



2025

Annual Report

to Shareholders

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2025

or

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

For the transition period from _____ to _____

Commission File Number: **001-39868**

Motorsport Games Inc.

(Exact name of registrant as specified in its charter)

Delaware

State or other jurisdiction of incorporation or organization

86-1791356

I.R.S. Employer Identification No.

3350 SW 148th Avenue, Suite 207 Miramar, FL

Address of principal executive offices

33027

Zip Code

Registrant's telephone number, including area code: **(305) 413-0812**

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based upon the closing price of the registrant's Class A common stock as reported on The Nasdaq Capital Market on June 30, 2025, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$10,362,427.

As of March 10, 2026, the registrant had 5,078,450 shares of Class A common stock, with 1 vote per share, and 700,000 shares of Class B common stock, with 10 votes per share, issued and outstanding. At such date, Driven Lifestyle Group LLC ("Driven Lifestyle") owned (i) 1,480,385 shares of the registrant's issued and outstanding Class A common stock and (ii) all 700,000 shares of the registrant's issued and outstanding Class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2026 annual meeting of stockholders are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such proxy statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

Motorsport Games Inc.
Form 10-K
For the Fiscal Year Ended December 31, 2025

TABLE OF CONTENTS

	<u>Page</u>
PART I	
Item 1 Business	9
Item 1A Risk Factors	15
Item 1B Unresolved Staff Comments	40
Item 1C Cybersecurity	40
Item 2 Properties.....	40
Item 3 Legal Proceedings.....	41
Item 4 Mine Safety Disclosures.....	41
PART II	
Item 5 Market For Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	42
Item 6 [Reserved]	42
Item 7 Management’s Discussion and Analysis of Financial Condition and Results of Operations.....	43
Item 7A Quantitative and Qualitative Disclosures About Market Risk	55
Item 8 Financial Statements and Supplementary Data	56
Item 9 Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	57
Item 9A Controls and Procedures.....	57
Item 9B Other Information	58
Item 9C Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.	58
PART III	
Item 10 Directors, Executive Officers and Corporate Governance	59
Item 11 Executive Compensation	59
Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .	59
Item 13 Certain Relationships and Related Transactions, and Director Independence	59
Item 14 Principal Accountant Fees and Services.....	59
PART IV	
Item 15 Exhibits and Financial Statement Schedules	60
Item 16 Form 10-K Summary.....	67
Signatures.....	68

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our intended corporate purpose to make the thrill of motorsports accessible to everyone by creating the highest quality, most sophisticated and most innovative experiences for racers, gamers and fans of all ages;
- new or planned products or offerings, including the anticipated timing of any new product or offering launches, such as our current plans to organize the 2026/27 Le Mans Virtual Series to commence this year;
- our plans to strive to become a leader in organizing and facilitating esports tournaments, competitions, and events for our licensed racing games as well as on behalf of third-party racing game developers and publishers;
- our intention to continue exploring opportunities to expand the recurring portion of our Esports segment outside of Le Mans;
- our belief that connecting virtual racing gamers and esports fans on a digital entertainment and social platform represents the greatest opportunity to enhance the way that people learn, watch, play, and experience racing video games and racing esports;
- our beliefs regarding the growing importance and business viability of esports, especially within the racing and motorsport genres;
- our belief that our esports business has the potential to generate incremental revenues through the further sale of media rights to our esports events and competitions, as well as, among other things, merchandising, if the esports audience pattern continues to grow;
- our plans to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through in-game purchases and extra content;
- our expectation that we will continue to derive significant revenues from sales of our products to a very limited number of distribution partners;
- our intention to continue to look for opportunities to expand the recurring portion of our business, including through the planned introduction of new annualized sports franchise games, such as with Le Mans;
- our intended use of proceeds from the sales of our equity securities;
- our plans and intentions with respect to our remediation efforts to address the material weaknesses in our internal control over financial reporting;
- our belief that the outcome of all pending legal proceedings in the aggregate is not reasonably likely to have a material adverse effect on our business, prospects, results of operations, financial condition and/or cash flows, except as otherwise disclosed in this Report, and that in light of the uncertainties involved in legal proceedings generally, the ultimate outcome of a particular matter could be material to the Company’s operating results for a particular period depending on, among other things, the size of the loss or the nature of the liability imposed and the level of the Company’s income for that particular period; our beliefs regarding the merit of any plaintiff’s allegations and the impact of any claims and litigation that we are subject to; and our plans and intentions with respect to defending our position in any legal proceeding;

- our intention to not declare dividends in the foreseeable future;
- our ability to utilize net operating loss carryforwards;
- our expectations regarding the future impact of implementing management strategies, potential acquisitions, mergers and industry trends;
- our plans and intentions to maintain compliance with the listing requirements of The Nasdaq Stock Market LLC (“Nasdaq”), including our plan to implement equity financing transactions;
- our belief that we may decide in the future to avail ourselves of certain corporate governance requirements of Nasdaq as a result of being a “controlled company” within the meaning of the Nasdaq rules; and
- our expectations that our current development operations will not have significant exposure to changes in circumstances arising from the Ukraine-Russia and Middle East conflicts.

The forward-looking statements contained in this Report are based on assumptions that we have made in light of our industry experience and our perceptions of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. As you read and consider this Report, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties (many of which are beyond our control) and assumptions that are difficult to predict. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual operating and financial performance and cause our performance to differ materially from the performance anticipated in the forward-looking statements. Important factors that could cause our actual results to differ materially from those projected in any forward-looking statements are discussed in “Risk Factors” in Part I, Item 1A of this Report, as updated in our subsequent filings with the Securities and Exchange Commission (the “SEC”). In addition to factors that may be described in our filings with the SEC, including this Report, the following factors, among others, could cause our actual results to differ materially from those expressed in any forward-looking statements made by us:

- (i) difficulties and/or delays in accessing available liquidity, and other unanticipated difficulties in obtaining additional capital to meet our financial obligations, including, without limitation, difficulties in securing funding that is on commercially acceptable terms to us or at all, such as our inability to complete in whole or in part any potential debt and/or equity financing transactions or similar transactions, any inability to achieve cost reductions, including, without limitation, those which we expect to achieve through any cost reduction and restructuring initiatives, as well as any inability to consummate additional strategic alternatives for our business, including, but not limited to, the sale or licensing of our assets, and/or less than expected benefits resulting from any such strategic alternative; difficulties, delays or our inability to efficiently manage our cash and working capital; higher than expected operating expenses; adverse impacts to our liquidity position resulting from the higher interest rate and higher inflationary environment; lower than expected operating revenues, cash on hand and/or funds available from anticipated borrowings or funds expected to be generated from cost reductions resulting from the implementation of cost control initiatives, such as through any cost reduction and restructuring initiatives; and/or less than anticipated cash generated by our operations; and/or adverse effects on our liquidity resulting from changes in economic conditions (such as continued volatility in the financial markets, whether attributable to a pandemic, the ongoing wars between Russia and Ukraine and between Israel and Hamas or otherwise; significantly higher rates of inflation, significantly higher interest rates and higher labor costs; the impact of higher energy prices on consumer purchasing behavior, monetary conditions and foreign currency fluctuations, tariffs, foreign currency controls and/or government-mandated pricing controls, as well as in trade, monetary, fiscal and tax policies), tariffs, export controls, political conditions (such as military actions and terrorist activities) and pandemics and natural disasters; and/or the unavailability of funds from (A) delaying the implementation of or revising certain aspects of our business strategy; (B) reducing or delaying the development and launch of new products and events; (C) reducing or delaying capital spending, product development spending and marketing and promotional spending; (D) selling assets or operations; and/or (E) reducing other discretionary spending;
- (ii) difficulties, delays or less than expected results in achieving our growth plans, objectives and expectations, such as due to a slower than anticipated economic recovery and/or our inability, in whole or in part, to continue to execute our business strategies and plans, due to less than anticipated customer acceptance of our new game titles, us experiencing difficulties or the inability to launch our games as planned, less than

- anticipated performance of the games impacting customer acceptance and sales and/or greater than anticipated costs and expenses to develop and launch our games, including, without limitation, higher than expected labor costs;
- (iii) difficulties, delays in or unanticipated events that may impact the timing and scope of new product launches, due to difficulties and/or delays related to our transition from using development staff in Russia to using development staff in other countries and/or difficulties and/or delays arising out of any pandemic;
 - (iv) less than expected benefits from implementing our management strategies and/or adverse economic, market and geopolitical conditions that negatively impact industry trends, such as significant changes in the labor markets, an extended or higher than expected inflationary environment (such as the impact on consumer discretionary spending as a result of significant increases in energy and gas prices which have been increasing since early in 2020), a higher interest rate environment, tax increases impacting consumer discretionary spending and or quantitative easing that results in higher interest rates that negatively impact consumers' discretionary spending, or adverse developments relating to the ongoing war between Russia and Ukraine and conflicts in the Middle East;
 - (v) difficulties and/or delays adversely impacting our ability (or inability) to maintain existing, and to secure additional, licenses and other agreements with various racing series;
 - (vi) difficulties and/or delays adversely impacting our ability to successfully manage and integrate any joint ventures, acquisitions of businesses, solutions or technologies;
 - (vii) unanticipated operating costs, transaction costs and actual or contingent liabilities;
 - (viii) difficulties and/or delays adversely impacting our ability to attract and retain qualified employees and key personnel;
 - (ix) adverse effects of increased competition;
 - (x) changes in consumer behavior, including as a result of general economic factors, such as increased inflation, recessionary factors, higher energy prices and higher interest rates;
 - (xi) difficulties and/or delays adversely impacting our ability to protect our intellectual property;
 - (xii) local, industry and general business and economic conditions;
 - (xiii) unanticipated adverse effects on our business, prospects, results of operations, financial condition, cash flows and/or liquidity as a result of unexpected developments with respect to our legal proceedings;
 - (xiv) difficulties, delays or our inability to successfully complete any cost reduction and restructuring initiatives, which could reduce the benefits realized from such activities;
 - (xv) higher than anticipated restructuring charges and/or payments and/or changes in the expected timing of such charges and/or payments as a result of, among other things, legal requirements in applicable foreign jurisdictions; and/or less than anticipated annualized cost reductions from our plans and/or changes in the timing of realizing such cost reductions, such as due to less than anticipated liquidity to fund such activities and/or more than expected costs to achieve the expected cost reductions;
 - (xvi) difficulties, delays, less than expected results or our inability to successfully implement any strategic alternative or potential option for our business, including, but not limited to, the sale or licensing of certain of our assets, which could result in, among other things, less than expected financial benefits from such actions; and
 - (xvii) difficulties and/or delays or unanticipated developments adversely impacting our ability to maintain compliance with the Nasdaq's listing requirements, such as our inability to implement equity financing transactions.

Additionally, there are other risks and uncertainties described from time to time in the reports that we file with the SEC. Should one or more of these risks or uncertainties materialize or should any of these assumptions prove to be incorrect, our actual operating and financial performance may vary in material respects from the performance projected in these forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement contained in this Report to reflect events or circumstances after the date on which it is made or to reflect the occurrence of anticipated or unanticipated events or circumstances, except as otherwise required by law. New factors that could cause our business not to develop as we expect emerge from time to time, and it is not possible for us to predict all of them. Further, we cannot assess the impact of each currently known or new factor on our results of operations or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

RISK FACTORS SUMMARY

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

Risks Related to Our Financial Condition and Liquidity

- We may require additional capital to meet our financial obligations, and this capital might not be available on acceptable terms or at all.
- Restrictions under the Credit Agreement with Citibank may affect our ability to finance our operations.

Risks Related to Our Business and Industry

- If we do not consistently deliver popular products our business will be negatively impacted.
- Our business and products are highly concentrated in the racing game genre, and our operating results may suffer if consumer preferences shift away from this genre.
- If we do not provide high-quality products in a timely manner, our business operations, financial performance, liquidity, cash flows and/or results of operations may be negatively impacted.
- Declines in consumer spending and other adverse changes in economic, market and geopolitical conditions could have a material adverse effect on our business, financial condition and operating results.
- We depend on a small number of franchises for a significant portion of our revenues and profits.
- Our ability to acquire and maintain licenses to intellectual property affects our revenue and profitability.
- Our business is partly dependent on our ability to enter into software development arrangements.
- Our business depends in part on the success and availability of platforms and mass media channels developed by third parties.
- Third-party platform providers may be able to influence our products and costs.
- The increasing importance of free-to-play games to our business exposes us to the risks of that business model.
- We are subject to risks of operating in a rapidly developing industry and a relatively new market.
- If we fail to attract more advertisers and sponsors to our gaming platform, tournaments or competitions, our revenues will be adversely affected.
- We are reliant on the retention of certain key personnel and the hiring of strategically valuable personnel.
- 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.
- Our revenue may be harmed by the proliferation of “cheating” programs and scam offers that seek to exploit our games and players.
- 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.
- The success of our business relies on our marketing and branding efforts, and these efforts may not be accepted by consumers to the extent we planned.
- 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.
- Government regulations applicable to us may negatively impact our business.

- We are exposed to seasonality in the sale of our retail products.
- Our retail products, online gaming platform and games offered through our platform may contain defects.
- We may be held liable for content displayed on, retrieved from or linked to our platform.
- We may experience security breaches and cyber threats.
- Our business could be adversely affected if our data privacy and security practices are inadequate.
- If we were to lose server capacity or lack sufficient Internet bandwidth for any reason, our business could suffer.
- A 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 business partners may be unable to honor their obligations to us, or their actions may put us at risk.
- Our efforts to expand into new products and services may subject us to additional risks.
- Failure to adequately protect our intellectual property, technology and confidential information could harm our business and operating results.
- The costs involved in enforcement of our intellectual property rights could harm our business, financial condition and results of operations.
- We may be subject to claims of infringement of third-party intellectual property rights.
- Our technology, content, and brands are subject to intellectual property infringement.
- 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.
- If technology we rely upon becomes unavailable or fails to adequately serve our needs and we cannot find alternatives, it may negatively impact our operating results.
- Our international operations are subject to increased challenges and risks.
- Catastrophic events may disrupt our business.

Risks Related to Our Relationship with Driven Lifestyle

- Driven Lifestyle controls a significant portion of our Class A common stock and all of our Class B common stock and therefore has the ability to exert significant control over the direction of our business.
- We are a “controlled company” within the meaning of the NASDAQ rules and, as a result, qualify for and may rely on exemptions from certain corporate governance requirements of NASDAQ.
- Driven Lifestyle’s competitive position in certain markets may constrain our ability to build and maintain certain partnerships or relationships in the motorsport industry.
- Our inability to resolve in a manner favorable to us any potential conflicts or disputes that arise between us and Driven Lifestyle or its subsidiaries may adversely affect our business and prospects.

Risks Related to Our Company

- Our limited operating history makes it difficult to evaluate our current business and future prospects.
- Impairment of our intangible assets could have a material adverse impact on our results of operations.
- We have identified material weaknesses in our internal control over financial reporting which could result in us not being 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.
- 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 common stock less attractive to investors.
- We may acquire other companies, technologies, or assets, which could divert our management’s attention.
- We may be subject to various legal proceedings, claims, litigation, governmental investigations or inquiries and other disputes from time to time.
- 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.

