or consequential) arising out of, relating to, or in connection with this GDPA or any collateral contract (including the breach of this GDPA by any SCE Company), whether known, foreseen or foreseeable and whether in contract, tort (including negligence), product liability, under indemnity, or otherwise.

18.2 **SCE Limitation of Liability for Other Consequential Losses.** In no event shall SCE or any Affiliate or the officers, directors, employees, agents, licensors or suppliers of any of such entities, be liable for any indirect, special, incidental or consequential loss or damage of any kind arising out of or in connection with this GDPA or any collateral contract (including the breach of this GDPA by any SCE Company), whether known, foreseen or foreseeable and whether in contract, tort (including negligence), product liability, under an indemnity or otherwise.

18.3 **SCE Limitation of Liability for Representations.** Publisher shall have no remedy with respect to any representation made to it upon which it relied in entering into this GDPA and SCE or any Affiliate and the officers, directors, employees, agents, licensors or suppliers of any of such entities shall have no liability to Publisher other than under the express terms of this GDPA. In this Section 18.3, "representation" means any undertaking, promise, assurance, statement, representation, warranty or understanding, whether in writing or otherwise, of any person (whether a party to this GDPA or not), relating to the subject matter of this GDPA.

18.4 **SCE Limitation of Liability for SCE Materials and Publisher's Materials.** Except as expressly set forth herein, neither SCE or any Affiliate company, nor the officers, directors, employees, agents, licensors or suppliers of any of such entities, shall bear any risk, or have any responsibility or liability of any kind to Publisher or to any third parties with respect to the quality, functionality, operation or performance of, or the use or inability to use, all or any part of the SCE Materials, the System, PlayStation Compatible Products, or for any software errors or "bugs" in Product Information included on SCE demonstration discs.

18.5 **SCE Limitation of Financial Liability.** In no event shall the liability of each SCE Company or any Affiliate arising under, relating to, or in connection with this GDPA, or any collateral contract, exceed a sum equal to the total amount paid by Publisher under Section 15.1 to that SCE Company or its Designated Manufacturing Facility, and the net amount actually received by that SCE Company from purchases of Digitally Delivered Products by Users pursuant to Section 15.2, within the 12-month period immediately prior to the date of the first occurrence of the event or circumstances giving rise to the claimed liability.

18.6 **Publisher Limitation of Liability.** In no event shall Publisher, its officers, directors, employees, agents, licensors or suppliers be liable to SCE for loss of revenue, loss of actual or prospective profits, loss of contracts, loss of anticipated savings, loss of business opportunity, reputation goodwill or market share, loss of, damage to or corruption of data or for any interest or ex gratia payments (whether such loss, damages or payments are direct, indirect, special, incidental or consequential), arising out of or in connection with this GDPA or any collateral contract (including the breach of this GDPA by Publisher), provided that such limitations shall not apply to damages resulting from Publisher's breach of Sections 3 (Conditional License Grant), 5 (Other Limitations on Licensed Rights), 16.2 (Representations and Warranties of Publisher), 17.2 (Indemnification by Publisher) or 20 (Data Security and Confidentiality) of this GDPA, or to any amounts which Publisher may be required to pay pursuant to Sections 7.12.2 (Risk of Loss), or 17.2 (Indemnification by Publisher).

18.7 **Disclaimer of Warranty.** Except as expressly provided in Section 16.1, neither SCE or any Affiliate, nor any of its officers, directors, employees, agents or suppliers, make, nor does Publisher receive, any warranties (express, implied or statutory) regarding all or part of the SCE Materials, the SCE Intellectual Property Rights, the Systems, units manufactured hereunder, PSN, Product Information included on demonstration discs or any services provided by SCE pursuant to this GDPA. SCE disclaims any warranties, conditions or other terms implied by any law (including as to merchantability, satisfactory quality or fitness for a particular purpose and warranties against infringement, and the equivalents thereof under the laws of any jurisdiction) to the fullest extent permitted by applicable law. SCE disclaims any duty to determine or ascertain Publisher's authorization, permission or license to sell, supply or distribute any product or service.

18.8 **Law Applicable to Liabilities.** Nothing in this GDPA shall exclude or limit any liability of either party which may not be excluded or limited under applicable law.

19. **Infringement of SCE Intellectual Property Rights By Third Parties.** In the event that Publisher becomes aware that any of the SCE Intellectual Property Rights have been or are being infringed by any third party, Publisher shall promptly notify the SCE Company located in the relevant Territory or Territories. SCE shall have the sole right, in its discretion, to institute and prosecute lawsuits against third parties regarding infringement of SCE Intellectual Property Rights. Any lawsuit shall be prosecuted solely at the cost and expense of SCE and all sums recovered in any such lawsuits, whether by judgment, settlement or otherwise, shall belong solely to SCE. Upon SCE's request, Publisher shall execute all papers, testify on all matters and cooperate in every way necessary or desirable for the prosecution of any such lawsuit. SCE shall reimburse Publisher for the reasonable expenses incurred as a result of such cooperation, but unless authorized by other provisions of this GDPA, not costs and expenses attributable to any cross- claim, counterclaim or third party action by or against Publisher.

20. **Data Security and Confidentiality**

20.1 **Term of Protection of SCE Materials.** The term for the protection of the SCE Materials shall commence on the Effective Date and shall continue in full force and effect for as long as any of the SCE Materials continues to be maintained as confidential and proprietary by SCE or any Affiliate.

20.2 **Preservation of SCE Materials.** Publisher shall:

20.2.1 use the SCE Materials only for the purpose of performing its obligations or exercising its rights under this GDPA and not permit the use of the SCE Materials for any other purpose;

20.2.2 keep the SCE Materials in strict confidence, and not disclose the SCE Materials to any person, other than those employees, directors or officers of the Publisher, permitted subcontractors under Section 14, or legal counsel, whose duties justify a "need-to-know" (and only to the extent necessary) and who have executed a confidentiality agreement in which such employees, directors, officers, subcontractors or legal counsel have agreed not to disclose and to protect and maintain the confidentiality of all confidential information and materials inclusive of that of third parties which may be disclosed to them or to which they may have access during the course of their duties. At SCE's request, Publisher shall provide SCE with a copy of such confidentiality agreement between Publisher and its employees, directors, officers, subcontractors or legal counsel. Publisher shall not disclose any of the SCE Materials to third parties, other than permitted subcontractors under Section 14, including to consultants or agents, without SCE's prior written consent. Any employees, directors, officers, subcontractors, legal counsel, authorized consultants and agents who obtain access to or copies of the SCE Materials shall be advised by Publisher of the confidential or proprietary nature of the SCE Materials, and Publisher shall be responsible for any breach of this GDPA by all such persons. Publisher shall maintain a list of recipients of the SCE Materials and provide such list to SCE on request;

20.2.3 take all reasonable measures necessary to preserve the confidentiality of the SCE Materials in order to avoid disclosure, publication, or dissemination, using as high a degree of care and scrutiny as it uses to protect its own confidential information, but at least reasonable care and in a manner consistent with the protection of valuable trade secrets by companies in high technology industries;

20.2.4 ensure that all written materials relating to or containing the SCE Materials be maintained in a restricted access area and plainly marked to indicate the proprietary and confidential nature thereof; and

20.2.5 implement and maintain adequate security controls or measures to safeguard the SCE Materials while being transmitted and while at rest (i.e., encryption, password management, secure processing and transfer protocols). In addition, Publisher shall at all times:

20.2.5.1 implement secure user authentication, including unique (non-shared) user accounts and passwords, for persons having access to the SCE Materials;

20.2.5.2 document processes for issuing and revoking user access, including immediate revocation of access for terminated employees and secure communication of user accounts and passwords;

20.2.5.3 implement encryption or hashing, where such hashing shall include use of a random salt of user account passwords used to access the SCE Materials.

20.2.5.4 at any SCE Company's request, destroy or return promptly to that SCE Company any and all portions of the SCE Materials, together with all copies thereof; and

20.2.5.5 not use, copy, reproduce, modify, create derivative works from, sublicense, distribute, or disseminate the SCE Materials or any such derivative works, or any portion thereof, or permit any third party to do so, except as expressly authorized, nor shall Publisher remove any proprietary legend set forth on or contained within any of the SCE Materials.

20.3 **Exceptions.** The restrictions in Section 20.2 shall not apply to any portion of the SCE Materials which:

20.3.1 was previously known by Publisher without restriction on disclosure or use, as proven by written documentation of Publisher;

20.3.2 is or legitimately becomes part of the public domain (which shall not include limited disclosures to the public) through no fault of Publisher or any of its employees, directors, officers, consultants, legal counsel, or agents;

20.3.3 is independently developed by Publisher's employees or consultants who have not had access to or used the SCE Materials (or any portion thereof), as proven by written documentation of Publisher;

20.3.4 is required to be disclosed by court, administrative or governmental order; provided that Publisher must use all reasonable efforts prior to issuance of any such order to maintain the confidentiality of the SCE Materials, including asserting in any action or investigation the restrictions set forth in this GDPA, and, immediately after receiving notice of any such action, investigation, or threatened action or investigation, Publisher must notify SCE of such action, investigation, or threatened action or investigation, unless Publisher is ordered by a court not to so notify;

20.3.5 is required to be disclosed by applicable regulatory regime, in which case Publisher shall disclose only such SCE Materials as are required; or

20.3.6 is approved for release by written authorization of SCE.