Risks Related to Ownership of Our Class A Common Stock

- We cannot guarantee our Class A common stock will continue to be listed from Nasdaq.
- Substantial future sales of our Class A common stock, or the perception that such sales may occur, could depress the price of our Class A common stock.
- Our certificate of incorporation has limitations on the liability of our directors, and we may have to indemnify our officers and directors in certain instances.
- Certain provisions in our charter documents and Delaware law could limit attempts by our stockholders to replace or remove our board of directors or current management.

- Our certificate of incorporation and bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders.
- We expect that the price of our Class A common stock will fluctuate substantially.
- We have only a minimal number of shares of Class A Common Stock available for equity award grants under the Motorsport Games Inc. 2021 Equity Incentive Plan.
- If securities industry analysts cease to publish research reports, or publish unfavorable reports, on us, the market price and market trading volume of our Class A common stock could be negatively affected.
- The dual class structure of our common stock may adversely affect the trading market for our Class A common stock.
- We do not intend to pay dividends for the foreseeable future.

General Risk Factors

- Our results of operations and financial condition are subject to management's accounting judgments and estimates, as well as changes in accounting policies.
- The requirements of being a public company may require significant resources.
- If we fail to maintain proper and effective internal control over financial reporting, our ability to produce accurate and timely financial statements could be impaired.
- We are subject to risks related to corporate and social responsibility and reputation.
- A future shutdown of the U.S. federal government may adversely affect our business.

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

PART I

Item 1. Business

Company Overview

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

Our purpose is to make the thrill of motorsports accessible to everyone by creating the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. Our products and services target a large global motorsport audience. The latest figures reported from 2024 show Le Mans, which includes the WEC, having a cumulative global audience of 255 million, while the global fanbase for Formula 1 was estimated to be 827 million in 2025.

We develop and publish racing video games for personal computers (PCs) through various digital channels, including full-game and downloadable content (“DLC”). We have obtained the official licenses to develop multi-platform games for the 24 Hours of Le Mans race and the WEC. On February 20, 2024, we released *Le Mans Ultimate* on PC in early access. *Le Mans Ultimate* is the official game of the WEC and 24 Hours of Le Mans, and is the first officially licensed and dedicated 24 Hours of Le Mans video game release in over twenty years. On July 22, 2025, we released *Le Mans Ultimate* Version 1.0. This milestone marks the completion of the title’s Early Access phase and ushers in a new era of continued development and expansion for the official game of the FIA World Endurance Championship and the 24 Hours of Le Mans.

In 2023, we organized the grand finale of the Le Mans Virtual Series 2022/23, the 24 Hours of Le Mans Virtual event, which had a cumulative total of approximately 8.8 million video views with approximately 27 million minutes watched. The 24 Hours of Le Mans Virtual event had a global audience of 5 million across television (TV)/over-the-top (OTT) channels. Although we did not organize any esports events during 2025 and 2024, we intend to leverage esports competitions to bring wider awareness and engagement to our gaming products, while creating inspiring event spectacles for our viewers.

Company Background

Motorsport Games was formed in 2018 by Driven Lifestyle as a wholly-owned subsidiary in connection with the acquisition by Motorsport Games of a controlling interest in 704Games Company, which previously held the exclusive license to be the official video game developer and publisher for the NASCAR video game racing franchise, subject to certain limited exceptions. On October 3, 2023, we sold our NASCAR licensed rights under that certain Second Amended and Restated Distribution and License Agreement with NASCAR Team Properties (“NTP”) (the “NASCAR License”) to iRacing.com Motorsport Simulations, LLC (“iRacing”). Prior to the sale of our NASCAR License, we had been the official video game developer and publisher for the NASCAR video game racing franchise and had the exclusive right to create and organize esports leagues and events for NASCAR using our NASCAR racing video games, in each case, subject to certain limited exceptions. Concurrently with the sale of our NASCAR License, we entered into an agreement with NTP pursuant to which we had a limited non-exclusive right and license to, among other things, sell our NASCAR games and DLCs that were in our product portfolio through December 31, 2024 (the “NASCAR New Limited License”). We no longer sell NASCAR games and did not sell any NASCAR games during the year ended December 31, 2025.

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

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

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

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




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

Our Products

Game Products Portfolio

We develop and publish racing video games for PCs through various digital channels, including full-game and DLCs.

Our current video game catalog includes the following titles:

Game	Image	Overview	Platforms	Release Date
rFactor 2		rFactor 2 is a realistic racing simulation game. It features mixed class road racing with realistic dynamics, an immersive sound environment, and stunning graphics, that are perfect for top-level esports and a rich single-player experience. Content updates were released in 2022 and 2023, as well as the rFactor 2: RaceControl multiplayer update in October 2023.	Microsoft Windows via Steam	March 28, 2013
KartKraft		KartKraft is a kart racing simulator, which was released in January 2022.	Microsoft Windows via Steam	January 26, 2022 (full release)
Le Mans Ultimate		Le Mans Ultimate is the official game of the FIA World Endurance Championship and 24 Hours of Le Mans. DLC updates were released in July 2024, September 2024, December 2024, February 2025, June 2025, September 2025 and December 2025.	Microsoft Windows via Steam	February 20, 2024

We continually evaluate our planned product release schedule and modify the timing of upcoming products based on developments in our business, or if we believe it will result in a better consumer experience.

Esports Partnerships and Franchises

We recognize the growing importance and business viability of esports, especially within the racing and motorsport genres. In recognition of this importance, we manage and operate the esports platforms for numerous racing series and organizations. We also continue to leverage esports competitions to bring wider awareness and engagement to our gaming products, while creating inspiring event spectacles for our viewers. In 2023, we organized the grand finale of the Le Mans Virtual Series 2022/23, the 24 Hours of Le Mans Virtual event, which had a cumulative total of approximately 8.8 million video views with approximately 27 million minutes watched. The 24 Hours of Le Mans Virtual event had a global audience of 5 million across television (TV)/over-the-top (OTT) channels. Although we did not organize the Le Mans Virtual Series for the 2023/24, 2024/25 or 2025/26 seasons, we currently plan on organizing the 2026/27 Le Mans Virtual Series to commence this year. We also intend to continue exploring opportunities to expand the recurring portion of our esports segment outside of Le Mans.

Revenues

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

During the years ended December 31, 2025 and 2024, we did not generate any revenue from our esports business. Prior to 2024, our esports business generated revenues from sponsorships, advertising and media rights for events and competitions. If audience patterns continue to grow, we believe the esports business has the potential to generate incremental revenues through the further sale of media rights to our esports events and competitions, as well as, among other things, merchandising.

Marketing, Sales, and Distribution

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

Other direct marketing efforts include activities on Facebook, X (formerly Twitter), Twitch, YouTube and other online social networks, online advertising, public relations activity, broadcast advertising, participation in cooperative advertising programs, and product sampling through demonstration software distributed through the Internet or the digital online services provided by our partners.

We also are able to sell directly to consumers through various digital platforms. Our products and content are available for consumers to purchase and download at their convenience directly to their PC through our platform partners, including Steam and Genba.

Customer Concentration

For the year ended December 31, 2025, sales through one of our main distribution channels accounted for approximately 64% of our consolidated revenues and approximately 47% of our accounts receivable as of December 31, 2025. For the year ended December 31, 2024, sales through three of our main distribution channels accounted for approximately 86% of our consolidated revenues and approximately 77% of our accounts receivable as of December 31, 2024. A reduction in sales from or loss of these distribution channels would have a material adverse effect on the Company's results of operations and financial condition.

Strategic Licenses and Partnerships

24 Hours of Le Mans

On March 15, 2019, we formed Le Mans Esports Series Limited as a joint venture between Motorsport Games and ACO with the primary purpose of carrying on the promotion of and running of an esports event business replicating races of the WEC and the 24 Hours of Le Mans race on an electronic gaming platform. Through our ownership interest in this joint venture, which was increased to 51% from 45% in January 2021, we secured the rights to be the exclusive video game developer and publisher for the 24 Hours of Le Mans race and the WEC through a separate license agreement. This license expires 10 years beginning from the date of our first release of a WEC or Le Mans race video gaming product with the term automatically renewing for an additional ten-year term unless ACO provides written notice of its intent not to renew. In exchange for such license, we agreed to fund up to €8,000,000 (approximately \$9,391,000 as of December 31, 2025) as needed for development of the video game products, to be contributed on an as-needed basis during the term of the license. As of December 31, 2025, we have funded approximately \$8.8 million for such development. Additionally, we are obligated to pay ACO an annual payment beginning from the time of the launch of the first video game product and continuing on each anniversary thereof for the term of the license. In addition, through this joint venture, we have the right to create and organize esports leagues and events for the 24 Hours of Le Mans race, the WEC and the 24 Hours of Le Mans Virtual event through certain additional license agreements. These additional license agreements, which were granted on a royalty-free basis, each expire January 25, 2031 with the term automatically renewing for an additional ten-year term unless ACO provides written notice of its intent not to renew. This joint venture shall continue until the earlier of the date on which the parties cease to be beneficially entitled in the aggregate to 25% or more of the equity share capital of the joint venture, the parties otherwise cease to control the affairs of the joint venture or the date of the commencement of the winding-up of the joint venture. If certain events of defaults occur, the non-defaulting party has a call option pursuant to which it can force the defaulting party to sell all (but not part) of its ownership in the joint venture in accordance with the joint venture agreement.

Epic Games

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

Pursuant to the agreement, we were granted a nonexclusive, non-transferable and terminable license to develop, market and sublicense (under limited circumstances and subject to conditions of the agreement) certain products using the Unreal Engine 4 for our next generation of games. In exchange for the license, the agreement required 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 was required to 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 was effective until terminated under the provisions of the agreement; however, pursuant to the terms of the agreement, we could only actively develop new or existing authorized products during a five-year active development period, which ended on August 11, 2025.

Product Development and Support

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

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

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

Competition

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

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

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

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

Seasonality in Our Business

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

Human Capital

Our business relies on our ability to attract and retain the right team to enable us to be a game developer, publisher and esports ecosystem provider of official motorsport racing series. Our headcount as of December 31, 2025 was 44, made up of 26 full-time employees and 18 contractors, with 32 people in total dedicated to game development, located primarily in the United States of America and Europe. None of our employees were covered by collective bargaining agreements, and we believe that relations with our employees are generally good.

Government Regulation

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

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

Intellectual Property

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

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

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

In addition to these contractual arrangements, we also rely on a combination of trade secret, copyright, trademark, trade dress and domain names to protect our games and other intellectual property. We typically own the copyright to the software code to our content, as well as the brand or title name trademark under which our games are marketed. We pursue the registration of our domain names, trademarks, and service marks in the United States and in certain locations outside the United States.

Corporate History and Available Information

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

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

Item 1A. Risk Factors

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

The business, financial condition and operating results of the Company can be affected by a number of factors, whether currently known or unknown, including but not limited to those described below, any one or more of which could, directly or indirectly, cause the Company’s actual financial condition and operating results to vary materially from past, or from anticipated future, financial condition and operating results. Any of these factors, in whole or in part, could materially and adversely affect the Company’s business, financial condition, operating results and stock price. References to past events are provided by way of example only and are not intended to be a complete listing or a representation as to whether or not such factors have occurred in the past or their likelihood of occurring in the future. Because of the following factors, as well as other factors affecting the Company’s financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Financial Condition and Liquidity

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

We may need to engage in equity and/or debt financing arrangements or similar transactions (collectively, “Capital Financing”) to secure additional funds to continue our existing business operations and to fund our obligations. Other than the line of credit that we entered into with Citibank, N.A. (the “Citibank Line of Credit”), 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. In addition, there can be no assurance that we will be able to comply with the covenants that we are required to comply with in order to access the Citibank Line of Credit.

If we raise additional funds through future issuances of equity (including preferred stock) or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our Class A common stock, including, without limitation, in respect of the payment of dividends and the payment of liquidating distributions. Because our decision to issue debt or preferred securities in any future offering, or to borrow money from lenders, will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any such future offerings or borrowings.

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

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

Restrictions under the Credit Agreement with Citibank may affect our ability to finance our operations.

The Credit Agreement (as defined below) with Citibank (as defined below) and related documents require us to abide by certain restrictive covenants, including covenants related to conducting our business and maintaining certain levels of cash flow and fixed charges. To the extent we require additional funding while any borrowing remains outstanding under the Citibank Promissory Note (as defined below), we will therefore be limited in the types of fundraising transactions that we are able to pursue in compliance with the Credit Agreement. In addition, the Citibank Promissory Note is secured by a lien on substantially all our assets, and if we were to default Citibank could foreclose on our assets. If funding is not available or not available at terms acceptable to us, we may be compelled to further reduce overhead costs and our cash obligations in the short term. In addition, we may look to divest or bring in equity partners for our various divisions and bring in near term capital.

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 in a timely manner, our business operations, financial performance, financial condition, liquidity, cash flows and/or results of operations may be negatively impacted.

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

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

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

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

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

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

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

We follow a franchise model and a significant portion of our revenues has historically been derived from products based on a relatively small number of popular franchises, including our *Le Mans Ultimate* franchise, which now accounts for the majority of our revenue. For the years ended December 31, 2025 and 2024, revenues associated with our *Le Mans Ultimate* franchise accounted for approximately 78% and 34% of our total revenue, respectively. For the years ended December 31, 2025 and 2024, sales through our two main distribution channels accounted for approximately 86% and 46% of our consolidated revenues, respectively. Two other distribution channels accounted for 40% of our revenues for the year ended December 31, 2024. For the years ended December 31, 2025 and 2024, sales through our two main distribution channels accounted for approximately 76% and 45% of our accounts receivable, respectively. One other distribution channel accounted for 12% of our accounts receivable as of December 31, 2025 and two other distribution channels accounted for 32% of our accounts receivable for the year ended December 31, 2024. A reduction in sales from or loss of these distribution channels would have a material adverse effect on the Company's results of operations and financial condition.

Due to this dependence on a limited number of franchises, the failure to achieve anticipated results by one or more products based on these franchises, or the loss of any franchise, especially our two main distributors, 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. In the future, we expect this trend to continue with a relatively limited number of franchises producing a disproportionately high percentage of our revenues and profits.

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

Most of our products and services are based on or incorporate intellectual property owned by others. For example, we have obtained exclusive licenses to develop multi-platform games, as well as to create and organize esports leagues and events, for the 24 Hours of Le Mans race and the WEC. Competition for these licenses and rights is intense and could result in increased minimum guarantees and royalty rates payable to licensors and developers, which would significantly increase our costs and reduce our profitability. Furthermore, if we are unable to maintain these licenses and rights or obtain additional licenses or rights with significant commercial value, our ability to develop successful and engaging games and services may be adversely affected and our revenue, profitability and cash flows may decline significantly. For example, as discussed elsewhere in this Report, our BTCC license agreement and INDYCAR license agreements were terminated by the respective licensors, effective November 2023.

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

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

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

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

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

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

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

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

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

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

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

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

Many elements of our business are unique, evolving and relatively unproven. In particular, our esports business and prospects will depend on the continuing development of live streaming of competitive esports gaming. During 2025 and 2024, we did not generate any revenue from esports and there can be no assurance that we will be able to generate revenue from esports in the future. The market for esports and amateur online gaming competitions is relatively new and rapidly developing and is subject to significant challenges. Our esports business will rely upon our ability to cultivate and grow an active gamer community, and our ability to successfully monetize such community, including, for example, through tournament fees, subscriptions for our esports gaming services, and advertising and sponsorship opportunities. In addition, our continued growth of our esports business 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 generate revenue in the future or grow.