20.4 **No Obligation to License.** SCE may disclose the SCE Materials to Publisher at such times as it deems necessary or desirable in its sole discretion. Other than as expressly set forth in this GDPA, such disclosure shall not (i) constitute any option, grant or license from SCE to Publisher under any SCE Intellectual Property Rights now or after owned or controlled by SCE; (ii) result in any obligation on the part of SCE to approve any materials of Publisher; (iii) give Publisher any right to, directly or indirectly, develop, manufacture, sell, market, promote, or distribute any product derived from or which uses or was developed with the use of the SCE Materials (or any portion thereof).

20.5 **Publisher's Obligations Upon Unauthorized Disclosure.** If at any time Publisher becomes aware of or suspects any actual or potential unauthorized duplication, access, use, possession or knowledge of any of the SCE Materials or any breach of security or exposure involving the SCE Materials, Publisher shall immediately notify SCE Information Security by telephone at +1-855- 723-2732, or via email (infosec@playstation.sony.com), or at such other numbers or addresses as may be provided in the Guidelines or notified to Publisher. In the event of such a security breach, Publisher shall:

20.5.1 provide any and all reasonable assistance to SCE to protect SCE's proprietary rights in any of the SCE Materials and collaborate with SCE to implement mitigation and remediation actions and controls to reduce the impact of and prevent further incidents;

20.5.2 notify customers of information breaches or incidents if requested by SCE;

20.5.3 provide a written report by electronic means detailing the incident and corrective and preventive actions; and

20.5.4 take all steps requested by SCE to prevent the recurrence of any unauthorized disclosure, duplication, access, use, possession or knowledge of the SCE Materials.

Where Publisher or its employees, directors, officers, or subcontractors, consultants, legal counsel, or agents may have directly or indirectly disclosed or made available SCE Materials not expressly authorized by this GDPA, Publisher shall cooperate fully with SCE in mitigating the effects of such disclosure, including enforcement of confidentiality agreements, commencement and prosecution in good faith (alone or with SCE) of legal action, and reimbursement for all reasonable lawyers' fees, costs and expenses incurred by SCE to protect its proprietary rights in the SCE Materials.

20.6 **Publisher Confidential Information**

20.6.1 Definition of Publisher Confidential Information. "**Publisher Confidential Information**" shall mean any Publisher Property provided to SCE pursuant to this GDPA and all documentation and information relating thereto, including Product Proposals, Product Information, Printed Materials and Advertising Materials (other than documentation and information intended for release to and use by end-users, the general public or the trade). Publisher Confidential Information may consist of information in any medium, whether oral, printed, in machine-readable form or otherwise, provided to SCE before or during the Term, including information subsequently reduced to tangible or written form.

20.6.2 Term of Protection of Publisher Confidential Information. The term for the protection of Publisher Confidential Information shall commence on the Effective Date and shall continue in full force and effect for as long as any of Publisher Confidential Information continues to be maintained as confidential and proprietary by Publisher. SCE shall have the right to destroy Publisher Confidential Information at any time after the date three years after SCE initially received such information.

20.6.3 Preservation of Publisher Confidential Information. SCE shall, with respect to Publisher Confidential Information:

20.6.3.1 hold all Publisher Confidential Information in strict confidence and implement reasonable steps to preserve the confidentiality of Publisher Confidential Information, and to avoid disclosure, publication, or dissemination, and to prevent it from falling into the public domain or into the possession of persons other than those persons to whom disclosure is authorized hereunder, but no less than reasonable care and in a manner consistent with the protection of valuable trade secrets by companies in high technology industries;

20.6.3.2 not disclose Publisher Confidential Information to any person other than SCE's or a Designated Manufacturing Facility's employees, directors, officers, agents, consultants, subcontractors, legal counsel, and licensors who need to know or have access to Publisher Confidential Information for the purposes of this GDPA, and only to the extent necessary for such purposes, and who have executed a confidentiality agreement with an SCE Company or Affiliate, or in circumstances where such employees, directors, officers, agents, consultants, subcontractors, legal counsel or licensors have a professional obligation to not disclose confidential information and materials inclusive of that of third parties which may be disclosed to them by SCE. Any such employees, directors, officers, agents, consultants, subcontractors, legal counsel, and licensors who obtain access to or copies of the Publisher Confidential Information shall be advised by SCE of the confidential or proprietary nature of the Publisher Confidential Information;

20.6.3.3 at Publisher's request, return promptly to Publisher any and all portions of Publisher Confidential Information, together with all copies thereof (except that SCE may retain Publisher Confidential Information in a secure location solely for archival or backup purposes, or as is needed for legal or internal compliance purposes, provided those copies are subject to this GDPA's terms and will eventually be erased or destroyed in the ordinary course of SCE's data processing procedures); and

20.6.3.4 not use Publisher Confidential Information, or any portion thereof, except as provided herein, nor shall SCE remove any proprietary legend set forth on or contained within any of Publisher Confidential Information, and, if explicitly requested by Publisher and agreed by SCE, ensure that all written materials containing highly sensitive Publisher Confidential Information be maintained in a reasonably secure manner and marked to indicate the proprietary and confidential nature thereof.

20.6.4 Additional Information. Publisher may request additional information regarding SCE security controls or measures reasonably required by Publisher to safeguard Publisher Confidential Information (i.e., encryption, password management, secure processing and transfer protocols), which may, upon SCE acceptance, include the following:

20.6.4.1 description of any secure user authentication, including unique (non-shared) user accounts and passwords, for persons having access to Publisher Confidential Information;

20.6.4.2 description of any current document processes for issuing and revoking user access, including immediate revocation of access for terminated employees and secure communication of user accounts and passwords; or

20.6.4.3 description of any encryption or hashing, where such hashing shall include use of a random salt of user account passwords used to access Publisher Confidential Information.

20.6.5 Exceptions. The foregoing restrictions shall not apply to any portion of Publisher Confidential Information which:

20.6.5.1 was previously known by SCE without restriction on disclosure or use, as proven by written documentation of SCE;

20.6.5.2 comes into the possession of SCE from a third party which is not under any obligation to maintain the confidentiality of such information;

20.6.5.3 is or legitimately becomes part of information in the public domain through no fault of SCE, or any of its employees, directors, agents, consultants or subcontractors;

20.6.5.4 is independently developed by SCE's or an Affiliate's employees, consultants or subcontractors who have not relied on Publisher Confidential Information (or any portion thereof), as proven by written documentation of SCE;

20.6.5.5 is required to be disclosed by court, administrative or governmental order; provided that the applicable SCE Company attempts, prior to the issuance of any such order, to maintain the confidentiality of Publisher Confidential Information, including asserting in any action or investigation the restrictions set forth in this GDPA, and immediately after receiving notice of any such action, investigation, or threatened action or investigation, notifies Publisher of such action, investigation, or threatened action or investigation, unless an SCE Company is ordered by a court not to so notify; or

20.6.5.6 is approved for release by written authorization of Publisher.

In addition, SCE shall have the right to disclose the existence of this GDPA, and to make public announcements regarding the GDPA, taking Publisher's reasonable requests into consideration as to the timing of any public announcement.

20.6.6 SCE's Obligations Upon Unauthorized Disclosure. If at any time SCE becomes aware of any unauthorized duplication, access, use, possession or knowledge of Publisher Confidential Information, it shall notify Publisher as soon as is reasonably practicable. The applicable SCE Company shall provide any and all reasonable assistance to Publisher to protect Publisher's proprietary rights in any of Publisher Confidential Information that it or its employees or permitted subcontractors may have directly or indirectly disclosed or made available and that may be duplicated, accessed, used, possessed or known in a manner or for a purpose not expressly authorized by this GDPA, including enforcement of confidentiality agreements, commencement and prosecution in good faith (alone or with Publisher) of legal action, and reimbursement for all reasonable lawyers' fees, costs and expenses incurred by Publisher to protect Publisher's proprietary rights in Publisher Confidential Information. SCE shall take all reasonable steps requested by Publisher to prevent the recurrence of any unauthorized duplication, access, use, possession or knowledge of Publisher Confidential Information.

21. Term and Termination

21.1 **Initial Term.** This GDPA shall be effective from the Effective Date until March 31, 2019 (the "**Initial Term**").

21.2 **Term Renewal.** The Initial Term shall be automatically extended for additional 12-month terms, unless either party provides the other with written notice of termination in accordance with this Section 21. The period commencing on the Effective Date and ending upon expiration or termination of the Initial Term and any additional terms is the "**Term**." Notwithstanding any termination or expiration, the term for the protection of the SCE Materials and Publisher Confidential Information shall be as set forth in Section 20.

21.3 **Termination by Publisher.** Publisher shall have the right to terminate this GDPA at any time after expiration of the Initial Term, for any reason or for no reason, by providing notice to SCE at least thirty days before the effective date of the termination. In addition, Publisher shall have the right to terminate this GDPA for all Territories immediately, at any time, upon written notice to SCE, if SCE is in material breach of any of its obligations under this GDPA, which breach, if capable of remedy, shall not have been cured in full within 30 days following notice from Publisher specifying and requiring the cure of such breach, or any repetition of a prior material breach of any such obligation, whether or not capable of remedy.