We plan to generate a portion of our revenues from advertising and sponsorship during our esports events. If we fail to attract 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 will 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 grow, or if we are unable to capture and retain a sufficient share of that market, our ability to increase our current level of advertising and sponsorship revenue and our profitability and prospects may be materially and adversely affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government regulations applicable to us may negatively impact our business.

We are subject to a number of foreign and domestic laws and regulations that affect companies conducting business on the Internet. In addition, laws and regulations relating to user privacy, electronic contracts and communications, mobile communications, data collection, retention, consumer protection, and publishing activities, including production and delivery of content, advertising, localization, and information security have been adopted or are being considered for adoption by many jurisdictions and countries throughout the world. These laws, including the General Data Protection Regulation and the California Consumer Privacy Act, may restrict our ability to gather and use data about our users, and could harm our business by limiting the products and services we can offer consumers or the manner in which we advertise and offer them. Data privacy, data protection, localization, security and consumer-protection laws are evolving, and the interpretation and application of these laws in the United States (including compliance with the California Consumer Privacy Act), Europe (including compliance with the General Data Protection Regulation), and elsewhere often are uncertain, contradictory and changing. It is possible that these laws may be interpreted or applied in a manner that is adverse to us or otherwise inconsistent with our practices, which could result in litigation, regulatory investigations and potential legal liability or require us to change our practices in a manner adverse to our business. As a result, our reputation and brand may be harmed, we could incur substantial costs, and we could lose both gamers and revenue. Furthermore, the costs of compliance with these laws may increase in the future as a result of changes in interpretation. 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. The online gaming industry in particular has attracted regulatory attention regarding issues such as in-game purchases, age verification, and the protection of younger players, and additional regulation in these areas could impact our business practices or product offerings. Any failure on our part to comply with these laws or the application of these laws in an unanticipated manner may harm our business and result in penalties or significant legal liability.

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

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

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

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

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

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

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

Our interactive live streaming platform enables gamers to exchange information and engage in various other online activities. Although we require our gamers to register under their real names, we do not require user identifications used and displayed during gameplay to contain any real-name information, and hence we are unable to verify the sources of all the information posted by our gamers. In addition, because a majority of the communications on our online and in-person gaming platform is conducted in real time, we are unable to examine the content generated by gamers before it is posted or streamed. Therefore, it is possible that gamers may engage in illegal, obscene or incendiary conversations or activities, including publishing of inappropriate or illegal content. If any content on our platform is deemed illegal, obscene or incendiary, or if appropriate licenses and third-party consents have not been obtained, claims may be brought against us for defamation, libel, negligence, copyright, patent or trademark infringement, other unlawful activities or other theories and claims based on the nature and content of the information delivered on or otherwise accessed through our platform. Moreover, the costs of compliance may continue to increase when more content is made available on our platform as a result of our growing base of gamers, which may adversely affect our results of operations.

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

We may experience security breaches and cyber threats.

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

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

In the course of our business, we may collect, process, store and use gamer and other information, including personally identifiable information, passwords and credit card information. Our security controls, policies and practices may not be able to prevent the improper or unauthorized access, acquisition or disclosure of such information. The unauthorized access, acquisition or disclosure of this information, or a perception that we do not adequately secure this information, could result in legal liability, costly remedial measures, governmental and regulatory investigations, harm our profitability and reputation and cause our financial results to be materially affected. In addition, third-party vendors and business partners receive access to information that we collect. These vendors and business partners may not prevent data security breaches with respect to the

information we provide them or fully enforce our policies, contractual obligations and disclosures regarding the collection, use, storage, transfer and retention of personal data. A data security breach of one of our vendors or business partners could cause reputational harm to them and/or negatively impact our credibility to our gamer community as well as subject us to significant legal and financial exposure.

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

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

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

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

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

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

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

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

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

We rely on various business partners, including third-party service providers, vendors, licensing partners, development partners, and licensees in many areas of our business. Their actions may put our business and our reputation and brand at risk. For example, we may have disputes with our business partners that may impact our business and/or financial results. In many cases, our business partners may be given access to sensitive and proprietary information in order to provide services and support to our teams, and they may misappropriate our information and engage in unauthorized use of it. In addition, the failure of these third parties to provide adequate services and technologies, or the failure of the third parties to adequately maintain or

update their services and technologies, could result in a disruption to our business operations. Further, disruptions in the financial markets, economic downturns, poor business decisions, insolvency, or reputational harm may adversely affect our business partners, and they may not be able to continue honoring their obligations to us or we may cease our arrangements with them. Alternative arrangements and services may not be available to us on commercially reasonable terms, or we may experience business interruptions upon a transition to an alternative partner or vendor. If we lose one or more significant business partners, including due to their insolvency or business failure, our business could be harmed and our financial results could be materially affected.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We rely on third-party technology for certain of our critical business functions, including game engines such as Unreal, among others, as well as our back-office tools and technologies, such as enterprise resource planning, finance, development and analytics tracking systems. If these technologies fail, or otherwise become unavailable, or we cannot maintain our relationships with the technology providers and we cannot find suitable alternatives, our financial condition and operating results may be adversely affected.

Our international operations are subject to increased challenges and risks.

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

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

- higher costs associated with doing business internationally; and
- trade and tariff restrictions.

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

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

Catastrophic events may disrupt our business.

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

Risks Related to Our Relationship with Driven Lifestyle

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

Driven Lifestyle currently owns all of the shares of our Class B common stock and 1,214,699 shares of our Class A common stock, which together represents approximately 66.0% of the combined voting power of both classes of our common stock as of March 6, 2026. Our Class B common stock has ten times the voting power per share of our Class A common stock. As long as Driven Lifestyle continues to control a majority of the voting power of our outstanding common stock, it will generally be able to determine the outcome of all corporate actions requiring stockholder approval, including the election and removal of directors. Even if Driven Lifestyle were to control less than a majority of the voting power of our outstanding common stock, it may be able to influence the outcome of such corporate actions so long as it owns a significant portion of our common stock. In the event Driven Lifestyle or its affiliates relinquish beneficial ownership of any of the DL Initial Class A Shares at any time, one share of Class B common stock held by Driven Lifestyle will be cancelled for each such DL Initial Class A Share no longer beneficially owned by Driven Lifestyle or its affiliates. If, however, Driven Lifestyle does not dispose of its DL Initial Class A Shares, it could remain our controlling stockholder for an extended period of time or indefinitely. If Driven Lifestyle were to sell all of its shares of Class A common stock, and all shares of Class B common stock are cancelled, then any stockholder that acquires all of the shares of Class A common stock sold by Driven Lifestyle would have significant influence over our Company, including the election of directors and the approval of mergers, consolidations and the sale of all or substantially all of our assets, and if Driven Lifestyle's Class A common stock were sold to anyone already holding a large number of shares of Class A common stock, the sale could result in a change of control.

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Company

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

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

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

There can be no assurance that we will meet these objectives. Addressing these risks and uncertainties will require significant capital expenditures and allocation of valuable management and employee resources. We will need to improve our operational, financial and management controls as well as our reporting systems and procedures. Additionally, we will require significant capital expenditures and the allocation of valuable management resources to grow and change in these areas without undermining our corporate culture. If we cannot manage our growth effectively, our business could be harmed, and our results of operations and financial condition could be materially and adversely affected.

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

As of December 31, 2025, we had intangible assets, net of \$3.8 million. We are required under accounting principles generally accepted in the United States of America (“U.S. GAAP”) to review our intangible assets when events or changes in circumstances indicate the carrying value may not be recoverable. Some factors that may be considered events or changes in circumstances that would require our intangible assets to be reviewed for impairment include, among other, general economic

conditions, industry and market considerations, cost factors, overall financial performance, entity-specific factors such as changes to our product road map and restructuring changes, and changes in our share price. We may be required to record non-cash impairment charges during any period in which we determine that our intangible assets are impaired, which has had, and in the future could have, a material adverse impact on our results of operations.

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected and corrected on a timely basis. In connection with the audit of our consolidated financial statements for the years ended December 31, 2025 and 2024, we identified certain material weaknesses in our internal control over financial reporting that continue to exist. The material weaknesses identified relate to (i) our failure to design and maintain effective monitoring procedures and controls to evaluate the effectiveness of our individual control activities; (ii) a lack of sufficient number of personnel with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely; and (iii) documentation of certain complex accounting analyses and significant accounting positions that were not contemporaneously reviewed independently of the preparer.

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

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

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

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

We may remain an emerging growth company until the last day of the fiscal year following the fifth anniversary of the completion of our IPO (December 31, 2026), though we may cease to be an emerging growth company earlier under certain circumstances, including if (i) we have \$1.235 billion or more in annual revenue in any fiscal year, (ii) we become a “large accelerated filer,” as defined in Rule 12b-2 under the Exchange Act; or (iii) we issue more than \$1.0 billion of non-convertible debt over a three-year period.

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

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

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

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

- diversion of management time and focus from operating our business;
- coordination of technology, research and development and sales and marketing functions;
- transition of the acquired company’s users to our website and mobile applications;
- retention of employees from the acquired company;
- cultural challenges associated with integrating employees from the acquired company into our organization;
- integration of the acquired company’s accounting, management information, human resources and other administrative systems;
- the need to implement or improve controls, policies and procedures at a business that prior to the acquisition may have lacked effective controls, policies and procedures;
- potential write-offs of intangibles or other assets acquired in such transactions that may have an adverse effect on our operating results;
- known and unknown liability for activities of the acquired company before the acquisition, including patent and trademark infringement claims, violations of laws, commercial disputes, and tax liabilities; and
- litigation or other claims resulting from the acquisition of the company, including claims from terminated employees, consumers, former stockholders, or other third parties.

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

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

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

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

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

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- expiration of, or detrimental changes in, research and development tax credit laws;
- changes in tax laws, regulations or interpretations thereof; or
- expansion into or future activities in additional jurisdictions.

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

Risks Related to Ownership of Our Class A Common Stock

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

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

On April 15, 2025, we received a letter from the Nasdaq Staff stating that based on our Form 8-K filed with the SEC on April 14, 2025, Nasdaq had determined that we complied with the Stockholders’ Equity Requirement. Nasdaq will continue to monitor our ongoing compliance with the continued listing requirements for The Nasdaq Capital Market and, if at the time of our next periodic report we do not evidence compliance we may be subject to delisting. As of December 31, 2025, our stockholders’ equity was \$7,581,231.

Nasdaq has proposed that the SEC adopt a rule change which would require Nasdaq listed companies to maintain a minimum market capitalization of \$5 million, with immediate suspension and delisting upon thirty (30) consecutive business days of non-compliance. Market capitalization is a function of trading price multiplied by outstanding shares and is therefore inherently volatile. Although we have direct control over the number of securities issued, we do not have control over our stock price. Our market capitalization could fall below \$5 million due to a decrease in our stock price.

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

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

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

On March 6, 2026, Driven Lifestyle and Mike Zoi announced in a Schedule 13D that it had entered a Rule 10b5-1 plan that specifies that 1,480,385 shares of our Class A common stock would be sold at market by the broker listed in the Rule 10b5-1 Plan starting after 31 days from the adoption date of the Rule 10b5-1 Plan. Between February 20, 2026, and March 6, 2026, Driven Lifestyle sold 265,686 shares of our Class A common stock.

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

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

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

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

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

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

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

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

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

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

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

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

There is uncertainty as to whether a court would enforce such provisions, and the enforceability of similar choice of forum provisions in other companies' charter documents has been challenged in legal proceedings. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find these types of provisions to be inapplicable or unenforceable, and if a court were to find the exclusive forum provision in our certificate of incorporation and bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could materially adversely affect our business, financial condition, and results of operations.

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

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

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

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

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

We have only a minimal number of shares of Class A Common Stock available for equity award grants under the Motorsport Games Inc. 2021 Equity Incentive Plan (the “Plan”).

As of the date of this Report, we have a minimal number of shares of Class A common stock available for the granting of equity awards under the Plan. Nasdaq requires that, subject to certain limited exceptions, equity awards be granted to employees and directors pursuant to a Plan approved by the stockholders. We have sought stockholder approval of an increase in the number of shares available for grant pursuant to awards under the Plan and have been unsuccessful in obtaining approval of such an increase. Unless we obtain approval of such an increase, we will be unable to compensate employees and directors with equity, which puts us at a competitive disadvantage and forces us to use more cash for compensation than we otherwise would.

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

The trading market for our Class A common stock will be influenced in part by any research reports that securities industry analysts publish about us. We anticipate having limited analyst coverage and we may continue to have inadequate analyst coverage in the future. If one or more of such analysts downgrade our securities, or otherwise report on us unfavorably, or discontinue coverage of us, the market price and market trading volume of our Class A common stock could be negatively affected.

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

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

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

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

General Risk Factors

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

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

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

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

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices.

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

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

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

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

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

The shutdown of the U.S. federal government may adversely affect our business.

A prolonged or recurring shutdown of the U.S. federal government may adversely affect our business operations and regulatory compliance. During such shutdowns, while the SEC's EDGAR system remains operational, the unavailability of SEC staff to review filings, issue comments, or declare registration statements effective may delay our ability to complete public offerings, respond to comment letters, or obtain timely regulatory approvals. These delays could impact our access to capital markets, hinder strategic transactions, and create uncertainty around our disclosure obligations. Additionally, the lack of interpretive guidance or exemptive relief during a shutdown may increase legal and compliance risks. We continue to monitor developments and adjust our regulatory strategies accordingly, but there can be no assurance that future shutdowns will not materially affect our operations or financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Risk Management and Strategy

We recognize the critical importance of maintaining the safety and security of our systems and data and have implemented a holistic process for overseeing and managing cybersecurity and related risks. We depend on the accuracy, capacity, and security of our information technology systems and those used by our third-party service providers. To protect the confidentiality, integrity, and availability of our critical systems and information, we have developed and implemented a cybersecurity risk management program that includes a cybersecurity incident response plan. Our cybersecurity risk management program covers our business and was crafted following frameworks established by the National Institute of Standards and Technology. While using these frameworks guides our approach to identifying, assessing, and managing cybersecurity risks relevant to our business, it does not imply compliance with any specific technical standards, specifications or requirements. The program is integrated into our overall enterprise risk management program and shares common methodologies, reporting channels and governance processes that apply across the enterprise risk management program to other legal, compliance, strategic, operational, and financial risk areas. In addition, our program emphasizes the maintenance of controls and procedures for the prompt escalation of certain cybersecurity incidents, conducting cybersecurity risk assessments, regularly assessing and deploying technical safeguards, establishing incident response and recovery plans, and providing relevant privacy and cybersecurity information to employees to enhance awareness and response to cybersecurity threats.

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

Governance

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

Item 2. Properties

Our corporate headquarters is located in Miramar, Florida and currently consists of approximately 300 square feet of office space. We also lease an office in Silverstone, England. Both offices are used by our Gaming and Esports operating segments.

Item 3. Legal Proceedings

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

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

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

Holders

As of March 10, 2026, there were approximately 12 holders of record of our Class A common stock and one holder of record of our Class B common stock. The actual number of holders of our Class A common stock is greater than the number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers or other nominees.

Dividends

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

Equity Compensation Plan Table

The following table summarizes our equity compensation plan information as of December 31, 2025. Information is included for equity compensation plans approved by our stockholders and equity compensation plans not approved by our stockholders.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price per share of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders.....	96,828	\$ 61.76	-
Equity compensation plans not approved by stockholders	21,394	4.32	-
Total	<u>118,222</u>		<u>-</u>

Unregistered Sales of Equity Securities

There were no unregistered sales of equity securities during the year ended December 31, 2025 other than as reported in our Current Reports on Form 8-K filed with the SEC.

Purchases of Equity Securities

We did not purchase any shares of our Class A common stock during the quarter ended December 31, 2025.

Item 6. [Reserved]

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

Overview

The following overview is a high-level discussion of our operating results, as well as some of the trends and drivers that affect our business. Management believes that an understanding of these trends and drivers provides important context for our results for the fiscal years ended December 31, 2025 and 2024, as well as our future prospects. This summary is not intended to be exhaustive, nor is it intended to be a substitute for the detailed discussion and analysis provided elsewhere in this Report, including in the “Business” section and “Risk Factors” above, the remainder of this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” (“MD&A”) or the consolidated financial statements and related notes.

Our Business

Motorsport Games is a racing game developer, publisher and esports ecosystem provider of official motorsport racing series, including the iconic 24 Hours of Le Mans endurance race (“Le Mans”) and the associated FIA World Endurance Championship (the “WEC”). Our portfolio also includes the KartKraft karting simulation game, as well as Studio 397 B.V. (“Studio397”) and their rFactor 2 realistic racing simulator technology and platform. rFactor 2 also powers F1® Arcade through a partnership with Kindred Concepts. Our purpose is to make the thrill of motorsports accessible to everyone by creating the highest quality, most sophisticated and innovative experiences for racers, gamers and fans of all ages. Our products and services target a large global motorsport audience.

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

On February 20, 2024, we released Le Mans Ultimate on PC in early access. Le Mans Ultimate is the official game of the WEC and 24 Hours of Le Mans, and is the first officially licensed and dedicated 24 Hours of Le Mans video game release in over twenty years. On July 22, 2025, we released Le Mans Ultimate Version 1.0. This milestone marks the completion of the title’s Early Access phase and ushers in a new era of continued development and expansion for the official game of the FIA World Endurance Championship and the 24 Hours of Le Mans.

As of December 31, 2025, we have a total headcount of 44 people, made up of 26 full-time employees and 18 contractors, with 32 people in total dedicated to game development.

Trends and Factors Affecting Our Business

Product Release Schedule

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

<u>Title</u>	<u>Release Date and Platform</u>
Le Mans Ultimate	February 20, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 1	July 23, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 2	September 24, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 3	December 10, 2024, available on PC
Le Mans Ultimate – 2024 DLC Pack 4	February 25, 2025, available on PC
Le Mans Ultimate – 2024 DLC Pack 5	June 10, 2025, available on PC
Le Mans Ultimate – Version 1.0 Release	July 22, 2025, available on PC
Le Mans Ultimate – ELMS Pack 1 and Version 1.1 Release	September 23, 2025, available on PC
Le Mans Ultimate – ELMS Pack 2 and Version 1.2 Release	December 9, 2025, available on PC

We continually evaluate our planned product release schedule and modify the timing of upcoming products based on developments in our business, or if we believe it will result in a better consumer experience.

Hardware Platforms

In the past, we derived most of our revenue from the sale of products made for PCs and video game consoles manufactured by third parties, such as Sony Interactive Entertainment Inc.'s ("Sony") PlayStation and Microsoft Corporation's ("Microsoft") Xbox consoles, which comprised approximately 2% and 45% of our total revenue for the years ended December 31, 2025 and 2024, respectively. For the years ended December 31, 2025 and 2024, the sale of products for Microsoft Windows via Steam comprised approximately 64% and 44% of our total revenue, respectively, and the sale of products via Genba comprised approximately 18% and 1% for the years ended December 31, 2025 and 2024. We expect to derive the vast majority of our revenues via Steam and Genba during the next twelve months. The success of our business is dependent upon consumer acceptance of video game console/PC platforms and continued growth in the installed base of these platforms.

Concentration of Sales

Prior to January 1, 2025, our NASCAR products historically accounted for the majority of our revenue. However, we have worked to diversify our product offerings and revenue from other sources by introducing titles such as Le Mans Ultimate to our portfolio of product offerings and thereby reducing our dependency on the NASCAR franchise as our substantially sole source of revenue. Revenues associated with our Le Mans Ultimate franchise accounted for approximately 78% and 34% of our total revenue for the years ended December 31, 2025 and 2024, respectively. We aim to explore ways to capitalize on new trends and diversify our product mix.

Digital Business

Players increasingly purchase our games as digital downloads, as opposed to purchasing physical discs. All of our titles are available through direct digital download. For the year ended December 31, 2025, substantially all of our revenue from sales of video games for PCs was through digital channels. For the year ended December 31, 2024, approximately 88% of our revenue from sales of video games for game consoles and PCs was through digital channels. We believe this trend of increasing direct digital downloads is primarily due to benefits relating to convenience and accessibility that digital downloads provide. In addition, as part of our digital business strategy, we aim to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through in-game purchases and extra content.

Esports

We intend to generate future revenue from organizing and facilitating esports tournaments, competitions, and events for our licensed racing games as well as on behalf of third-party racing game developers and publishers. In 2023, we organized the grand finale of the Le Mans Virtual Series 2022/23, the 24 Hours of Le Mans Virtual event, which had a cumulative total of approximately 8.8 million video views with approximately 27 million minutes watched. The 24 Hours of Le Mans Virtual event had a global audience of 5 million across television (TV)/over-the-top (OTT) channels. Although we did not organize the Le Mans Virtual Series for the 2023/24, 2024/25 or 2025/26 seasons, we currently plan on organizing the 2026/27 Le Mans Virtual Series to commence this year. We also intend to continue exploring opportunities to expand our esports segment outside of Le Mans.

Recurring Revenue Sources

Our business model includes revenue that we deem recurring in nature, which historically consisted primarily of revenue from our annualized NASCAR video game racing franchise for game consoles, PC, and mobile platforms, as well as our RaceControl subscription service. We historically have been able to forecast the revenue from this area of our business with greater relative confidence than for new games, services, and business models. Following the sale of our NASCAR License and as we continue to incorporate new business models and modalities of play into our games, our goal is to continue to look for opportunities to expand the recurring portion of our business, including through subscriptions. We plan to drive ongoing engagement and incremental revenue from recurrent consumer spending on our titles through in-game purchases, RaceControl subscription offerings and extra content.

Reportable Segments

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

Components of Our Results of Operations

Revenues

We have historically derived substantially all of our revenue from sales of our games and related extra content that can be played by customers on a variety of platforms, including game consoles, mobile phones, PCs and tablets. Starting in 2019, we began generating sponsorship revenues from our production of live and virtual esports events; however, during 2025 and 2024 we did not generate any revenue for esports events as we did not organize any such events. In early 2022, we also began offering software development services for racing simulators and in December 2024, we started offering a subscription service via RaceControl, our matchmaking and online racing platform.

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

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

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

Cost of Revenues

Cost of revenues for our Gaming segment is primarily comprised of royalty expenses, license fees, web hosting costs and amortization of certain acquired license agreements and other intangible assets acquired through our various acquisitions and internally-developed software. Cost of revenues in 2024 from our Gaming segment is also comprised of merchant fees, disk manufacturing costs, packaging costs, shipping costs, warehouse costs, distribution fees to distribute products to retail stores, and 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). Furthermore, cost of revenues for our Gaming segment includes costs associated with our outsourced code and content development services. Cost of revenues for our esports segment consists primarily of the cost of event staffing and event production.

Sales and Marketing

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

Development

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

General and Administrative

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

Depreciation and Amortization

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

Results of Operations

Year Ended December 31, 2025 compared to Year Ended December 31, 2024

In this section, references to 2025 refer to the fiscal year ended December 31, 2025 and references to 2024 refer to the fiscal year ended December 31, 2024.

Revenues

	For the Year Ended December 31,		Change	
	2025	2024	\$	%
Revenues:				
Gaming	\$ 11,297,898	\$ 8,687,462	\$ 2,610,436	30.0%
Esports	-	-	-	-%
Total Revenues.....	<u>\$ 11,297,898</u>	<u>\$ 8,687,462</u>	<u>\$ 2,610,436</u>	<u>30.0%</u>

Consolidated revenues were \$11.3 million and \$8.7 million for 2025 and 2024, respectively, an increase of \$2.6 million, or 30.0%, when compared to the prior year.

Gaming segment revenues represented 100% of our total 2025 and 2024 revenues, respectively, increasing by \$2.6 million, or 30.0%, when compared to the prior year. The increase in Gaming segment revenues was primarily due to a \$5.8 million increase in 2025 from sales of our Le Mans Ultimate racing title released in February 2024, particularly DLC sales, which were higher compared to 2024, and \$1.2 million from RaceControl, offset by a \$4.4 million decrease in revenues in 2025 related to NASCAR, a gaming title we are no longer authorized to sell starting in 2025.

We did not organize a Le Mans Virtual Series (“LMVS”) event in 2025 or 2024, resulting in no earned sponsorship or events revenue in 2025 and 2024 in our Esports segment.

Cost of Revenues

	For the Year Ended December 31,		Change	
	2025	2024	\$	%
Cost of Revenues:				
Gaming	\$ 2,010,140	\$ 2,930,635	\$ (920,495)	(31.4)%
Esports	83,170	295,115	(211,945)	(71.8)%
Total Cost of Revenues	<u>\$ 2,093,310</u>	<u>\$ 3,225,750</u>	<u>\$ (1,132,440)</u>	<u>(35.1)%</u>

Consolidated cost of revenues were \$2.1 million and \$3.2 million for 2025 and 2024, respectively, a decrease of \$1.1 million, or 35.1%, when compared to the prior year.

Gaming segment cost of revenues represented 96.0% and 90.9% of our total 2025 and 2024 cost of revenues, respectively, decreasing by \$0.9 million, or 31.4%, when compared to the prior year. The decrease in Gaming segment cost of revenues was primarily driven by a decrease in amortization and a reduction in royalty payments, mainly related to our NASCAR titles as a direct result of no significant game sales for the franchise in 2025 compared to the prior period.

Esports segment cost of revenues represented 4.0% and 9.1% of our total 2025 and 2024 cost of revenues, respectively, decreasing by \$0.2 million, or 71.8%, when compared to the prior year. The decrease in Esports segment cost of revenues was primarily driven by a decrease in amortization of our Le Mans license.

Gross Profit (Loss)

	For the Year Ended December 31,		Change	
	2025	2024	\$	%
Gross Profit (Loss):				
Gaming	\$ 9,287,758	\$ 5,756,827	\$ 3,530,931	61.3%
Esports	(83,170)	(295,115)	211,945	(71.8)%
Total Gross Profit.....	<u>\$ 9,204,588</u>	<u>\$ 5,461,712</u>	<u>\$ 3,742,876</u>	<u>68.5%</u>
Gaming – Gross Profit Margin.....	82.2%	66.3%		
Esports – Gross Profit Margin.....	NM	NM		
Total Gross Profit Margin.....	81.5%	62.9%		

NM = not meaningful

Consolidated gross profit was \$9.2 million and \$5.5 million for 2025 and 2024, respectively, an increase of \$3.8 million, or 68.5%, when compared to the prior year. Total gross profit margin was 81.5% in 2025, compared to 62.9% in 2024. The increase in our Gaming segment gross profit of \$3.5 million, and an increase in gross profit margin, was primarily due to higher revenues and a reduction in amortization and royalty payments, mainly related to our NASCAR titles as a direct result of no significant game sales for the franchise in 2025 compared to the prior period.

As explained above, we did not organize an LMVS event in 2025 or 2024.

Operating Expenses

	For the Year Ended December 31,		Change	
	2025	2024	\$	%
Operating Expenses:				
Sales and marketing.....	\$ 624,623	\$ 739,098	\$ (114,475)	(15.5)%
Development.....	1,760,183	3,378,346	(1,618,163)	(47.9)%
General and administrative	5,132,434	6,883,468	(1,751,034)	(25.4)%
Depreciation and amortization.....	47,045	208,652	(161,607)	(77.5)%
Total Operating Expenses	<u>\$ 7,564,285</u>	<u>\$ 11,209,564</u>	<u>\$ (3,645,279)</u>	<u>(32.5)%</u>

Changes in operating expenses are explained in more detail below:

Sales and Marketing

Sales and marketing expenses were \$0.6 million and \$0.7 million for 2025 and 2024, respectively, representing a \$0.1 million, or 15.5% decrease when compared to the prior year. The reduction in sales and marketing expenses was primarily driven by a \$0.1 million reduction in payroll and employee-related expense as a result of lower headcount, when compared to the prior year.

Development

Development expenses were \$1.8 million and \$3.4 million for 2025 and 2024, respectively, representing a decrease of \$1.6 million, or 47.9%, when compared to the prior year. The reduction in development expense was primarily driven by a \$1.1 million capitalization of development costs in 2025, as well as a \$0.4 million decrease in external development services, when compared to the prior year. Development expenses in 2024 were charged to expense because technological feasibility was not reached. Once technological feasibility was reached in 2025, relevant development costs were capitalized and amortized to cost of revenue over the estimated lives of the products.

General and Administrative

General and administrative (“G&A”) expenses were \$5.1 million and \$6.9 million for 2025 and 2024, respectively, a decrease of \$1.8 million, or 25.4%, when compared to the prior year. The reduction in G&A expense was primarily driven by a \$2.1 million decrease in legal and professional fees from the settlement of litigation-related matters, a \$0.4 million reduction in insurance costs, and a \$0.2 million decrease in severance costs and filing and compliance fees, respectively, offset by a \$0.6 million increase in stock-based compensation due to the increase in fair value related to the increase in our stock price and a \$0.1 million increase in board of director fees, when compared to the prior year.

Depreciation and Amortization

Depreciation and amortization expenses were \$0.1 million and \$0.2 million for 2025 and 2024, respectively, representing a decrease of \$0.1 million or 77.5%, when compared to the prior year. The decrease was primarily due to some fixed assets being fully depreciated in 2024.

Gain from Settlement of License Liabilities

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

Other Operating Income

Other operating income was \$1.6 million for 2025, compared to \$0.8 million for 2024, an increase of \$0.8 million compared to the prior period. Other operating income of \$1.6 million for 2025 primarily includes \$0.8 million from the Wesco Insurance Company settlement, \$0.5 million from a settlement agreement with HC2 Holdings 2 Inc. (now known as Innovate 2) and \$0.3 million related to discounts negotiated on a few outstanding vendor invoices. Other operating income of \$0.8 million for 2024 is comprised of \$0.5 million related to the sale of our NASCAR License to iRacing in October 2023 and a \$0.3 million gain from the sale of Traxion, which was our motorsport and racing games community content platform, in April 2024.

Interest Expense, Net

Interest expense was approximately \$19,000 and \$121,000 for 2025 and 2024, respectively. Interest expense primarily relates to non-cash interest accretion of purchase commitment liabilities relating to the acquisition of Studio397 from Luminis International B.V. and Technology In Business B.V. (collectively, the “Sellers”) in April 2021. In February 2025, we entered into a Settlement Agreement with the Sellers pursuant to which certain interest expenses relating to amounts owed to the Sellers for the acquisition of Studio397 were not incurred after February 2025.