21.4 **Termination for Convenience by SCE.** SCE shall have the right to terminate this GDPA at any time after expiration of the Initial Term, for any reason or for no reason, by providing notice to Publisher at least thirty days before the effective date of the termination.

21.5 **Termination for Cause by SCE.** SCE shall have the right to terminate this GDPA for all Territories or on a Territory-by-Territory basis immediately, at any time, upon written notice to Publisher, upon the occurrence of any of the following:

21.5.1 if Publisher is in material breach of any of its obligations under this GDPA or under any other agreement entered into between an SCE Company or any Affiliate, on the one hand, and Publisher on the other hand, which breach, if capable of remedy, shall not have been cured in full within 30 days following notice from SCE (or the applicable Affiliate as the case may be) specifying and requiring the cure of such breach, or any repetition of a prior material breach of any such obligation, whether or not capable of remedy;

21.5.2 a statement of intent by Publisher to no longer exercise any of the rights granted by SCE to Publisher hereunder, or Publisher failing to submit any Purchase Orders for Licensed Products under Sections 8.3 or 9.2.7 during any period of twelve consecutive calendar months;

21.5.3 if Publisher:

21.5.3.1 is unable to pay its debts when due;

21.5.3.2 makes an assignment for the benefit of any of its creditors;

21.5.3.3 files or has filed against it a petition, or an order of bankruptcy or insolvency is made, under the bankruptcy or insolvency laws of any jurisdiction (and such petition is not discharged within 60 days) or becomes or is adjudicated bankrupt or insolvent;

21.5.3.4 is the subject of an order for, or applies for or notices its intent to apply for, the appointment of an administrator, receiver, administrative receiver, manager, liquidator, trustee or similar officer to be appointed over any of its business or property;

21.5.3.5 ceases to do business or enters into liquidation; or

21.5.3.6 takes or suffers any similar or analogous action in any jurisdiction as a consequence of debt;

21.5.4 if a controlling interest in Publisher, or in an entity which directly or indirectly has a controlling interest in Publisher, is transferred to a party that:

21.5.4.1 is in breach of any agreement with an SCE Company or any Affiliate;

21.5.4.2 directly or indirectly holds or acquires a controlling interest in a third party which designs or develops any of the core components for an interactive device or product which is directly or indirectly competitive with any System, or itself develops any product that is directly or indirectly competitive with any System; or

21.5.4.3 is in litigation or in an adversarial administrative proceeding with an SCE Company or any Affiliate concerning the SCE Materials or any SCE Intellectual Property Rights, including challenging the validity of any SCE Intellectual Property Rights;

21.5.5 if Publisher or any entity that directly or indirectly has a controlling interest in Publisher:

21.5.5.1 enters into a business relationship with a third party related to the design or development of any core components for an interactive device or product which is directly or indirectly competitive with any System; or

21.5.5.2 acquires an interest in or forms a strategic business relationship with any third party which has developed or owns or acquires Intellectual Property Rights in any such device or product;

21.5.6 if Publisher or any of its affiliates initiates any legal or administrative action against any SCE Company or any Affiliate or challenges the validity of any SCE Intellectual Property Rights;

21.5.7 if Publisher fails to pay any sums owed to any SCE Company on the date due and such default is not fully corrected or cured within ten (10) business days of the date on which such payment was originally due;

21.5.8 if Publisher or any of its officers or employees engage in “hacking” of any software for any PlayStation format or in activities which facilitate the same by any third party; or

21.5.9 if any director, officer or controlling shareholder or group of shareholders of Publisher, in their personal capacity, has been, is, or becomes involved in any dispute with SCE or any Affiliate, including being the subject of any allegation of fraud or breach or infringement of the legal rights of SCE or any Affiliate.

As used in this section, “controlling interest” means, with respect to any form of entity, sufficient power to control the decisions of such entity. Publisher shall immediately notify SCE in writing in the event that any of the events or circumstances specified in Section 21.5 occur. In the event of termination under 21.5.8, each SCE Company shall have the right to terminate any other agreements entered into between that SCE Company and Publisher.

21.6 **Product-by-Product Termination.** In addition to the events of termination described in Section 21.5, an SCE Company, at its option, shall be entitled to terminate, with respect to a particular PlayStation Compatible Product developed or published in that SCE Company's Territory, the licenses and related rights herein granted to Publisher immediately on written notice to Publisher, in the event that:

21.6.1 Publisher fails to notify the applicable SCE Company promptly in writing of any material change to any materials previously approved by that SCE Company in accordance with Section 6.3 and the relevant Guidelines, and such breach is not corrected or cured within 30 days after receipt of written notice of such breach;

21.6.2 Publisher fails to comply with the requirements of Section 14 in connection with the development of any PlayStation Compatible Product;

21.6.3 any third party with whom Publisher has contracted for the development of PlayStation Compatible Products breaches any of its material obligations to the applicable SCE Company pursuant to such third party's agreement with that SCE Company with respect to any such PlayStation Compatible Product;

21.6.4 Publisher cancels a Licensed Product, or fails to provide to each applicable SCE Company, in accordance with the provisions of Section 6.3 and the relevant Guidelines, the final version of a proposed Licensed Product or related Packaging and Printed Materials for any Licensed Product within three months of the scheduled release date (as referenced in the Product Proposal or as mutually agreed by the parties in writing), or fails to provide work in progress or a fully tested Licensed Product to each applicable SCE Company in strict compliance with the review process set forth in the Guidelines;

21.6.5 Publisher fails materially to conform to the Guidelines with respect to any particular PlayStation Compatible Product; or

21.6.6 any PlayStation Compatible Product gives rise to a breach of Section 16.2.

21.7 **Options in Lieu of Termination.** As alternatives to terminating the GDPA or all licensed rights with respect to a particular Licensed Product as set forth in Sections 21.4, 21.5 or 21.6, or where SCE reasonably suspects a breach of the UK Bribery Act 2010 or the US Foreign Corrupt Practices Act, SCE may, at its option and upon written notice to Publisher, suspend this GDPA for all Territories or on a Territory-by-Territory basis, entirely or with respect to a particular Licensed Product, Online Activity, service or program, for a set period of time which shall be specified in writing to Publisher. Election of suspension shall not constitute a waiver of or compromise with respect to any of SCE's rights under this GDPA and SCE may elect to terminate this GDPA with respect to any breach.

21.8 **Extension of this GDPA; Termination Without Prejudice.** SCE shall be under no obligation to extend this GDPA notwithstanding any actions taken by either of the parties prior to the expiration of this GDPA.

21.9 **No Refunds.** In the event that this GDPA expires or is terminated under any of Sections 21.4 through 21.7, no portion of any payments of any kind whatsoever previously provided to SCE or any Affiliate under this GDPA shall be owed or be repayable or refunded to Publisher.

22. Effect of Expiration or Termination

22.1 **No Liability.** Upon the expiration or termination of this GDPA pursuant to Section 21, neither party shall be liable to the other for any damages (whether direct, indirect, consequential or incidental, and including any expenditures, loss of profits or prospective profits) sustained or arising out of or alleged to have been sustained or to have arisen out of such expiration or termination. The expiration or termination of this GDPA shall be without prejudice to any rights or remedies which one party may otherwise have against the other party, and shall not excuse either party from liability with respect to any events occurring prior to expiration or the effective date of termination.

22.2 **Inventory Statement.** Within 30 days of the date of expiration or the effective date of termination with respect to any or all Licensed Products or this GDPA, Publisher shall provide each SCE Company with an itemized statement, certified to be accurate by an officer of Publisher, specifying the number of unsold units of the Physical Media Products as to which such termination applies, on a title-by-title basis, which remain in its inventory or under its control in the relevant Territory at the time of expiration or the effective date of termination. Each SCE Company shall be entitled to conduct at its expense a physical inspection of Publisher's inventory and work in progress upon reasonable written notice during normal business hours in order to ascertain or verify such inventory and inventory statement.

22.3 **Reversion of Rights.** Upon expiration or termination and subject to Section 22.4, the licenses and related rights herein granted to Publisher shall immediately revert to SCE, and Publisher shall cease from any further use of the SCE Materials, Licensed Trademarks, and any SCE Intellectual Property Rights therein, and, subject to the provisions of Section 22.4, Publisher shall have no further right to continue the development, publication, manufacture, marketing, advertising, sale or other distribution of any PlayStation Compatible Products, or to continue to use any Licensed Trademarks; provided, however, that for a period of one year after the effective date of termination, and subject to all the terms of Section 20, and provided this GDPA is not terminated pursuant to Section 21.5, Publisher may retain such portions of the SCE Materials as SCE in its sole discretion agrees are required to support end-users who possess Licensed Products but must return all these materials at the end of such one year period. Upon expiration or termination, the licenses and related rights herein granted to SCE by Publisher shall immediately revert to Publisher, and SCE shall cease from any further use of Product Information and any Publisher Intellectual Property Rights therein; provided that SCE may continue the manufacture, marketing, advertising, sale and other such distribution by SCE or its designee's demonstration physical media containing Publisher's Product Information which Publisher had previously approved.