Other (Expense) Income, net

Other income, net was \$3.4 million for 2025, compared to other expense of \$1.2 million for 2024, an increase of \$4.6 million compared to the prior year. Other income, net of \$3.4 million for 2025 was primarily comprised of \$3.2 million in foreign currency gains arising from remeasuring transactions denominated in a currency and a \$0.2 million gain from the Settlement Agreement entered into with Luminis on February 20, 2025. Other expense, net of \$1.2 million for 2024 was primarily comprised of \$1.3 million in foreign currency losses arising from remeasuring transactions denominated in a currency other than U.S. dollars, offset by \$0.1 million in rental income.

Provision for Income Taxes

Provision for income taxes of \$0.2 million for 2025 was driven by operating activity related to our Le Mans Ultimate racing title.

Other Comprehensive Income (Loss)

Other comprehensive loss was \$2.7 million for 2025, compared to other comprehensive income of \$1.1 million for 2024. The \$3.8 million increase in other comprehensive loss was primarily due to activity in our U.K. and Netherlands subsidiaries, and represents unrealized foreign currency translation adjustments.

Net Loss Attributable to Non-Controlling Interest

Net loss attributable to non-controlling interest was approximately \$83,000 and \$295,000 for 2025 and 2024, respectively, and is attributed to the Le Mans Esports Series Ltd joint venture.

Liquidity and Capital Resources

Liquidity

After our IPO in 2021, we have financed our operations primarily through cash generated from operations, advances from Driven Lifestyle pursuant to the \$12 million Line of Credit and sales of our equity securities. We have entered into a line of credit with Citibank N.A. that will provide us with up to an additional \$3 million provided we meet the requirements for use of the line of credit.

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

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Cash and Cash Equivalents	\$ 4,993,390	\$ 859,271
Working Capital (Deficiency)	\$ 4,221,682	\$ (2,225,300)

For the year ended December 31, 2025, we generated net income of \$6.8 million and positive cash flows from operations of approximately \$4.1 million. As of December 31, 2025, we had an accumulated deficit of \$84.9 million and cash and cash equivalents of \$5.0 million, which increased to \$6.0 million as of February 28, 2026. We expect that our cash on hand will fund our operations for at least one year from the date the consolidated financial statements are issued. Our future liquidity and capital requirements include funds to support the planned costs to operate our business, including amounts required to fund working capital, support the development and introduction of new products and maintain existing titles, and certain capital expenditures.

Historically, we have financed our operations primarily through revenue generated from operations, loans and sales of our securities, and we expect to continue to seek and obtain additional capital in a similar manner. There can be no assurance that we will be able to raise funds by selling additional securities, which sales, if successful, could dilute the ownership interest of our existing shareholders. In addition, our ability to sell additional securities may be limited by the terms of the right of first refusal granted to the purchasers in the private placement offering that closed on April 11, 2025 (the “April Private Placement”). The issuance of debt can result in restrictive covenants that limit operations. If funding is not available or not available at terms acceptable to us, we will seek to further reduce overhead costs and our cash obligations in the short term, as needed. In addition, we may look to divest or bring in equity partners for our various divisions and bring in near term capital.

Cash Flows From Operating Activities

Net cash provided by (used in) operating activities for the years ended December 31, 2025 and 2024 was \$4.1 million and (\$2.8) million, respectively. Net cash provided by operating activities in 2025 was due to increased profitability, \$0.8 million from the Wesco Insurance Company settlement in June 2025 and \$0.5 million from a settlement agreement with HC2 Holdings 2 Inc. in March 2025. The net cash provided by operating activities for the year ended December 31, 2025 was primarily a result of our net income of \$6.8 million, adjusted for net non-cash adjustments of \$1.8 million and \$0.9 million of cash used by changes in the levels of operating assets and liabilities. The net cash used in operating activities for the year ended December 31, 2024 was primarily a result of cash used to fund a net loss of \$3.0 million, adjusted for net non-cash adjustments in the amount of \$0.3 million and \$0.1 million of cash used by changes in the levels of operating assets and liabilities.

Cash Flows From Investing Activities

Net cash (used in) provided by investing activities for the years ended December 31, 2025 and 2024 was approximately (\$1.1) million and \$1.2 million, respectively. The net cash used in investing activities during the year ended December 31, 2025 relates to capitalization of internally-developed software. Development expenses in 2024 were charged to expense because technological feasibility was not reached. Once technological feasibility was reached in 2025, relevant development costs were capitalized and amortized to cost of revenue over the estimated lives of the products. The net cash provided by investing activities during the year ended December 31, 2024 was primarily attributable to \$1.0 million in proceeds from the sale of the Company's NASCAR License and \$0.2 million from the sale of Traxion, which was our motorsport and racing games community content platform, in April 2024.

Cash Flows From Financing Activities

Net cash provided by financing activities during the year ended December 31, 2025 and 2024 was \$1.1 million and \$0.8 million, respectively. Cash flows provided by financing activities during the year ended December 31, 2025 were primarily attributable to \$2.3 million raised in connection with shares sold in a private placement offering in April 2025, offset by a \$0.8 million payment for purchase commitments and \$0.4 million for payment on notes payable. Cash flows provided by financing activities for the year ended December 31, 2024 were primarily attributable to \$0.9 million raised in connection with shares sold in our registered direct offering, offset by a \$0.1 million payment for purchase commitments.

Lines of Credit

On April 1, 2020, we entered into a promissory note (the "\$12 million Line of Credit") with an affiliated entity, Driven Lifestyle, that provided us with a line of credit of up to \$10 million (which was subsequently increased to \$12 million pursuant to an amendment executed in November 2020) at an interest rate of 10% per annum, the availability of which was dependent on Driven Lifestyle's available liquidity. The \$12 million Line of Credit did not have a stated maturity date and was payable upon demand at any time at the sole and absolute discretion of Driven Lifestyle, and any principal and accrued interest owed would be accelerated and become immediately payable in the event we consummated certain corporate events, such as a capital reorganization. We were permitted to prepay the \$12 million Line of Credit in whole or in part at any time or from time to time without penalty or charge. On November 5, 2025, we terminated the \$12 million Line of Credit Agreement pursuant to a Loan Termination Agreement with Driven Lifestyle. Prior to this termination, we believed that there was a substantial likelihood that Driven Lifestyle would not fulfill any future borrowing requests, and therefore did not view the \$12 million Line of Credit as a viable source for future liquidity needs. See Note 7 – *Related Party Loans* in our consolidated financial statements in this Report for further information. As of December 31, 2025, the balance due to Driven Lifestyle under the \$12 million Line of Credit was \$0.

On February 20, 2026, we entered into a business loan agreement (the "Credit Agreement") with Citibank, N.A. ("Citibank"), pursuant to which Citibank provided us with a revolving line of credit of up to \$3.0 million at an interest rate equal to the Adjusted Term SOFR (as defined in the Credit Agreement) plus 2.250%, subject to increase upon an event of default. The Adjusted Term SOFR has a floor of 0.75%. The revolving line of credit is evidenced by a promissory note (the "Citibank Promissory Note") that we issued to Citibank in the principal amount of up to \$3.0 million. The Citibank Promissory Note has a stated maturity date of February 20, 2027. We also entered into a commercial security agreement pursuant to which we granted Citibank a lien on substantially all of our assets. The Credit Agreement includes certain affirmative covenants related to conducting our business and maintaining certain levels of cash flow and fixed charges, including a requirement to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) in excess of 1.200 to 1.000 and a Cash Flow Leverage Ratio (as such term is defined in the Credit Agreement) not in excess of 2.500 to 1.000. The Credit Agreement also contains negative covenants including prohibitions on the creation or existence of any liens or security interests on our assets. The Credit Agreement also contains events of default, including failure to make payments under the Note or any related documents, failure to comply with covenants, obligations or conditions contained in the Note or any related document, defaults under other loans, extension of credit or security agreement and any change in our ownership of twenty five percent (25%) or more of our common stock. The occurrence of an event of default can result in the exercise of remedies including an increase in the applicable rate of interest by 3.00% and declaration that all outstanding amounts owed under the Citibank Promissory Note immediately become due and payable.

Other Financing Activity

On July 29, 2024, we completed a registered direct offering and a concurrent private placement (the “July 2024 Offerings”) with certain investors, which raised approximately \$1.0 million in gross proceeds (the “\$1.0 million RDO”) before deducting \$0.1 million in placement agent’s fees and other offering expenses. In connection with the \$1.0 million RDO, we issued Series A warrants (the “Series A Warrants”) to purchase up to 460,830 shares of Class A common stock and Series B warrants (the “Series B Warrants,” and collectively with the Series A Warrants, the “Purchase Warrants”) to purchase up to 460,830 shares of Class A common stock. The Series A Warrants and the Series B Warrants both have an exercise price of \$2.17 per share. The shares of Class A common stock issuable upon the exercise of the Purchase Warrants are collectively referred to as the “Warrant Shares.” The Purchase Warrants will become exercisable on the effective date of the stockholder approval for the issuance of the shares of Class A common stock issuable upon exercise of the Purchase Warrants (the “Stockholder Approval Date”). The Series A Warrants will expire five and one-half years following the Stockholder Approval Date and the Series B Warrants will expire 18 months following the Stockholder Approval Date. H.C. Wainwright & Co., LLC (“HCW”) acted as the exclusive placement agent for the July 2024 Offerings, and we issued to its designees warrants to purchase up to 27,650 shares of Class A common stock (the “Placement Agent Warrants”) as compensation. As of the date of the filing of this Annual Report on Form 10-K, the exercise of the Purchase Warrants and Placement Agent Warrants have not been approved by stockholders.

On April 11, 2025, we entered into securities purchase agreements (the “April Purchase Agreements”) with several institutional and accredited investors for the issuance and sale in the April Private Placement of the following securities for gross proceeds of approximately \$2.5 million: (i) 1,894,892 shares of our Class A common stock and (ii) a pre-funded warrant (the “April Pre-Funded Warrant”) to purchase up to 377,836 shares of our Class A common stock at an exercise price of \$0.0001 per share. The purchase price for one share of Class A common stock was \$1.10 and the purchase price for one pre-funded warrant was \$1.0999 per share. We received net proceeds of approximately \$2.35 million from the April Private Placement, after deducting offering expenses paid by us. The April Pre-Funded Warrant became exercisable commencing on May 29, 2025, and will not expire until exercised in full. The April Purchase Agreements provide that the purchasers have the right to participate in certain subsequent financings in an amount equal to 100% of the amount of the subsequent financing (or 80% in the case of a public offering or an offering of securities registered under a shelf registration statement on Form S-3) on the same terms, conditions and price provided for in the subsequent financing (the “Right of First Refusal”). The Right of First Refusal is effective commencing on May 29, 2025, until the first anniversary of the closing date of the April Private Placement.

The April Purchase Agreements provided that our board of directors (the “Board”) would appoint an individual designated by the purchasers that purchased at least 50.1% in interest of the shares of Class A common stock and pre-funded warrants issued in the April Private Placement based on the initial subscription amounts under the April Purchase Agreement to serve as a Class II director on the Board for a term expiring at our 2026 annual meeting of stockholders. In accordance with the foregoing, Mr. Guoquan (Paul) Huang was appointed to the Board effective as of April 16, 2025. The April Purchase Agreement further provides that the purchasers holding a 50.1% interest in the securities issued upon closing of the April Private Placement shall have the right to appoint an individual to our management team, subject to Board approval.

Capital Expenditures

The nature of our operations do not require significant expenditures on capital assets, nor do we typically enter into significant commitments to acquire capital assets. We do not have material commitments to acquire capital assets as of December 31, 2025.

Material Cash Requirements

As of December 31, 2025, we did not have any material cash requirements.

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

On May 17, 2024, we entered into a Settlement Agreement and License with INDYCAR (“the INDYCAR Agreement”). The INDYCAR Agreement resolved any and all disputes between us and INDYCAR with respect to the termination of (i) the License Agreement, dated July 13, 2021, by and between INDYCAR and us with respect to INDYCAR SERIES racing series related gaming products and (ii) the License Agreement, dated July 13, 2021, by and between INDYCAR and us with respect to INDYCAR SERIES racing series related esports events.

On February 20, 2025, we entered into a Settlement Agreement (the “Settlement Agreement”) with Technology In Business B.V. and Luminis International B.V. (“Luminis”), pursuant to which we agreed, among other things, to pay to Luminis an aggregate of \$750,000 in full satisfaction of all amounts due relating to the purchase commitment for Studio397. As of December 31, 2025, all amounts due to Luminis under the Settlement Agreement have been paid.

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

Off-Balance Sheet Arrangements

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

Critical Accounting Policies and Estimates

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

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

Revenue Recognition - Identifying Performance Obligations

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

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

Revenue Recognition - Determining and Allocating the Transaction Price

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

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

Revenue Recognition - Determining the Estimated Offering Period

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

Revenue Recognition - Principal Versus Agent Considerations

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

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

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

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

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

Development Costs

Costs incurred internally in developing a software product to be marketed or sold to external users are charged to expense until technological feasibility has been established for the product. Once technological feasibility is established, software costs are capitalized until the product is available for general release to customers. Technological feasibility for the Company's software products is reached after all high-risk development issues have been resolved through coding and testing. Generally, this occurs shortly before the products are released to production. The amortization of these costs is included in cost of revenue over the estimated life of the products.

Financial Instruments – Stock Based Compensation

The Company accounts for warrants as either equity-classified or liability-classified instruments based on an assessment of the warrant's specific terms and applicable authoritative literature. This assessment, which requires the use of professional judgment, can be complex and subject to interpretation. The fair value of stock options is assessed at each reporting period (for liability warrants) based on the Black-Scholes model, which uses significant assumptions including risk-free interest rate, expected volatility, stock price and expect term. We generally determine expected volatility using a historical analysis of our stock price and adjusting for outliers which were determined to not reflect expected future outcomes.

Recently Issued Accounting Standards

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

Our analysis of recently issued accounting standards are more fully described in our consolidated financial statements (Note 2 – *Summary of Significant Accounting Policies* in our consolidated financial statements for the years ended December 31, 2025 and 2024).

Non-GAAP Financial Measures

Adjusted EBITDA

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

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

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

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

	Year Ended December 31, 2025	Year Ended December 31, 2024
Net income (loss)	\$ 6,844,897	\$ (3,048,071)
Interest expense, net	18,786	120,757
Depreciation and amortization (1).....	<u>1,122,159</u>	<u>2,589,437</u>
EBITDA	7,985,842	(337,877)
Gain from settlement of license liabilities.....	-	(3,248,000)
Gain on sale of NASCAR License.....	-	(500,000)
Gain from settlement of purchase commitment	(175,460)	-
Gain from Settlement Agreement	(500,000)	-
Gain from Wesco Settlement Agreement.....	(800,000)	-
Stock-based compensation	<u>789,352</u>	<u>152,959</u>
Adjusted EBITDA.....	<u>\$ 7,299,734</u>	<u>\$ (3,932,918)</u>

(1) Includes \$1,075,114 and \$2,380,785 of amortization expenses included in cost of revenues for the years ended December 31, 2025 and 2024, respectively.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

Item 8. Financial Statements and Supplementary Data

	<u>Page</u>
Report of Independent Registered Public Accounting Firm (PCAOB ID Number 606)	F-1
Consolidated Balance Sheets as of December 31, 2025 and 2024.....	F-2
Consolidated Statements of Operations for the Years Ended December 31, 2025 and 2024	F-3
Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2025 and 2024	F-4
Consolidated Statements of Changes in Stockholders' Equity for the Years Ended December 31, 2025 and 2024	F-5
Consolidated Statements of Cash Flows for the Years Ended December 31, 2025 and 2024	F-6
Notes to the Consolidated Financial Statements	F-7

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Motorsport Games Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Motorsport Games Inc. (the “Company”) as of December 31, 2025 and 2024, and the related consolidated statements of operations, comprehensive income (loss), changes in stockholders’ equity, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our 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 financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

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

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

Jericho, New York
March 10, 2026

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2025	2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,993,390	\$ 859,271
Accounts receivable, net	2,243,619	1,446,990
Prepaid expenses and other current assets	350,487	490,221
Total Current Assets	7,587,496	2,796,482
Property and equipment, net	32,853	55,437
Operating lease right of use assets	22,710	51,004
Deferred tax asset	492,934	-
Other non-current assets	60,530	-
Intangible assets, net	3,771,543	3,365,298
Total Assets	\$ 11,968,066	\$ 6,268,221
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 918,280	\$ 2,976,211
Accrued expenses and other current liabilities	1,293,206	679,600
Deferred revenue	1,133,382	390,463
Due to related parties	3,371	26,211
Purchase commitments	-	918,198
Operating lease liabilities (current)	17,575	31,099
Total Current Liabilities	3,365,814	5,021,782
Operating lease liabilities (non-current)	-	16,309
Deferred tax liability	222,833	-
Other non-current liabilities	798,188	4,128
Total Liabilities	4,386,835	5,042,219
Commitments and contingencies (Note 11)		
Stockholders' Equity		
Preferred stock, \$0.0001 par value; authorized 1,000,000 shares; none issued and outstanding as of December 31, 2025 and 2024	-	-
Class A common stock, \$0.0001 par value; authorized 100,000,000 shares; 5,078,450 and 3,183,558 shares issued and outstanding as of December 31, 2025 and 2024, respectively	504	315
Class B common stock, \$0.0001 par value; authorized 7,000,000 shares; 700,000 shares issued and outstanding as of December 31, 2025 and 2024	70	70
Additional paid-in capital	95,213,629	92,960,275
Accumulated deficit	(84,861,901)	(91,789,968)
Accumulated other comprehensive loss	(3,576,620)	(674,434)
Total Stockholders' Equity Attributable to Motorsport Games Inc.	6,775,682	496,258
Non-controlling interest	805,549	729,744
Total Stockholders' Equity	7,581,231	1,226,002
Total Liabilities and Stockholders' Equity	\$ 11,968,066	\$ 6,268,221

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31,	
	2025	2024
Revenues [1]	\$ 11,297,898	\$ 8,687,462
Cost of revenues.....	2,093,310	3,225,750
Gross profit.....	9,204,588	5,461,712
Operating expenses:		
Sales and marketing.....	624,623	739,098
Development.....	1,760,183	3,378,346
General and administrative [2].....	5,132,434	6,883,468
Depreciation and amortization.....	47,045	208,652
Total operating expenses.....	7,564,285	11,209,564
Gain from settlement of license liabilities.....	-	3,248,000
Other operating income.....	1,608,497	750,000
Income (loss) from operations.....	3,248,800	(1,749,852)
Interest expense, net.....	(18,786)	(120,757)
Other income (expense), net.....	3,369,625	(1,177,462)
Income (loss) before provision for income taxes.....	6,599,639	(3,048,071)
Provision for income taxes.....	(245,258)	-
Net income (loss)	6,844,897	(3,048,071)
Less: Net loss attributable to non-controlling interest.....	(83,170)	(295,115)
Net income (loss) attributable to Motorsport Games Inc.	\$ 6,928,067	\$ (2,752,956)
Net income (loss) per Class A common share attributable to Motorsport Games Inc.:		
Basic and diluted.....	\$ 1.43	\$ (0.94)
Weighted-average shares of Class A common stock outstanding:		
Basic and diluted.....	4,840,656	2,922,091

[1] Includes related party revenues of \$26,850 and \$0 for the years ended December 31, 2025 and 2024, respectively.

[2] Includes related party expenses of \$87,000 and \$226,272 for the years ended December 31, 2025 and 2024, respectively.

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	For the Year Ended December 31,	
	2025	2024
Net income (loss)	\$ 6,844,897	\$ (3,048,071)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(2,743,211)	1,147,359
Comprehensive income (loss)	4,101,686	(1,900,712)
Comprehensive income (loss) attributable to non-controlling interests.....	75,805	(323,538)
Comprehensive income (loss) attributable to Motorsport Games Inc.....	\$ 4,025,881	\$ (1,577,174)

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Class A		Class B		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total- Stockholders' Equity Attributable to Motorsport Games Inc.	Non- controlling Interest	Total Stockholders' Equity
	Common Stock		Common Stock							
	Shares	Amount	Shares	Amount						
Balances - January 1,										
2024	2,722,728	\$ 269	700,000	\$ 70	\$91,923,311	\$ (89,037,012)	\$ (1,850,216)	\$ 1,036,422	\$ 1,053,282	\$ 2,089,704
Issuance of common stock, net.....	460,830	46	-	-	884,005	-	-	884,051	-	884,051
Stock-based compensation	-	-	-	-	152,959	-	-	152,959	-	152,959
Other comprehensive income (loss).....	-	-	-	-	-	-	1,175,782	1,175,782	(28,423)	1,147,359
Net loss	-	-	-	-	-	(2,752,956)	-	(2,752,956)	(295,115)	(3,048,071)
Balances - December 31,										
2024	3,183,558	\$ 315	700,000	\$ 70	\$92,960,275	\$ (91,789,968)	\$ (674,434)	\$ 496,258	\$ 729,744	\$ 1,226,002
Issuance of common stock, net.....	1,894,892	189	-	-	2,253,354	-	-	2,253,543	-	2,253,543
Other comprehensive income (loss).....	-	-	-	-	-	-	(2,902,186)	(2,902,186)	158,975	(2,743,211)
Net income (loss).....	-	-	-	-	-	6,928,067	-	6,928,067	(83,170)	6,844,897
Balances at December 31,										
2025	5,078,450	\$ 504	700,000	\$ 70	\$95,213,629	\$ (84,861,901)	\$ (3,576,620)	\$ 6,775,682	\$ 805,549	\$ 7,581,231

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	2025	2024
Cash flows from operating activities:		
Net income (loss)	\$ 6,844,897	\$ (3,048,071)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Gain on sale of Traxion	-	(250,000)
Gain from settlement of license liabilities	-	(3,248,000)
Gain from settlement of purchase commitment liabilities	(175,460)	-
Loss on disposal of property and equipment	-	2,946
Deferred income taxes	(270,101)	-
Gain on sale of NASCAR License	-	(500,000)
(Gain) loss on foreign currency exchange rates	(3,334,533)	1,325,673
Depreciation and amortization	1,122,159	2,589,437
Purchase commitment and license liability interest accretion	7,262	86,660
Non-cash lease expense	30,317	148,713
Stock-based compensation	789,352	152,959
Changes in the fair value of warrants	4,708	(26,970)
Changes in assets and liabilities, net of acquisitions and the effect of consolidation of equity affiliates:		
Accounts receivable	(676,422)	(718,463)
Operating lease liabilities	(31,639)	(151,266)
Prepaid expenses and other assets	537,255	166,627
Accounts payable	(2,098,718)	2,167,498
Due to related parties	(24,088)	(52,041)
Deferred revenue	689,424	(119,618)
Accrued expenses and other liabilities	658,646	(1,364,230)
Net cash provided by (used) in operating activities	\$ 4,073,059	\$ (2,838,146)
Cash flows from investing activities:		
Proceeds from sale of NASCAR License	-	1,000,000
Investment in internally-developed software	(1,110,751)	-
Proceeds from the sale of property and equipment	-	6,500
Proceeds from the sale of Traxion	-	200,000
Purchase of property and equipment	(12,067)	(25,015)
Net cash (used in) provided by investing activities	\$ (1,122,818)	\$ 1,181,485
Cash flows from financing activities:		
Repayments of purchase commitment liabilities	(750,000)	(50,000)
Equity issuance costs	(96,268)	-
Payments on notes payable	(440,171)	-
Issuance of common stock from registered direct offerings, net	2,349,811	884,051
Net cash provided by financing activities	\$ 1,063,372	\$ 834,051
Effect of exchange rate changes on cash and cash equivalents	120,506	6,671
Net increase (decrease) in cash and cash equivalents	4,134,119	(815,939)
Total cash and cash equivalents at beginning of the year	\$ 859,271	\$ 1,675,210
Total cash and cash equivalents at the end of the year	\$ 4,993,390	\$ 859,271
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for:		
Interest	\$ 11,785	\$ 34,097
Taxes	3,702	-
Issuance of note payable for payment of prepaid expenses	489,329	-

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

MOTORSPORT GAMES INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Organization and Operations

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

Risks and Uncertainties

Liquidity

The Company generated net income of \$6.8 million and positive cash flows from operations of \$4.1 million for the year ended December 31, 2025. As of December 31, 2025, the Company had an accumulated deficit of \$84.9 million and cash and cash equivalents of \$5.0 million, which increased to \$6.0 million as of February 28, 2026.

For the year ended December 31, 2025, the Company generated an average positive cash flow from operations of approximately \$0.3 million per month that was primarily due to increased profitability, \$0.8 million from the Wesco Insurance Company settlement in June 2025 and \$0.5 million from a settlement agreement with HC2 Holdings 2 Inc. in March 2025. Furthermore, the Company raised \$2.3 million in connection with shares sold in a private placement offering in April 2025. As such, the Company expects that its cash on hand will fund its operations for at least one year from the date the consolidated financial statements are issued.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Use of Estimates

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

The Company’s significant estimates used in these consolidated financial statements include, but are not limited to, revenue recognition criteria, offering periods for deferred net revenue, valuation allowance of deferred income taxes, and stock-based compensation valuation. Certain of the Company’s estimates could be affected by external conditions, including those unique to the Company and general economic conditions. It is reasonably possible that these external factors could have an effect on the Company’s estimates and may cause actual results to differ from those estimates.

Reclassifications

Certain reclassifications of prior period amounts have been made to conform to the presentation of these consolidated financial statements. Deferred revenue is now separately presented from accrued expenses and other current liabilities on the accompanying consolidated balance sheets and statements of cash flows. These reclassifications had no effect on the prior year's net loss.

Non-Controlling Interests

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

Fair Value Measurements

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

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

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

Stock Warrants

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

Cash and Cash Equivalents

The Company considers all highly-liquid instruments with an original maturity of three months or less when purchased to be cash equivalents. The Company maintains cash in bank accounts, which, at times, may exceed Federal Deposit Insurance Corporation (“FDIC”) insured limits. The Company has not experienced any losses in such accounts and periodically evaluates the creditworthiness of the financial institutions. The Company’s foreign bank accounts are not subject to FDIC insurance. Cash held in foreign bank accounts were approximately \$3.5 million and \$0.2 million as of December 31, 2025 and 2024, respectively.

Accounts Receivable

Accounts receivables are carried at their contractual amounts, net of expected credit losses, if any. The Company makes estimates of expected credit and collectability trends for the allowance for credit losses and allowance for unbilled receivables based on an assessment of various factors, including historical experience, the age of the accounts receivable balances, credit quality of customers, current economic conditions, and other factors that may affect the Company’s ability to collect from customers. As of December 31, 2025 and 2024, the Company determined that the vast majority of its accounts receivable were fully collectible and, accordingly, did not record a material allowance for credit losses.

Long-Lived Assets

Property and Equipment

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

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

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

Other Indefinite-Lived Assets

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

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

In evaluating indefinite-lived assets for impairment, the Company may assess qualitative factors to determine whether it is more likely than not (that is, a likelihood of more than 50%) that the fair value of the indefinite-lived asset is less than its carrying amount. If the Company bypasses the qualitative assessment, or if the Company concludes that it is more likely than not that the fair value of an indefinite-lived asset is less than its carrying value, then the Company performs a one-step quantitative impairment test by comparing the fair value of an indefinite-lived asset with its carrying amount and recognizes a loss on impairment in the event the carrying value exceeds the fair value.

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

Finite-lived Intangible Assets and Other Long-Lived Assets

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

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

Intangible Asset	Useful Life
License agreements	1 - 20 years
Software	6 - 10 years
Development costs	3 - 5 years

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

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

Segment Reporting

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

Revenue Recognition

The Company historically generated revenue primarily through the sale of its digital video game titles, including extra content, principally for the console, PC and mobile platforms. Starting in December 2024, the Company started offering a subscription service via RaceControl, its matchmaking and online racing platform. In addition, the Company generates additional revenues through its esports activities including sponsorships and participation fees. The Company's product and service offerings include, but are not limited to the following:

1. *Premium full games* – full games with both online and offline functionality ("Games with Services"), which generally includes (1) the initial game delivered digitally or via physical disc at the time of sale and typically provide access to offline core game content ("software license"); (2) updates on a when-and-if-available basis, such as software patches or updates, and/or additional free content to be delivered in the future ("future update rights"); and (3) a hosted connection for online playability ("online hosting");
2. *In-game content* –Downloadable extra content that is accessible by users on either console or PC platforms, which allows consumers to enhance their gameplay experience;
3. *Esports competition events* - Hosting of online esports competitions that generate participation fees and sponsorship revenues;

4. *Software development* – Providing outsourced code and content development services; and
5. *Subscriptions* - matchmaking and online racing platform offered via RaceControl.

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

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

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

Online-Enabled Games

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

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

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

Product Sales

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

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

For digitally delivered games, the Company recognizes revenue when it is available for download or is activated for gameplay. Revenues are recorded net of taxes assessed by governmental authorities that imposed at the time of the specific revenue generating transaction.

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

In-game Revenues

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

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

Esports

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

Subscriptions

In December 2024, the Company launched RaceControl, which is a subscription-based matchmaking and online racing system that provides enhanced access to online features, including championships, extended registration periods, and priority driver reports for a recurring monthly or annual fee. Sales of the Company's subscriptions are part of the Gaming segment, and are determined to have one performance obligation: the online hosting. The Company recognizes revenue from these arrangements ratably over the subscription term as the performance obligation is satisfied.

Software Development

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

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

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

	For the Year Ended December 31,	
	2025	2024
Revenues:		
Digital game sales	\$ 4,473,211	\$ 5,620,642
In-game revenues	4,970,122	2,206,899
Esports.....	-	-
Subscriptions.....	1,131,031	18,880
Software development.....	506,653	376,942
Other.....	216,881	464,099
Total Revenues.....	<u>\$ 11,297,898</u>	<u>\$ 8,687,462</u>

Significant Judgments around Revenue Arrangements

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

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

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

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

Principal Versus Agent Considerations

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

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

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

Advertising Costs

The Company generally expenses advertising costs as incurred, with the exception of non-direct advertising campaign costs that are paid for in advance. Prepaid non-direct advertising costs are recognized as prepaid assets and expensed at the start of the advertising campaign, included in “Sales and marketing” in the consolidated statement of operations. The Company incurred \$0.1 million in advertising costs for the years ended December 31, 2025 and 2024, respectively.