22.4 **Disposal of Unsold units upon Termination.** In the event of termination of this GDPA under Sections 21.4, 21.5.2, 21.5.4 or 21.5.5, Publisher may sell off existing inventories of units of the Physical Media Products, on a non-exclusive basis, and strictly in accordance with this GDPA, for a period of 90 days from the date of expiration or effective date of termination of this GDPA, provided such inventories have not been manufactured solely or principally for sale during such period. Subsequent to the expiration of such 90 day period, or in the event this GDPA is terminated otherwise under Section 21.5, any and all units of the Physical Media Products remaining in Publisher's inventory or under its control shall be destroyed by Publisher within five business days of such expiration or termination date. Within five business days after such destruction, Publisher shall provide each SCE Company with an itemized statement, certified to be accurate by an officer of Publisher, indicating the number of units of the Licensed Products which have been destroyed (on a title-by-title basis) in that SCE Company's Territory, the location and date of such destruction, and the disposition of the remains of such destroyed materials.

22.5 **Disposal of Unsold units upon Non-Renewal.** In the event that the Term expires and this GDPA is not renewed, Publisher may continue to publish those PlayStation Compatible Products whose development was completed before or during the Term, and to use the Licensed Trademarks strictly, only and directly in connection with such publication, until the Term expires or, if later, until the second anniversary of the 31 January next following such completion. Upon expiration of the Term or, the extended period for publishing PlayStation Compatible Products, Publisher may sell off existing inventories of such PlayStation Compatible Products on a non-exclusive basis for a period of 180 days from the applicable expiration date; provided that such inventory is not manufactured solely or principally for sale within such sell-off period.

22.6 **Rights in Digitally Delivered Products on Termination or Expiry**. On termination or expiry of this GDPA pursuant to Sections 21.3, 21.4 or 21.5, SCE shall have the right to continue to exercise its rights under Section 9.2.2 in respect of Digitally Delivered Products already available on PSN, in accordance with the terms of this GDPA, for a period of one year from the date of termination or expiry. In addition, upon expiration or earlier termination of the Term: (a) all rights, licenses or other entitlements to Digitally Delivered Products granted to users that purchased such Digitally Delivered Products during the Term shall survive termination and continue for so long as such rights, licenses or entitlements were granted; and (b) SCE shall have the corresponding post- termination rights to store, provide access to, and otherwise enable the permitted delivery of, such Digitally Delivered Products to such users for the remaining duration of their respective rights, licenses and entitlements.

22.7 **Return of the SCE Materials.** Upon the expiration or earlier termination of this GDPA or following either the 90 day period or the 180 day period referenced in Sections 22.4 and 22.5, and subject to Section 22.3, Publisher shall immediately deliver to SCE, or if and to the extent requested by SCE, destroy, all SCE Materials and any and all copies thereof, including any SCE Materials disclosed by Publisher to any third party pursuant to this GDPA, and delete any SCE Materials stored in electronic form. Publisher and SCE shall, upon the request of the other party, immediately deliver to the other party, or to the extent requested by such party destroy, all confidential information of the other party, including any and all copies thereof, which the other party previously furnished to it in furtherance of this GDPA. Within five business days after any such destruction, Publisher or SCE, as appropriate, shall provide the other party with a certificate of destruction and an itemized statement, each certified to be accurate by an officer of Publisher or SCE, indicating the location and date of such destruction and the disposition of the remains of such destroyed materials. In the event that Publisher fails to return or certify the destruction of the SCE Materials and SCE must resort to legal means (including any use of lawyers) to recover the SCE Materials or the value thereof, all costs, including SCE's reasonable lawyers' fees, shall be borne by Publisher, and SCE may, in addition to SCE's other remedies, withhold such amounts from any payment otherwise due from SCE to Publisher under any agreement between SCE and Publisher.

23. **Choice of Law and Forum.** THIS GDPA AND ANY DISPUTE OR CLAIM ARISING OUT OF ITS SUBJECT MATTER WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE JURISDICTIONS SET FORTH IN THIS SECTION 23. PUBLISHER HEREBY SUBMITS ITSELF TO THE EXCLUSIVE JURISDICTION AND VENUE OF THE COURTS DESCRIBED IN THIS SECTION FOR PURPOSES OF ANY ACTION OR PROCEEDING, AND AGREES THAT ANY SERVICE OF PROCESS MAY BE EFFECTED BY DELIVERY OF THE SUMMONS IN THE MANNER PROVIDED IN THE DELIVERY OF NOTICES SET FORTH IN SECTION 25.1. IN ADDITION, WHERE PERMITTED BY LAW, PUBLISHER AND EACH SCE COMPANY HEREBY WAIVES THE RIGHT TO A JURY TRIAL IN ANY ACTION OR PROCEEDING RELATED TO THIS GDPA, OTHER THAN ACTIONS ARISING OUT OF VIOLATION OF INTELLECTUAL PROPERTY RIGHTS OR CONFIDENTIALITY OBLIGATIONS.

23.1 FOR ALL CLAIMS BROUGHT BY OR AGAINST SCEI OR RELATING TO SCEI ACTIVITIES OR DEVELOPMENT TOOLS LOCATED IN THE SCEI TERRITORY, THIS GDPA WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF JAPAN, EXCLUDING THAT BODY OF LAW RELATED TO CHOICE OF LAWS. ANY ACTION OR PROCEEDING TO ENFORCE THE TERMS OF THIS GDPA OR TO ADJUDICATE ANY DISPUTE ARISING UNDER THIS GDPA WILL BE HEARD IN THE COURT OF TOKYO DISTRICT COURT, TOKYO, JAPAN.

23.2 FOR ALL CLAIMS BROUGHT BY OR AGAINST SCEA OR RELATING TO SCEA ACTIVITIES OR DEVELOPMENT TOOLS LOCATED IN THE SCEA TERRITORY, THIS GDPA WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA, EXCLUDING THAT BODY OF LAW RELATED TO CHOICE OF LAWS. SUBJECT TO SECTIONS 24.1 AND 24.2, FOR ANY ACTION OR PROCEEDING TO ENFORCE THE TERMS OF THIS GDPA OR TO ADJUDICATE ANY DISPUTE ARISING UNDER THIS GDPA, THE PARTIES CONSENT TO JUSRISDICTION AND VENUE IN THE SUPERIOR COURT FOR THE STATE OF CALIFORNIA IN AND FOR THE COUNTY OF SAN MATEO, AND THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF CALIFORNIA. PUBLISHER WAIVES ALL DEFENSES OF LACK OF PERSONAL JURISDICTION AND FORUM NON CONVENIENS.

23.3 FOR ALL CLAIMS BROUGHT BY OR AGAINST SCEE OR RELATING TO SCEE ACTIVITIES OR DEVELOPMENT TOOLS LOCATED IN THE SCEE TERRITORY, THIS GDPA WILL BE GOVERNED BY AND INTERPRETED IN ACCORDANCE WITH ENGLISH LAW. THE PARTIES IRREVOCABLY AGREE FOR THE EXCLUSIVE BENEFIT OF SCEE THAT THE ENGLISH COURTS SHALL HAVE JURISDICTION TO ADJUDICATE ANY PROCEEDING, SUIT OR ACTION ARISING OUT OF OR IN CONNECTION WITH SUCH TERMS. HOWEVER, NOTHING CONTAINED IN THIS SECTION 23 SHALL LIMIT THE RIGHT OF SCEE TO TAKE ANY SUCH PROCEEDING, SUIT OR ACTION AGAINST PUBLISHER IN ANY OTHER COURT OF COMPETENT JURISDICTION, NOR SHALL THE TAKING OF ANY SUCH PROCEEDING, SUIT OR ACTION IN ONE OR MORE JURISDICTIONS PRECLUDE THE TAKING OF ANY OTHER SUCH PROCEEDING, SUIT OR ACTION IN ANY OTHER JURISDICTION, WHETHER CONCURRENTLY OR NOT, TO THE EXTENT PERMITTED BY THE LAW OF SUCH OTHER JURISDICTION. PUBLISHER SHALL HAVE THE RIGHT TO TAKE ANY SUCH PROCEEDING, SUIT OR ACTION AGAINST SCEE ONLY IN THE ENGLISH COURTS.

24. **Dispute Resolution.** SCE and Publisher shall attempt in good faith to resolve through informal discussions or negotiations any dispute, controversy or claim of any kind or nature arising under or in connection with this GDPA, including breach, termination or validity thereof (a "**Dispute**"). Neither SCE nor Publisher may commence any court or arbitration proceedings in relation to this GDPA until at least 30 days after commencing such negotiations or discussions, unless interim, equitable, or conservatory relief is sought pursuant to Section 24.2.