Development Costs

Development costs include employees and third-party development and programming costs and the depreciation and amortization of assets used to conduct research and development. Such costs related to software development are charged to expense until the point that technological feasibility is reached, which for our software products is generally shortly before the products are released to production. Once technological feasibility is reached, such costs are capitalized and amortized to cost of revenue over the estimated lives of the products. Development expenses for downloadable content and new content in 2024 were charged to expense because technological feasibility was not reached. Once technological feasibility was reached in 2025, relevant development costs were capitalized and amortized to cost of revenue over the estimated lives of the products.

Deferred Revenue

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

Revenue recognized in the period from amounts included in contract liability at the beginning of the period was approximately \$0.4 million and \$0.3 million for the years ended December 31, 2025 and 2024, respectively.

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.

Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC Subtopic 718, *Stock Compensation* (“ASC 718”). The Company measures the cost of services received in exchange for an award of equity instruments based on the fair value of the award. The fair value of the award is measured on the grant date, using the Black-Scholes option pricing model. The fair value amount is then recognized over the period during which services are required to be provided in exchange for the award, usually the vesting period. Upon the exercise of an award, the Company issues new shares of common stock out of its authorized shares. Stock-based compensation is adjusted for any forfeitures, which are accounted for on an as occurred basis. For stock options that are due to be awarded but for which the Company does not have any options available for grant under the Motorsport Games Inc. 2021 Equity Incentive Plan, we account for these option grants as liability-classified awards requiring us to measure the fair value of the awards each reporting period since there were not enough shares to be granted. As of December 31, 2025, the Company recorded \$789,352 of stock compensation expense related to liability-classified awards, which are recorded in other non-current liabilities on the accompanying consolidated balance sheets.

Net Income (Loss) Per Common Share

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

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

	For the Year Ended December 31,	
	2025	2024
Stock options (1)	96,828	97,366
Warrants (2)	33,574	33,574
	<u>130,402</u>	<u>130,940</u>

- (1) Represents all outstanding stock options as of December 31, 2025 and 2024. The weighted average exercise price for anti-dilutive options was \$61.76 for the year ended December 31, 2025.
- (2) Represents all outstanding warrants as of December 31, 2025 and 2024, excluding the Pre-Funded Warrant. The exercise price for the warrants range from \$21.74 to \$29.38.

In connection with a securities purchase agreement entered into on July 26, 2024, the Company issued warrants to investors and H.C. Wainwright & Co., LLC to purchase up to an aggregate of 949,310 shares of Class A common stock (“the Outstanding Warrants”). These warrants will become exercisable on the effective date of the stockholder approval for the issuance of the shares of Class A common stock issuable upon exercise of the warrants. As of December 31, 2025, the Outstanding Warrants have not been approved by stockholders.

Foreign Currency Translation

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

The Company recorded a net transaction gain of \$3.3 million for the year ended December 31, 2025 and a net transaction loss of \$1.3 million for the year ended December 31, 2024. Such amounts have been classified within other income (expense) in the accompanying consolidated statements of operations.

Recently Issued Accounting Standards

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

Adoption of Accounting Pronouncements

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

On January 1, 2025, the Company adopted ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This standard improves the transparency of income tax disclosures by requiring consistent categories and greater disaggregation of information in the effective tax rate reconciliation and income taxes paid disaggregated by jurisdiction. It also includes certain other amendments to improve the effectiveness of income tax disclosures. This adoption did not have a material impact on the consolidated financial statements.

In November 2024, the FASB issued ASU No. 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses* (“ASU 2024-03”). The guidance requires disaggregated information about certain income statement expense line items on an annual and interim basis. This guidance will be effective for annual periods beginning with the year ending December 31, 2027 and for interim periods thereafter. The new standard permits early adoption and can be applied prospectively or retrospectively. The Company is currently evaluating the timing and method of its adoption of ASU 2024-03.

In July 2025, the FASB issued ASU No. 2025-05, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses for Accounts Receivable and Contract Assets* (“ASU 2025-05”), which introduced a practical expedient to simplify how entities estimate credit losses on short-term receivables and contract assets under the Current Expected Credit Losses model. ASU 2025-05 will be effective for annual periods starting after December 15, 2025, and interim periods within those years, with early adoption permitted. The Company is currently evaluating the timing and method of its adoption of ASU 2025-05.

In September 2025, the FASB issued ASU No. 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software* (“ASU 2025-06”), which modernizes the accounting for internal-use software. ASU 2025-06 removes all references to software development stages and requires capitalization of software costs when management has committed to the software project and it is probable the software will be completed and perform its intended use. ASU 2025-06 will be effective for the Company’s interim and annual 2028 reporting periods, with early adoption permitted. The Company is currently evaluating the timing and method of its adoption of ASU 2025-06.

In December 2025, the FASB issued ASU No. 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements* (“ASU 2025-11”), which clarifies interim disclosure requirements and the applicability of Topic 270. The guidance will be effective for interim periods beginning January 1, 2028. Early adoption is permitted. Upon adoption, the guidance can be applied prospectively or retrospectively. The Company does not expect the adoption of ASU 2025-11 to have a material impact on its consolidated financial statements.

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following balances as of December 31, 2025 and 2024:

	December 31,	
	2025	2024
Furniture and fixtures	\$ 19,073	\$ 17,906
Computer software and equipment	770,852	697,473
Leasehold improvements	178,009	162,180
	<u>967,934</u>	<u>877,559</u>
Less: accumulated depreciation	(935,081)	(822,122)
Property and equipment, net	<u>\$ 32,853</u>	<u>\$ 55,437</u>

Depreciation expense was \$0.1 million and \$0.2 million for each of the years ended December 31, 2025 and 2024, respectively.

NOTE 4 – INTANGIBLE ASSETS

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

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

The following is a summary of intangible assets as of December 31, 2025 and 2024:

	Licensing Agreements (Finite)	Software (Finite)	Distribution Contracts (Finite)	Trade Names (Indefinite)	Non- Compete Agreement (Finite)	Accumulated Amortization	Total
Balance as of January 1, 2024	\$ 2,401,681	\$ 8,115,937	\$ 560,000	223,194	180,266	(5,685,271)	5,795,807
Amortization	-	-	-	-	-	(2,381,170)	(2,381,170)
Foreign currency translation adjustment ..	(19,938)	(139,869)	-	(21,225)	(10,044)	141,737	(49,339)
Balance as of December 31, 2024	2,381,743	\$ 7,976,068	\$ 560,000	\$ 201,969	\$ 170,222	\$ (7,924,704)	\$ 3,365,298
Amortization	-	-	-	-	-	(1,075,114)	(1,075,114)
Gaming software additions	-	1,110,751	-	-	-	-	1,110,751
Disposal of intangible assets	(906,167)	(2,340,000)	(560,000)	-	(170,222)	3,976,389	-
Foreign currency translation adjustment ..	187,931	702,213	-	17,547	-	(537,083)	370,608
Balance as of December 31, 2025	\$ 1,663,507	\$ 7,449,032	\$ -	\$ 219,516	\$ -	\$ (5,560,512)	\$ 3,771,543
Weighted average remaining amortization period at December 31, 2025.....	15.2	4.2	-	-	-	-	-

Accumulated amortization of intangible assets consists of the following:

	Licensing Agreements	Software	Distribution Contracts	Non- Compete Agreement	Accumulated Amortization
Balance as of January 1, 2024	\$ 298,538	4,646,467	560,000	180,266	5,685,271
Amortization expense.....	902,744	1,478,426	-	-	2,381,170
Foreign currency translation adjustment	-	(131,693)	-	(10,044)	(141,737)
Balance as of December 31, 2024	1,201,282	\$ 5,993,200	\$ 560,000	\$ 170,222	\$ 7,924,704
Amortization expense.....	83,171	991,943	-	-	1,075,114
Disposal of intangible assets	(906,167)	(2,340,000)	(560,000)	(170,222)	(3,976,389)
Foreign currency translation adjustment	37,593	499,490	-	-	537,083
Balance as of December 31, 2025	\$ 415,879	\$ 5,144,633	\$ -	\$ -	\$ 5,560,512

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

For the Years Ending December 31,	Total
2026	\$ 1,366,173
2027	562,409
2028	438,069
2029	199,158
2030	171,721
Thereafter	814,497
	\$ 3,552,027

NOTE 5 - LEASES

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

The Company's operating leases have been presented in operating lease right of use assets, operating lease liabilities (current) and operating lease liabilities (non-current), on the Company's consolidated balance sheets as of December 31, 2025. Leases with an initial term of 12 months or less are not recorded on the consolidated balance sheet. The Company recognizes lease expense for these leases on a straight-line basis over the lease term.

Incremental borrowing rate

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

The components of lease expense were as follows:

	Consolidated Statement of Operations Classification	For the Year Ended December 31, 2025	For the Year Ended December 31, 2024
Short-term operating lease expense.....	G&A	\$ 12,928	\$ 63,854
Operating lease expense.....	G&A	45,273	124,548
Total lease costs		<u>\$ 58,201</u>	<u>\$ 188,402</u>

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

	As of December 31,	
	2025	2024
Weighted-average remaining lease term - operating leases (years)	0.67	1.67
Weighted-average discount rate - operating leases	7.7%	7.7%

Supplemental cash flow information related to leases is as follows:

	For the Year Ended December 31,	
	2025	2024
Cash paid for amounts included in the measurement of operating lease liabilities.....	\$ 53,498	\$ 154,377

As of December 31, 2025, maturities related to lease liabilities were as follows:

	Operating Leases
2026.....	\$ 17,575
Total lease payments	\$ 17,575
Less effects of imputed interest.....	(296)
Present value of lease liabilities	<u>\$ 17,279</u>

NOTE 6 – ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	December 31,	
	2025	2024
Accrued royalties	\$ 366,677	\$ 148,006
Accrued professional fees	60,421	68,517
Accrued development costs.....	93,145	26,925
Accrued taxes.....	122,633	55,131
Accrued payroll.....	570,123	191,736
Loss contingency reserve (see Note 11).....	-	41,764
Accrued other.....	80,207	147,521
Total	<u>\$ 1,293,206</u>	<u>\$ 679,600</u>

NOTE 7 – RELATED PARTY LOANS

The Company had a \$12 million line of credit with its majority shareholder, Driven Lifestyle (the “\$12 million Line of Credit”), which bore interest at an annual rate of 10%, the availability of which was dependent on Driven Lifestyle’s available liquidity. The \$12 million Line of Credit did not have a stated maturity date and was payable upon demand at any time at the sole and absolute discretion of Driven Lifestyle, and any principal and accrued interest owed would be accelerated and become immediately payable in the event the Company consummated certain corporate events, such as a capital reorganization. The Company was permitted to repay the \$12 million Line of Credit in whole or in part at any time or from time to time without penalty or charge.

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

There were no amounts outstanding on the \$12 million Line of Credit as of December 31, 2024. On November 5, 2025, Driven Lifestyle and the Company terminated the \$12 million Line of Credit Agreement.

NOTE 8 – RELATED PARTY TRANSACTIONS

Related Party Revenue and Receivable - Pimax Innovation Co. Limited

In June 2025, the Company entered into a sponsorship arrangement with Pimax Innovation Co. Limited, an affiliate of a significant shareholder, which resulted in revenues worth approximately \$25,000 for the Company’s activation event held in June 2025, and associated with the 24 Hours of Le Mans endurance race. In December 2025, the Company recorded approximately \$1,850 worth of gaming revenues with Pimax Innovation Co. Limited. As of December 31, 2025, the Company had a receivable balance of approximately \$7,000, which was recorded in accounts receivable, net on the accompanying consolidated balance sheet.

Other Related Party Transactions – Driven Lifestyle Group LLC

The Company had other related party receivables and payables outstanding as of December 31, 2025 and 2024. Specifically, the Company owed approximately \$3,000 and \$26,000 to its related parties as a related party payable as of December 31, 2025 and 2024, respectively. During the years ended December 31, 2025 and 2024, approximately \$0.1 million and \$0.2 million, respectively, was paid to related parties in settlement of related party payables.

On May 3, 2024 (but effective as of October 1, 2023), the Company entered into a new lease agreement with Lemon City Group, LLC, an entity controlled by Driven Lifestyle, for approximately 800 square feet of storage space located in Miami, Florida. The term of the lease was initially nine months, with a commencement date of October 1, 2023, consistent with the Company’s initial date of occupancy, and expiring on June 30, 2024, terminable with a 60-day written notice with no penalty. The base rent from the lease commencement date through June 30, 2024 was fixed at approximately \$1,800 per month. The Company extended the lease for five additional months at the same terms through November 30, 2024 and did not extend the lease past this date.

Backoffice Services Agreement

On January 1, 2020, the Company entered into a three-year services agreement with Driven Lifestyle (the “***Backoffice Services Agreement***”), pursuant to which Driven Lifestyle provided exclusive legal, development and accounting services on a full-time basis to support the Company’s business functions. The Backoffice Services Agreement could be extended by mutual agreement and may be terminated by either party at any time. Pursuant to the Backoffice Services Agreement, the Company was required to pay monthly fees to Driven Lifestyle 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.

On March 23, 2023 (but effective as of January 1, 2023), the Company entered into a new Backoffice Services Agreement with Driven Lifestyle (the “*New Backoffice Services Agreement*”), following the expiration of the Services Agreement. Pursuant to the New Backoffice Services Agreement, the Company was required to pay a monthly fee to Driven Lifestyle of \$17,500.

On August 8, 2024 (but effective as of July 1, 2024), the Company amended the Backoffice Services Agreement with Driven Lifestyle (the “*Amended Backoffice Services Agreement*”). Pursuant to the Amended Backoffice Services Agreement, the Company was required to pay a monthly fee to Driven Lifestyle of \$12,500.

On August 8, 2025 (but effective as of July 1, 2025), the Company revised its Amended Backoffice Services Agreement with Driven Lifestyle (the “*Revised Backoffice Services Agreement*”). Pursuant to the Revised Backoffice Services Agreement, Driven Lifestyle provided payroll, benefits, and human resource services to support the Company’s United States’ business functions. The term of the Revised Backoffice Services Agreement was 12 months from the effective date. The term would automatically renew for successive 12-month terms unless either party provided written notice of nonrenewal at least 30 days prior to the end of the then current term. The Revised Backoffice Services Agreement could be terminated by either party at any time with 60 days prior notice. Pursuant to the Revised Backoffice Services Agreement, the Company was required to pay a monthly fee to Driven Lifestyle of \$5,000 for July and August 2025 for office rent, use of Driven Lifestyle’s accounting system and U.S. payroll services, and starting on September 1, 2025, a revised monthly fee to Driven Lifestyle of \$500 for U.S. payroll services only.

On December 31, 2025, Driven Lifestyle and the Company terminated the Revised Backoffice Services Agreement.

For the years ended December 31, 2025 and 2024, the Company incurred \$87,000 and \$226,272, respectively, in fees in connection with the Backoffice Services Agreement, which is presented in general and administrative expenses within the consolidated statements of operations.

NOTE 9 – STOCKHOLDERS’ EQUITY

Class A and B Common Stock

As of December 31, 2025, the Company had 5,078,450 shares of Class A common stock and 700,000 shares of Class B common stock outstanding. Holders of Class A and Class B common stock are entitled to one-vote and ten-votes, respectively, for each share held on all matters submitted to a vote of stockholders.