24.1 Any claim brought against SCEA, or any Dispute relating to SCEA or Development Tools located in the SCEA Territory, that SCEA and Publisher are unable to resolve through informal discussions or negotiations after 30 days will be submitted to binding arbitration conducted in accordance with and subject to the Commercial Arbitration Rules of the American Arbitration Association, except to the extent otherwise required under this dispute resolution clause. One arbitrator will be selected by the mutual agreement of SCEA and Publisher or, failing that, by the American Arbitration Association. The arbitrator must have substantial experience in disputes involving technology licensing agreements. The arbitrator will allow such discovery as is appropriate, and impose such restrictions as are appropriate, consistent with the purposes of arbitration in accomplishing fair, speedy and cost-effective resolution of disputes, except that (i) no requests for admissions will be permitted; (ii) interrogatories will be limited to (a) identifying persons with knowledge of relevant facts and (b) identifying expert witnesses and obtaining their opinions and the bases therefor; and (iii) SCEA and Publisher will each be limited to five (5) depositions. Judgment upon the award rendered in any such arbitration may be entered in any court having jurisdiction thereof. Any arbitration conducted pursuant to this section will take place within the Northern District of California. SCEA and Publisher will bear their own costs and will share equally in paying the expenses and fees of the arbitrator. The arbitrator may not alter the foregoing allocation of their costs, nor of the arbitrator's fees and expenses. Other than as set forth below with respect to interim, equitable, or conservatory relief for SCEA or any action necessary to enforce the award of the arbitrator, SCEA and Publisher agree that the provisions of this section are a complete defense to any suit, action or other proceeding instituted in any court or before any administrative tribunal with respect to any Dispute.

24.2 Notwithstanding the foregoing, any SCE Company may apply to any court of competent jurisdiction seeking a temporary restraining order, preliminary injunction, or other interim, equitable, or conservatory relief, with respect to the protection of any SCE Intellectual Property Rights or SCE Materials, including Licensed Trademarks.

25. Miscellaneous Provisions

25.1 **Notices.** All notices or other communications required or desired to be sent to either of the parties shall be in writing and shall be sent by registered or certified mail, postage prepaid, or sent by recognized international courier service, with charges prepaid. The address for all notices under this GDPA shall be addressed as set forth in this Section 25.1, or such other address as may be provided by written notice from one party to the other on at least ten days' prior written notice. Any such notice shall be effective upon the date of actual receipt.

25.1.1 If to Publisher, to the address for the legal contact set forth in Publisher's registration form.

25.1.2 If to SCEI:

ATTN: Vice President, Legal Dept.
Sony Computer Entertainment Inc.
1-6-27 Konan Minato-ku,
Tokyo 108-8270
Japan

25.1.3 If to SCEA:

ATTN: General Counsel
Sony Computer Entertainment America LLC
2207 Bridgepointe Parkway
San Mateo, CA 94404
USA

25.1.4 If to SCEE:

ATTN: Vice President, Legal & Business Affairs
Sony Computer Entertainment Europe Limited
10 Great Marlborough Street
London W1F 7LP
United Kingdom

In addition, any notice sent by any SCE Company modifying the Guidelines may be sent by email to the email address of the Publisher contact set forth in Publisher's registration form.

25.2 **Force Majeure.** Neither SCE nor Publisher shall be liable for any loss or damage or be deemed to be in breach of this GDPA if its failure to perform or failure to cure any of its obligations under this GDPA results from any event or circumstance beyond its reasonable control, including any natural disaster, fire, flood, earthquake or other Act of God; shortage of equipment, materials, supplies or transportation facilities; strike or other industrial dispute; war or rebellion; shutdown or delay in power, telephone or other essential service due to the failure of computer or communications equipment or otherwise (each of the foregoing a "**Force Majeure Condition**"); provided, however, that the party interfered with gives the other party written notice thereof promptly, and, in any event, within fifteen (15) business days of discovery of any Force Majeure Condition. If notice of the existence of any Force Majeure Condition is provided within such period, the time for performance or cure shall be extended for a period equal to the duration of the Force Majeure Condition described in such notice, except that any such cause shall not excuse the payment of any sums owed to any SCE Company prior to, during or after the occurrence of any Force Majeure Condition. In the event that the Force Majeure Condition continues for more than 60 days, SCE may terminate this GDPA for cause by providing written notice to Publisher to such effect.

25.3 **Non-Solicitation.** Neither Publisher nor any of its affiliates, by itself, its officers, employees or agents, directly or indirectly will, during the Term, induce or seek to induce, on an individually targeted basis, the employment or the engagement of the services of any employee of SCE or any Affiliate, whose services are (a) specifically engaged in product development or directly related functions or (b) otherwise reasonably deemed by his or her employer to be of material importance to the protection of its legitimate business interests, and (c) with whom Publisher or any of its affiliates shall have had contact or dealings during the Term. These provisions shall continue to apply for a period of 12 months after this GDPA expires or is terminated.

25.4 **No Agency, Partnership or Joint Venture.** The relationship between each SCE Company and Publisher is that of licensor and licensee. Both parties are independent contractors and neither party is the legal representative, agent, joint venturer, partner or employee of the other party for any purpose whatsoever. Neither party has any right or authority to assume or create any obligations of any kind or to make any representation or warranty on behalf of the other party, whether express or implied, or to bind the other party in any respect whatsoever.

25.5 **Assignment.** SCE has entered into this GDPA based upon the particular reputation, capabilities and experience of Publisher and its officers, directors and employees. Except as provided in this GDPA, Publisher may not assign, sublicense, subcontract, encumber or transfer this GDPA or any of its rights hereunder, nor delegate or transfer any of its obligations hereunder, to any third party unless the prior written consent of SCE shall first be obtained. Any attempted or purported assignment, delegation or other such transfer, directly or indirectly, without the required consent of SCE shall be void and a material breach of this GDPA. SCE shall have the right to assign, sub-license, subcontract, encumber or transfer this GDPA or any and all of its rights and obligations hereunder. Subject to the foregoing, this GDPA shall inure to the benefit of the parties and their respective successors and permitted assigns (other than in connection with any of the events referenced in Section 21.5.4).

25.6 **Third Party Rights.** Except as expressly provided in this GDPA, and save that SCEI may enforce in any Territory the terms of Sections 3 (Conditional License Grant), 5 (Other Limitations on Licensed Rights, 6.1 (Right to Develop), 6.4 (Authentication), 7.8 (Care and Maintenance of Development Tools), 18 (Limitation of Liability), 19 (Infringement of SCE Intellectual Property Rights By Third Parties), 20 (Data Security and Confidentiality), 22 (Effect of Expiration or Termination), 23 (Choice of Law and Forum) and 25 (Miscellaneous Provisions), a person who is not a party to this GDPA shall have no right under any applicable law to enforce any of its terms.

25.7 **Compliance with Applicable Laws.** The parties shall at all times comply with all applicable laws and regulations and all conventions and treaties to which their countries are a party or relating to or in any way affecting this GDPA and the performance by the parties of this GDPA, including the UK Bribery Act 2010, the US Foreign Corrupt Practices Act, the US Children's Online Privacy Protection Act, Canada's Personal Information Protection and Electronic Documents Act, Mexico's Federal Data Protection Act, and all other laws and regulations relating to the gathering, handling and dissemination of all data from or concerning end-users of PlayStation Compatible Products. Each party, at its own expense, shall negotiate and obtain any approval, license or permit required in the performance of its obligations, and shall declare, record or take such steps to render this GDPA binding, including the recording of this GDPA with any appropriate governmental authorities (if required).

25.8 **Legal Costs and Expenses.** In the event it is necessary for either party to retain the services of a lawyer to enforce the provisions of this GDPA or to file or defend any action arising out of this GDPA, then the prevailing party in any such action shall be entitled, in addition to any other rights and remedies available to it at law or in equity, to recover from the other party its reasonable fees for lawyers and expert witnesses, plus such court costs and expenses as may be fixed by any court of competent jurisdiction. The term "prevailing party" for the purposes of this section shall include a defendant who has by motion, judgment, verdict or dismissal by the court, successfully defended against any claim that has been asserted against it.

25.9 **Remedies.** Unless expressly set forth to the contrary, either party's election of any remedies provided for in this GDPA shall not be exclusive of any other remedies at law or equity, and all such remedies shall be deemed to be cumulative. Any breach of Sections 3, 4, 5, 20, or 22.2 - 22.7 of this GDPA would cause significant and irreparable harm to SCE, the extent of which would be difficult to ascertain and for which damages might not be an adequate remedy. Accordingly, in addition to any other remedies, including damages to which each SCE Company may be entitled, in the event of a breach or threatened breach by Publisher or any of its directors, officers, employees, agents or permitted consultants or subcontractors of any such section or sections of this GDPA, each SCE Company shall be entitled to the immediate issuance without bond or other security, of ex parte equitable relief, including injunctive relief, or, if a bond is required under applicable law, on the posting of a bond in an amount not to exceed USD $50,000 (or the equivalent amount in foreign currency as determined by the applicable SCE Company's chosen exchange if located outside of the SCEA Territory), enjoining any breach or threatened breach of any or all of such provisions taking place in that SCE Company's Territory or otherwise affecting that SCE Company or its Territory.

25.10 **Severability.** In the event that any provision of this GDPA or portion thereof is determined by a court of competent jurisdiction to be invalid or unenforceable, such provision or portion shall be enforced to the extent possible consistent with the stated intention of the parties, or, if incapable of such enforcement, shall be deemed to be deleted from this GDPA, while the remainder of this GDPA shall continue in full force and remain in effect according to its stated terms and conditions.

25.11 **Sections Surviving Expiration or Termination.** The following Sections survive expiration or termination of this GDPA for any reason: 5 (Other Limitations on Licensed Rights), 7.12.3 (SCE Ownership), 8.9 (Ownership of Original Master Discs), 15.1.3 (SCE Audit), 15.2.6 (Publisher Audit), 16 (Representations and Warranties), 17 (Indemnities), 18 (Limitation of Liability), 20 (Data Security and Confidentiality), 21.9 (No Refunds), 22 (Effect of Expiration or Termination), 23 (Choice of Law and Forum), 24 (Dispute Resolution), and 25 (Miscellaneous Provisions).

25.12 **Waiver.** No failure or delay by either party in exercising any right, power or remedy under this GDPA shall operate as a waiver of any such right, power or remedy. No waiver of any provision of this GDPA shall be effective unless in writing and signed by the party against whom such waiver is sought to be enforced. Any waiver by either party of any provision of this GDPA shall not be construed as a waiver of any other provision of this GDPA, nor shall such waiver operate or be construed as a waiver of such provision respecting any future event or circumstance.

25.13 **Modification and Amendment.** SCE reserves the right, without notice and with immediate effect, to amend the provisions of this GDPA or the Guidelines to take account of or in response to any decision, order, or objection of any court or governmental or other competition authority of competent jurisdiction, or any statutory or similar measures that give effect to any such decision (from which this GDPA or the Guidelines is not exempt) or to reflect any undertaking by SCE to any such authority. Any such amendment shall be of prospective application only and shall not be applied to any PlayStation Compatible Products submitted to the applicable SCE Company pursuant to Section 6.3 prior to the date of SCE's notice of amendment. Except as otherwise provided in this GDPA, no modification or amendment of any provision of this GDPA shall be effective unless in writing and signed by both of the parties.

25.14 **Interpretation.** The section headings used in this GDPA are intended primarily for reference and shall not by themselves determine the construction or interpretation of this GDPA or any portion hereof. Any reference to a section number is to a section of this GDPA. Any reference to persons includes natural persons as well as organizations, including firms, partnerships, companies and corporations. Any phrase introduced by the terms "including," "include," "in particular," or any similar expression shall be construed as illustrative and shall not limit the category preceding those terms.

25.15 **Integration.** This GDPA, together with the Guidelines, constitutes the entire agreement between each SCE Company and Publisher and supersedes all prior or contemporaneous agreements, proposals, representations, understandings and communications between each SCE Company and Publisher, whether oral or written, with respect to the subject matter hereof, including any confidentiality, licensed developer or publisher, store or development tools agreements. Publisher is not relying upon any statement, representation, warranty or understanding, whether negligently or innocently made, of any person other than as expressly set forth in this GDPA.

25.16 **Construction.** This GDPA shall be fairly interpreted in accordance with its terms and without any strict construction in favor of or against either of the parties.

[This agreement was executed electronically as a clickthrough agreement.]

SCHEDULE 1

DEFINITIONS

"Additional Terms" has the meaning set forth in Section 10.1.

"Advertising Materials" means any advertising, marketing, merchandising, promotional, contest or competition- related, press release, display, point of sale or website materials regarding or relating to PlayStation Compatible Products or depicting Licensed Trademarks. Advertising Materials include any advertisements or promotions in which any System is displayed, referred to, or used, including giving away any System as a prize in contests or sweepstakes and the public display of any System in product placement opportunities.

"Affiliate" means Sony Computer Entertainment Korea Inc., Sony Computer Entertainment Hong Kong Limited, Sony Network Entertainment International, LLC, Sony Network Entertainment Europe Ltd., Gaikai, Inc., Sony Digital Audio Disc Corporation, Sony DADC Austria AG, any Designated Manufacturing Facility, any direct or indirect subsidiary or parent of any of the foregoing, and any other entity created that becomes a direct or indirect subsidiary or parent of, or shares a common direct or indirect parent with, an SCE Company.

"Designated Manufacturing Facility" means a manufacturing facility that is designated by the SCE Company, in its sole discretion, to manufacture and assemble Physical Media Products or any of their component parts in that SCE Company's Territory.

"Development Site" means the location(s) where Development Tools are used to develop PlayStation Compatible Products.

"Development Tools" means the Hardware Tools and Software Tools.

"Developer Website" means DevNet, TPRNet and any other password-protected website that an SCE Company may maintain to facilitate the dissemination of Development Tools or other SCE Materials to Licensed Publishers, or to provide Licensed Publisher with written materials associated with and that describe the function of the Development Tools, including any data, object code, source code, libraries, firmware, documentation, and other tools and information.

"Digitally Delivered Product" means a Licensed Product distributed to end-users by electronic or other non-physical means now known or hereafter devised (including wireless, cable, fiber optic, telephone, cellular, microwave or radio waves, the Internet, or private network).

"Dispute" has the meaning set forth in Section 24.

"Documentation" means all information or materials that SCE may provide to Licensed Publishers or Licensed Developers that are associated with and describe the function of the Development Tools or other SCE Materials.

"Effective Date" means the date on which Publisher accepts the terms of this GDPA.

"Firmware" means all code embedded on any chip contained within any Hardware Tool, as may be upgraded or changed from time to time.

"Force Majeure Condition" has the meaning set forth in Section 25.2.

"GDPA" has the meaning set forth in the first paragraph of this agreement.

“Guidelines” means any guidelines, specifications or policies of an SCE Company with respect to the development, manufacture, marketing and publishing of PlayStation Compatible Products, including any requirements regarding the display of Licensed Trademarks, use of Advertising Materials, or the protection of SCE Intellectual Property Rights. The Guidelines, and any modifications or additions made from time to time in accordance with Section 4, shall be set forth on the Developer Website or at such url as is provided by SCE to Publisher. The Guidelines shall be comparable to the guidelines applied by SCE to its own software products for the Systems. The Guidelines are incorporated into and form a part of this GDPA.

“Hardware Tools” means the hardware components of the development systems used for development of PlayStation Compatible Products, or portions of such components, as updated or changed, that SCE may provide to Licensed Publishers or Licensed Developers. “Hardware Tools” does not include Software Tools.

“Initial Term” has the meaning set forth in Section 21.1.

“Intellectual Property Rights” means all worldwide intellectual property rights, current or future, including rights in or related to patents, inventions, designs, copyrights and related rights, databases, trademarks, service marks, trade names, trade dress, mask work rights, utility model rights, trade secret rights, technical information, know-how, and the equivalents of the foregoing under the laws of any jurisdiction, and any other intellectual property rights recognized in the Territory (including all registrations, applications to register and rights to apply for registration of the same), for their full term including all renewals and extensions.

“Licensed Developer” means an entity that has in effect a Licensed Developer Agreement with an SCE Company, or that has executed this GDPA and been accepted as a “Licensed Publisher” as set forth in Section 3.

“Licensed Developer Agreement” means a valid and current license agreement authorizing the development of software for any System, fully executed between a Licensed Developer and a SCE Company.

“Licensed Product” means a PlayStation Compatible Product that installs or operates (or is designed to install or operate), in whole or in part, on a System, and associated Packaging, Printed Materials, metadata, and content. For the avoidance of doubt, Licensed Product does not include middleware (except as incorporated into a Licensed Product) or Peripherals.

“Licensed Publisher” means an entity that has executed a GDPA or other Licensed Publisher Agreement in full force and effect, and has been approved in writing by an SCE Company to develop or publish Licensed Products.

“Licensed Publisher Agreement” means a valid and current license agreement authorizing the publishing of software for any System, fully executed between a Licensed Publisher and an SCE Company, including any Global Developer and Publisher Agreement.

“Licensed Trademarks” means the trademarks, service marks, trade dress, logos, icons and other indicia designated in the Guidelines or for use on, in or in connection with Licensed Products.

“Online Activity” means the online interaction by end-users with other end-users (which, for the avoidance of doubt, includes the sharing of User Content within the gameplay or online environment of Licensed Products), with online elements (such as PlayStation Home, the virtual, interactive community of PSN), or with Publisher or its designee, via the use of a PlayStation Compatible Product.

“Packaging” means the carton, containers, cases, edge labels, wrapping materials, security seals and other proprietary labels and trade dress elements of or concerning the Physical Media Product (and all parts of any of the foregoing) but specifically excluding Printed Materials and discs or game cards.

“Peripheral” means a device that connects to, interfaces with or interacts with a System, including controllers, cameras, wheels, mice and keyboards and other input devices.

“Personal Information” means information relating to an identified or identifiable natural person, or substantially similar terms as defined by applicable law.

“Physical Media Product” means a Licensed Product distributed in a physical form specified by SCE, such as a Blu- ray disc or game card.

“PlayStation Compatible Product” means any software, content, service, hardware, Peripheral, good, or other item intended for or capable of use on, interaction with, or connection to a System, or which uses or is capable of using any service, aspect, or feature of PSN or PSN data, or which affects the gameplay of Users. PlayStation Compatible Product includes applications (including companion aps), communication features, virtual currency, audio and visual material (including demos, videos, themes, wallpapers, levels, maps, consumable items, skins, virtual items, and avatars), modifications, improvements, additions, upgrades, updates, patches, scripts, player statistics and data, notices, links or other content intended for or capable of use on, interaction with, or connection to a System.

“PlayStation Now” means the SCE proprietary cloud gaming service that allows Users to access content streamed from remote servers to Systems and other SCE-approved devices.

“PlayStation Plus” means the SCE premium subscription service available through PSN.

“PlayStation Store” means the primary destination within PSN for the discovery and purchase of content.

“Printed Materials” means all artwork and mechanicals for the disc label for each Physical Media Product and for the Packaging relating to any of the Physical Media Products, and all instructional manuals, liners, inserts, and any other materials and user information within or attached to the Packaging and distributed as part of the Physical Media Products.

“Product Information” means Publisher’s name, any extracts or references to Licensed Products, any trademarks, services marks, trade dress, logos, icons or other indicia used on, in or in connection with Licensed Products, any information owned or licensed by Publisher relating to any of the Licensed Products, including demos, videos, hints and tips, artwork, depictions of Physical Media Products, cover art and videotaped interviews; all of the foregoing as may be further specified in the Guidelines, and as provided by Publisher pursuant to Section 9.2.3.

“Product Proposal” means a written proposal prepared by Publisher and submitted to SCE under the Guidelines regarding the concept and design for a PlayStation Compatible Product.

“Product Submission” has the meaning given to it in Section 9.2.7

“PSN” means the proprietary online network operated by SCE or Affiliates accessible via the Systems and other devices, including services provided as part of or through that network, such as PlayStation Now and the PlayStation Store. PSN includes new services and features developed and offered after the date of this GDPA, and other online networks launched after the date of this GDPA, as specified by SCE.

“PSN ID” means SCE’s unique User identifier on PSN.

“Publisher” has the meaning set forth in the first paragraph of this GDPA. For the avoidance of doubt, a “Publisher” may be an entity which chooses only to exercise the rights to develop, and not the rights to publish, Licensed Products under this GDPA.

“Publisher Confidential Information” has the meaning set forth in Section 20.6.1. “Publisher EULA” has the meaning set forth in Section 10.2.

“Publisher-Indemnified Claims” has the meaning set forth in Section 17.2.

“Publisher Intellectual Property Rights” means those Intellectual Property Rights that are owned and controlled by Publisher and that relate to the Publisher Property, Packaging, Product Information, Product Proposals, Printed Materials, Advertising Materials or other materials.

“Publisher Property” means that part of a PlayStation Compatible Product developed by or on behalf of Publisher, or controlled by Publisher, or provided by or on behalf of Publisher in connection with any PlayStation Compatible Product, not including any Software Tools or SCE Intellectual Property Rights.

“Purchase Order” means a written purchase order issued by Publisher pursuant to Section 8.3, regarding the purchase of Physical Media Products (or other products or materials that may be ordered under this GDPA), that conforms to the Guidelines and other terms and conditions imposed by the applicable SCE Company or applicable Designated Manufacturing Facility.

“SCE” has the meaning set forth in the first paragraph of this GDPA.

“SCE Company” has the meaning set forth in the first paragraph of this GDPA.

“SCE-Indemnified Claims” has the meaning set forth in Section 17.1.

“SCE Intellectual Property Rights” means those Intellectual Property Rights that relate to a System, the design and development of PlayStation Compatible Products, PSN and any SCE Materials.

“SCE Materials” means the Development Tools, this GDPA, the Guidelines, all information obtained from a Developer Website; other information, documents and materials developed, owned, licensed or under the control of SCE or any Affiliate, including all those relating to processes, data, hardware, software, network communications and related activities, inventions, trade secrets, ideas, creations, improvements, designs, discoveries, developments, research and know-how, including SCE Intellectual Property Rights relating to the Development Tools; information, documents and other materials regarding SCE’s or any Affiliate’s finances, business and business methods (including commercial relationships, licensing terms, pricing and customers lists), marketing and technical plans, and development and production plans; and third-party information and documents licensed to or under the control of SCE or any Affiliate. SCE Materials consists of information in any medium, whether oral, printed, in machine- readable form or otherwise, provided to Publisher before or during the Term, including information subsequently reduced to tangible or written form. In addition, the existence of a relationship between Publisher and SCE shall be deemed to be SCE Materials unless otherwise agreed to in writing by the parties, or until publicly announced by SCE.

“SCEA” has the meaning set forth in the first paragraph of this GDPA.

“SCEE” has the meaning set forth in the first paragraph of this GDPA.

“SCEI” has the meaning set forth in the first paragraph of this GDPA.

“SCEA Territory” means the following countries: Canada, Mexico, Brazil, Chile, Argentina, Peru, Ecuador, Colombia, Nicaragua, Honduras, Costa Rica, Guatemala, El Salvador, Panama, Bolivia, Paraguay, United States of America (and its territories and possessions), and Uruguay, or as otherwise provided in the Guidelines.

“SCEE Territory” means the following countries: Albania, Algeria, Andorra, Angola, Armenia, Australia, Austria, Azerbaijan, Bahrain, Bangladesh, Belgium, Belorussia, Bosnia Herzegovina, Botswana, Bulgaria, Cameroon, Croatia, Cyprus, Czech Republic, Denmark , Djibouti, Egypt, Estonia, Ethiopia, Fiji, Finland, France, Georgia, Germany, Ghana, Gibraltar, Greece, Hungary, Iceland, India, Ireland, Israel, Italy, Jordan, Kazakhstan, Kenya, Kosovo, Kuwait, Kyrgyzstan, Latvia, Lebanon, Liechtenstein, Lithuania, Luxembourg, Macedonia, Madagascar, Malawi, Malta & Gozo, Mauritius, Moldova, Monaco, Montenegro, Morocco, Mozambique, Namibia, Netherlands , New Zealand, Nigeria, Norway, Oman, Pakistan, Papua New Guinea, Poland, Portugal, Qatar, Romania, Russian Federation, San Marino, Saudi Arabia, Senegal, Slovakia, Slovenia, Somalia, South Africa, Spain, Swaziland, Sweden, Switzerland, Tajikistan, Tanzania, Tunisia, Turkey, Turkmenistan, Uganda, Ukraine, united Arab Emirates, United Kingdom, Uzbekistan, Vatican, Yemen, Zaire, Zambia and Zimbabwe, or as otherwise provided in the Guidelines.

“SCEI Territory” means the following countries: Thailand, Philippines, Malaysia, Vietnam, Singapore, Indonesia, Taiwan, Korea, Hong Kong, and Japan, or as otherwise provided in the Guidelines.

“Software Product License Agreement” means the end-user license agreement between SCEA and a user found at us.playstation.com/softwarelicense or, for SCEE, the Software Usage Terms (or equivalent) between SCEE and a user found on the packaging or eu.playstation.com/legal.

“Software Tools” means software (including object code, source code and libraries and Firmware) and Documentation relating to the development of PlayStation Compatible Products.

“System” means each of the proprietary PlayStation systems known as the PlayStation, PlayStation 2, PlayStation 3, PlayStation 4, PlayStation Portable (PSP), PlayStation Vita (PS Vita), and PlayStation Vita TV (PS Vita TV), including all iterations and server emulation of each. Collectively, all of the foregoing are referred to as the “Systems.”

“System Bypass Areas” has the meaning set forth in Section 5.1.

“Term” has the meaning set forth in Section 21.2.

“Territory” means any one of the SCEA Territory, the SCEE Territory, or the SCEI Territory.

“ToSUA” means the terms of service for PSN, as amended from time to time.

“User” means an individual with a PSN account.

“User Content” has the meaning given to it in Section 6.7

“VAT” means Value Added Tax as set out in the UK Value Added Tax Act 1994 or, in relation to any member state of the European Union, the equivalent system of Value Added Tax as defined in the EU VAT Directive (2006/112/EC) or, in relation to any non-EU country, the equivalent tax, such as, but not limited to, VAT, sales tax and GST.

“Wholesale Price” means, for Digitally Delivered Products sold by Publisher to SCE for resale, the price that Publisher offers and SCE accepts for each unit of a specified Digitally Delivered Product, as may be stated in a form provided by SCE. For Physical Media Products, “Wholesale Price” means the initial wholesale price or price to trade Publisher offers to retailers, distributors, wholesalers or other intermediaries of Physical Media Products, as evidenced by sell sheets or other trade materials.

Exhibit 10.29

[***] Certain information in this document has been excluded pursuant to Regulation S-K, Item (601)(b)(10). Such excluded information is not material and would likely cause competitive harm to the registrant if publicly disclosed.

Letter of Intent

November 23, 2020

Mr. Pierre Fillon President
Automobile Club de l'Ouest

Dear Mr. Fillon:

This binding letter of intent sets forth the basic terms and conditions under which Motorsport Games US, LLC, a fully owned subsidiary of Motorsport Network, LLC, ("MSG") and Automobile Club de l'Ouest ("ACO") (together, the "Parties") will amend the Joint Venture Agreement (the "JV Agreement") entered into between the Parties on March 15, 2019, with respect to Le Mans Esports Series Ltd. (the "JV"), and will enter into a License Agreement under which the ACO will grant to the JV certain rights to develop, promote, and create video games based on the FIA World Endurance Championship and the 24 Hours of Le Mans (the "Licensed Rights"), and to promote and run an Esports events business based on the Licensed Rights. The parties agree to use their reasonable efforts to execute such Amendment to JV Agreement and License Agreement within 60 days of the execution of this binding letter of intent.

1. Amendment to Le Mans Esports Series Ltd JV Agreement

    a. The primary object of the JV will be revised to include both (i) the promotion and running of an Esports program based on the Licensed Rights; arid (ii) the development and publishing of video games based on the Licensed Rights.

    b. One ACO-appointed board member will be removed, and an additional MSG-appointed board member will be appointed so that the composition of the board includes three (3) MSG-appointed board members and two (2) ACO-appointed board members.

    c. As a result of the additional contributions to be made by MSG as set forth herein, the shareholdings of the JV shall be amended and ACO shall transfer to MSG as soon as possible six (6) of its shares (the "Share Transfer") so that upon completion of such Share Transfer, ACO holds a 49% ownership share in the JV and MSG holds a 51% ownership share in the JV.

    d. The parties will amend the Articles of Association of the JV so as to establish the following priorities for the distribution of profits:

        i. MSG will first recoup the funding and Royalty Payments as set forth herein;

        ii. After MSG has recouped its additional capital contribution, the next One Million Six Hundred Thousand Euros (€1,600,000) will be distributed to the parties in accordance with the shareholdings of the JV Agreement, which for the avoidance of doubt shall be 55% to ACO and 45% to MSG; and

        iii. After the parties have recouped their pro rata share in accordance with clauses (i) and (ii) above, any further profits will be distributed in such proportions so that MSG receives Fifty-One percent (51%) and ACO receives Forty-Nine percent (49%) of such profits.

e. The current reference to the separate license agreement between the parties to be revised to reflect the following:

i. In consideration of the investments which ACO and MSG have made to the JV, ACO will grant to the JV an exclusive license to use the Licensed Rights for promotion of and running of an Esports program replicating races of the FIA World Endurance Championship and the 24 Hours of Le Mans on an electronic gaming platform. The term of the license shall be for a period of ten (10) years beginning from the date of execution of the License Agreement, subject to the continuation of ACO's license agreement with the FIA under which ACO is granted the right to exclusively promote the FIA World Endurance Championship and the 24 Hours of Le Mans (the "Promotional Right"), and shall automatically renew for an additional term unless NCO provides written notice to the JV of its intent not to renew no less than one hundred and eighty (180) days prior to the end of the term. In the event the Promotional Right is terminated, ACO shall provide written notice to the JV and the parties will meet to discuss an amicable solution. The license will include the right to acquire and use in-game photography from the Esports events and to design, manufacture and distribute merchandise related to the Esports events.

ii. In consideration of (i) funding by MSG of the capital necessary for the development of video games based on the FIA World Endurance Championship and the 24 Hours of Le Mans, which for the avoidance of doubt, shall include but not be limited to the official 24 Hours of Le Mans and the Circuit des 24 Heures du Mans, also known as the Circuit de la Sarthe, such capital investment not to exceed an amount of [***], and (ii) the payment to ACO by MSG of an annual fee of [***], (the "Royalty Payment"), the first payment be made no later than sixty (60) days following the launch of the first video game product, and subsequent payments to be made no later than sixty (60) days following each anniversary thereof for the term of the license, the ACO shall grant to the JV an exclusive license to use the Licensed Rights for the development, promotion, advertising, distribution and packaging of video gaming products, including but not limited to simulation-style video gaming products and mobile video gaming products. The license shall include the right to use the video gaming products as the platform for conducting and administering the Esports program(s), including without limitation, the promotion, advertising and commercialization thereof, and shall also include the right to acquire and use in-game photography and to design, manufacture and distribute merchandise related to the video games and related Esports events. The term of the license shall be a period of ten (10) years beginning from the date of execution of the License Agreement, subject to the continuation of ACO's license agreement with the FIA under which ACO is granted the right to exclusively promote the FIA World Endurance Championship and the 24 Hours of Le Mans (the "Promotional Right"), and shall automatically renew for an additional term unless ACO provides written notice to the JV of its intent not to renew no less than one hundred and eighty (180) days prior to the end of the term. Upon delivery of such written notice of ACO's intent not to renew, the JV shall for a period of eighteen (18) months (the "Sell Off Period"), have the right to dispose of all stocks of products in its possession or control and all products in the course of manufacture at the date of delivery of such notice. In the event the Promotional Right is terminated, ACO shall provide written notice to the JV and the parties will meet to discuss an amicable solution.

f. Repayment of the funding of up to [***] by MSG will be made only by recoupment via profits of the JV, and in no event will ACO bear the risk for repayment of this funding.

g. Article 9 of the JV Agreement shall be amended to allow either Shareholder to transfer or otherwise dispose of its interest in all or any of the Shares held by it subject to certain restrictions, including but not limited mutual Preemption and Tag Along rights.

h. Article 16 of the JV Agreement shall be amended to reflect that ownership of the intellectual property related to the video gaming products shall be assigned to the and that ownership of intellectual property related to the 24 Hours of Le Mans Virtual program will remain the property of ACO, provided however that such intellectual property related to the 24 Hours of Le Mans Virtual program will be subject to the terms of the License Agreement between the parties.

i. Minority shareholder rights shall be specified and reinforced by:

    i. Requiring the approval of the ACO-appointed board member before proceeding with the following matters; however, should the ACO-appointed board member fail to either approve or disapprove within fifteen (15) calendar days from the date such approval is requested, the matter shall be considered approved:

        1. Increase of company debts, other than for emergencies that require urgent financing, which for example shall include the JV's compliance with law, current debt service, or protection of the JV's assets;

        2. Other than strictly pursuant to the priorities for distribution of profits set forth in clause 1(d) above, any payment of dividends and distribution of profits;

        3. Creation and development of new products;

        4. Approval of budget and expenses (other than those expenses covered by MSG's capital investment as described in clause 1(e)(ii), above); provided; however, that if the ACO-appointed board member does not approve any new budget, the then-current budget will remain in effect until such time that approval is granted;

        5. Decisions concerning the 24 Hours of Le Mans Virtual program. Granting ACO the right to audit the accounts of the JV at any time.

j. MSG shall warrant to ACO that in the event that the board of directors of the JV determines that the JV has no sufficient cash or working capital available for the development of future games and that additional funding is required, MSG shall provide such additional funding via a short term zero interest loan to the Company, to be repaid when such additional funding is no longer required, as determined by the board of directors using the same methodology used for the quantification of the additional funding requirement, such repayment to be made as a priority distribution of the JV's profits.

k. Article 14.3 of the JV Agreement will be modified to specify that any funding provided by MSG for the purpose of development of the game shall not be considered a Shareholder debt, and thus the status of repayment of these loans will not be considered an Event of Default as defined therein for the purpose triggering the Call Option,

l. The Parties will jointly appoint an individual to serve as CEO of the JV.

2. License Agreement

a. The License will include the rights and terms as set forth in clauses 1(e)(i) and 1(e)(ii) above.

b. The License Agreement will include, amongst other standard representations and warranties, representations and warranties regarding the ACO's ability to grant the Licensed Rights for the purposes described herein.

c. In addition to other rights of ACO regarding quality control, the License Agreement will include certain provisions protecting the ACO, including but not limited to:

i. Requirement that track designs and racing lines will be respected so as to preserve authenticity;

ii. Requirement that with respect to in-game commercial opportunities, priority shall be given to ACO partners such as Michelin, Total, Rolex, and other partners as identified by ACO from time to time:,

iii. Requirement that video game and Esport sporting regulations resemble the real-life sporting regulations as closely as possible, notwithstanding that MSG may develop certain game modes that vary from such real-life sporting regulations as long as the game maintains the spirit and authenticity of the FIA World Endurance Championship and the 24 Hours of Le Mans; and

d. Mutual exclusivity with regard to video game products and esports events based on the 24 Hours of Le Mans.

e. The License will include a Right of First Refusal of MSG to block future licenses to use The Circuit des 24 Heures du Mans, also known as Circuit de la Sarthe, in or in connection with other video game products by matching any bona fide offer from a prospective third-party licensee. This right of first refusal would include but not be limited to those licenses up for renewal with current licensees. Should MSG refuse the right to match the prospective third-party licensee, ACO would of course be free to proceed with such bona fide offer and grant the licensee to the third-party licensee.

3. Governing Law and Right to Disclose

a. This binding letter of intent, for all purposes, shall be construed in accordance with the laws of England and Wales,

b. The Parties hereby agree that, notwithstanding anything to the contrary contained in the JV Agreement or otherwise, each Party and/or its affiliate may make the disclosures required on such Party or its affiliates as required by the applicable U.S. federal and/or state securities laws, rules and regulations.

IN WITNESS WHEREOF, the Parties have executed this binding Letter of Intent

AUTOMOBILE CLUB DE L'OUEST

/s/ Pierre Fillon

Pierre Fillon, President
Date: 24 November 2020

MOTORSPORT GAMING US LLC

/s/ Dmitry Kozko

Dmitry Kozko, CEO
Date: 11/24/2020