704Games Warrants

As of December 31, 2025 and 2024, 704Games LLC (“704Games”), a wholly-owned subsidiary of Motorsport Games Inc., has outstanding 10-year warrants to purchase 4,000 shares of common stock at an exercise price of \$93.03 per share that were issued on October 2, 2015. As of December 31, 2025, the warrants expired unexercised.

Registered Direct Offerings and the Wainwright Warrants

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

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

As of December 31, 2025 and 2024, the Wainwright Warrants were assessed to have a fair value of approximately \$9,000 and 4,000, respectively, and deemed to be liability-classified awards, which were recorded within other non-current liabilities on the consolidated balance sheets.

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

July 2024 Securities Purchase Agreement

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

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

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

The Series A Warrants and the Series B Warrants both have an exercise price of \$2.17 per share. The shares of Class A common stock issuable upon the exercise of the Purchase Warrants are collectively referred to as the “Warrant Shares.” The Purchase Warrants will become exercisable on the effective date of the stockholder approval for the issuance of the shares of Class A common stock issuable upon exercise of the Purchase Warrants (the “Stockholder Approval Date”). The Series A Warrants will expire five and one-half years following the Stockholder Approval Date and the Series B Warrants will expire 18 months following the Stockholder Approval Date. The Purchase Warrants and the Warrant Shares are not being registered under the Securities Act pursuant to the Registration Statement and the Prospectus Supplement. The Purchase Warrants and the Warrant Shares were offered pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder. As of December 31, 2025, the Purchase Warrants had not been approved by stockholders.

On July 29, 2024, the Company completed the July 2024 Offerings with H.C. Wainwright & Co., LLC acting as the exclusive placement agent for the transaction (the “Agent”). In connection with the July 2024 Offerings, the Company paid the Agent a transaction fee equal to 7.0% of the aggregate gross proceeds from the offering, non-accountable expenses and certain other closing fees. The Company also issued to the designees of H.C. Wainwright & Co., LLC warrants to purchase up to 27,650 shares of Class A common stock (the “Placement Agent Warrants”) as compensation for acting as placement agent in connection with the Purchase Agreement. The Placement Agent Warrants were offered pursuant to an exemption from the registration requirements of the Securities Act provided in Section 4(a)(2) of the Securities Act and/or Regulation D promulgated thereunder. As of December 31, 2025, the Placement Agent Warrants had not been approved by stockholders.

The Purchase Warrants and Placement Agent Warrants are deemed to be liability-classified awards with an immaterial balance as of December 31, 2025.

Common Stock and Pre Funded Warrant

On April 11, 2025, the Company entered into a securities purchase agreement with several institutional and accredited investors for the issuance and sale in the Private Placement of the following securities for aggregate gross proceeds of approximately \$2.5 million: (i) 1,894,892 shares of the Company’s Class A common stock, par value \$0.0001 and (ii) the Pre-Funded Warrant to purchase up to 377,836 shares of Class A common stock at an exercise price of \$0.0001 per share (the “Pre-Funded Warrant”). The purchase price for one share of Class A common stock was \$1.10 and the purchase price for one pre-funded warrant was \$1.0999 per share. The Company received net proceeds of approximately \$2.35 million from the Private Placement, after deducting offering expenses paid by the Company. As of December 31, 2025, the Pre-Funded Warrant has not been exercised.

NOTE 10 – SHARE-BASED COMPENSATION

Summary of Plans and Plan Activity

On January 12, 2021, in connection with its initial public offering, Motorsport Games established the Motorsport Games Inc. 2021 Equity Incentive Plan (the “MSGM 2021 Stock Plan”). The MSGM 2021 Stock Plan provides for the grant of options, stock appreciation rights, restricted stock awards, performance share awards and restricted stock unit awards, and initially authorized 100,000 shares of Class A common stock to be available for issuance. As of December 31, 2025, there were no shares of Class A common stock available for issuance under the MSGM 2021 Stock Plan. Shares issued in connection with awards made under the MSGM 2021 Stock Plan are generally issued as new issuances of Class A common stock.

The Company did not issue stock options under its MSGM 2021 Stock Plan during the year ended December 31, 2025. As of December 31, 2025, there were 96,828 options outstanding under the MSGM 2021 Stock Plan with a weighted average exercise price of \$61.76. The majority of the options issued under the MSGM 2021 Stock Plan have time-based vesting schedules, typically vesting ratably over a three-year period. Certain stock option awards differed from this vesting schedule, as well as those made to the Company’s current and former directors that vest on the one-year anniversary of award issuance. All stock options issued under the MSGM 2021 Stock Plan expire 10 years from the grant date.

Fair Value Valuation Assumptions

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

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

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

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

	For the Year Ended December 31, 2024
Risk-free interest rate	4.15%
Expected volatility	82 -105%
Weighted-average volatility	100%
Expected term	5.25 years
Expected dividends	None
Weighted-average grant date fair value per share	\$ 0.92

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

	As of December 31, 2025
Risk-free interest rate	3.73%
Expected volatility	90 - 160%
Weighted-average volatility	115%
Expected term	4 - 5.48 years
Expected dividends	None
Weighted-average grant date fair value per share	\$ 2.73

Stock Options

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

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

The following table summarizes the Company's stock option activity for the fiscal year ended December 31, 2025:

	Options	Weighted- Average Exercise Prices	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2025	97,366	\$ 61.83	7.90	
Granted.....	-	-		
Exercised.....	-	-		
Forfeited, cancelled or expired.....	(538)	73.82		
Outstanding as of December 31, 2025	96,828	\$ 61.76	6.90	\$ 27,830
Vested and expected to vest	96,828	\$ 61.76	6.90	\$ 27,830
Exercisable as of December 31, 2025	91,052	\$ 146.87	5.55	\$ 27,830

On January 26, 2024, the compensation committee of the board of directors of the Company approved and authorized the grant of an option award to purchase 46,000 shares of the Company's Class A common stock to Stephen Hood, the Chief Executive Officer and President of the Company, pursuant to the MSGM 2021 Stock Plan. 11,500 shares underlying the option award vested immediately upon grant and the remaining 34,500 shares underlying the option award vested in three equal quarterly installments beginning on April 26, 2024. As of December 31, 2025, 46,000 shares of the Company's Class A common stock granted to Stephen Hood on January 26, 2024, had vested.

The aggregate intrinsic value represents the total pre-tax intrinsic value based on the Company's closing stock price as of December 31, 2025 and 2024, which would have been received by the option holders had all the option holders exercised their options as of those dates. There were no stock options exercised during the years ended December 31, 2025, and 2024. The Company issues new Class A common stock from its authorized shares upon the exercise of stock options.

Stock-Based Compensation Expense

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

	For the Year Ended December 31,	
	2025	2024
General and administrative	\$ 789,352	\$ 147,071
Sales and marketing	-	1,831
Development	-	4,057
Stock-based compensation expense	<u>\$ 789,352</u>	<u>\$ 152,959</u>

As of December 31, 2025, there was no unrecognized stock-based compensation expense.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Litigation

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

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

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

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

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

On January 11, 2023, in connection with the HC2 and Continental Complaint, the Company, along with other defendants, entered into a settlement agreement with one of the plaintiffs, Continental, to settle the claims made by Continental against the defendants and the claims made by the defendants against Continental. Under the terms of the settlement agreement, the Company was obligated to pay the sum of \$1.1 million to Continental. The Company paid an initial payment of approximately \$0.1 million on January 17, 2023, and was obligated to make payments of no less than approximately \$40,000 every 30 days after the initial payment date until the settlement amount of \$1.1 million was paid in full. As of December 31, 2025, all required payments under the settlement agreement with Continental have been made in full.

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

In respect of Innovate, on February 26, 2025, the U.S. District Court for the District of Delaware (the “Court”) granted the summary judgment motion filed by the Company and the other defendants, the Company’s former Chief Executive Officer and Executive Chairman, the Company’s former Chief Financial Officer, and the Manager of Driven Lifestyle Group LLC., in the case titled Innovate 2 Corp., Motorsport Games Inc., et al., No. 1:21-cv-165-SB. The judgment entered by the Court held in favor of the Company and the other defendants on all counts and also granted the Company summary judgment against Innovate on the Company’s claim for breach of the stock purchase agreement entered into between the parties. Pursuant to the Court order, the parties submitted a joint status report on March 12, 2025 regarding the remaining issues in the case, including Motorsport’s damages on its counterclaim. On March 27, 2025, the Company entered in a Settlement Agreement (the “Settlement Agreement”) regarding the HC2 and Continental Complaint and in which the Company asserted a breach of contract counterclaim against Innovate seeking damages for the Company’s attorneys’ fees and costs. Pursuant to the Settlement Agreement, Innovate agreed to pay the Company Five Hundred Thousand Dollars (\$500,000), of which \$300,000 was paid on March 31, 2025 (“Initial Payment”), \$100,000 was paid on August 15, 2025 and \$100,000 was paid on October 31, 2025. The Settlement Agreement provides that the parties caused all of their claims in the Action to be dismissed with prejudice within three (3) business days after receipt of the Initial Payment. The \$500,000 gain from the Settlement Agreement is recorded as other operating income on the accompanying consolidated statements of operations. As of December 31, 2025, Innovate has paid the full amount to the Company under the terms of the Settlement Agreement.

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

On June 2, 2025 (the “Effective Date”), Wesco and Driven Lifestyle, which is the Company’s majority shareholder entered into a Settlement and Release Agreement (the “Wesco Settlement Agreement”), which provides that (1) within thirty (30) calendar days after the Effective Date, Wesco shall pay the sum of \$800,000 to Driven Lifestyle for the benefit of the Company (the “Wesco Settlement Payment”) and (2) within ten (10) calendar days after the receipt of the Wesco Settlement Payment, Wesco and Driven Lifestyle shall file stipulations to dismiss the Wesco’s filed complaint with prejudice. The Wesco Settlement Agreement also provides for a release of claims by Wesco and Driven Lifestyle, including on behalf of their direct and indirect subsidiaries. As of December 31, 2025, Wesco has fully paid the \$800,000 required under the terms of the Wesco Settlement Agreement, resulting in a gain of \$800,000 recorded as other operating income on the accompanying consolidated statements of operations. On June 19, 2025, Wesco and Driven Lifestyle filed stipulations to dismiss Wesco’s filed complaint with prejudice, as required by the terms of the Wesco Settlement Agreement.

Commitments

On January 25, 2021, the Company entered into an amendment (the “Le Mans Amendment”) to the Le Mans Esports Series Ltd joint venture agreement, which resulted in an increase of the Company’s ownership interest in the Le Mans Esports Series Ltd joint venture from 45% to 51%. Additionally, through certain multi-year licensing agreements that were entered into in connection with the Le Mans Amendment, the Company secured the rights to be the exclusive video game developer and publisher for the 24 Hours of Le Mans race and the FIA World Endurance Championship (the “WEC”), as well as the rights to

create and organize esports leagues and events for the 24 Hours of Le Mans race, the WEC and the 24 Hours of Le Mans Virtual event. In exchange for certain of these license rights, the Company agreed to fund up to €8,000,000 (approximately \$9,391,000 USD as of December 31, 2025) as needed for development of the video game products, to be contributed on an as-needed basis during the term of the applicable license. As of December 31, 2025, the Company has funded approximately \$8.8 million for such development. The Company is obligated to pay ACO an annual royalty payment beginning from the time of the launch of the first video game product and continuing through each anniversary thereof for the term of the license. Further, pursuant to the Le Mans Amendment, the Company has a right to priority distribution of profits to recoup the additional funding and royalty payments made by the Company under the Le Mans Gaming License. See Note 4 – *Intangible Assets* for additional information.

Epic License Agreement

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

The Company will pay Epic a license fee royalty payment equal to 5% of product revenue, as defined in the licensing agreement. During the years ended December 31, 2025 and 2024, Epic earned royalties of approximately \$15,000 and \$34,000 under the agreement. Pursuant to the terms of the agreement, the Company had the right to actively develop new or existing authorized products during a 5-year period, which ended on August 11, 2025.

License Commitments

On May 29, 2020, the Company secured a licensing agreement (the “Prior BTCC License Agreement”) with BARC (TOCA) Limited (“BARC”), the exclusive promoter of the British Touring Car Championship (the “BTCC”). Pursuant to the Prior BTCC License Agreement, the Company was granted an exclusive license (the “BTCC License”) to use certain licensed intellectual property for motorsports and/or racing video gaming products related to, themed as, or containing the BTCC, on consoles, PC and mobile applications, esports series and esports events (including the Company’s esports platform). In exchange for the BTCC License, the Prior BTCC License Agreement required the Company to pay BARC an initial fee in two equal installments of \$100,000 each, both of which were made prior to their respective due dates. Following the initial fee, the Prior BTCC License Agreement also required the Company to pay royalties, including certain minimum annual guarantees, on an ongoing basis to BARC and to meet certain product distribution, marketing and related milestones, subject to termination penalties. On October 26, 2023, BARC delivered notice to the Company terminating the Prior BTCC License Agreement. The termination of the Prior BTCC License Agreement was effective as of November 3, 2023. On April 12, 2024, the Company entered into a settlement agreement (the “BARC Settlement Agreement”) with BARC for settlement of the remaining liability in connection with the Prior BTCC License. Pursuant to the BARC Settlement Agreement, the Company and BARC, without admitting any liabilities, agreed that the Prior BTCC License Agreement was terminated without any liabilities and that any and all royalties and/or any other sums whatsoever were forgiven by BARC and discharged in their entirety in consideration of (i) the Company’s one-time payment of \$225,000 to BARC and (ii) the Company and BARC entering, effective as of April 12, 2024, into a new License Agreement to use certain licensed intellectual property related to, themed as, or containing the British Touring Car Championship (the “New BTCC License Agreement”). Pursuant to the BARC Settlement Agreement, the Company recognized a gain of \$0.6 million which is included in gain from settlement of license liabilities on the consolidated statements of operations for the year ended December 31, 2024.

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

video game digitally sold and distributed through the Steam store during the term of the New BTCC License Agreement. The term of the New BTCC License Agreement expires on December 31, 2026. The New BTCC License Agreement further provides that, during the term of New BTCC License Agreement, the Company and BARC agree to negotiate in good faith the options for the Company to develop an official British Touring Car Championship video game and one or more esports competitions based upon the British Touring Car Championship.

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

On May 17, 2024, the Company entered into a Settlement Agreement and License with INDYCAR (“the INDYCAR Agreement”). The INDYCAR Agreement resolved any and all disputes between the Company and INDYCAR with respect to the termination of (i) the License Agreement, dated July 13, 2021, by and between INDYCAR and the Company with respect to INDYCAR SERIES racing series related gaming products (the “IndyCar Products License”) and (ii) the License Agreement, dated July 13, 2021, by and between INDYCAR and the Company with respect to INDYCAR SERIES racing series related esports events (the “IndyCar Events License,” together with the IndyCar Products License, the “Prior License Agreements”). Pursuant to the INDYCAR Agreement, subject to the satisfaction of the conditions to the effectiveness of the INDYCAR Agreement, the Company and INDYCAR agreed that the Company’s liabilities under the Prior License Agreements, including any and all royalties and/or any other sums or liabilities of any kind whatsoever were forgiven by INDYCAR and discharged in their entirety in consideration of the Company’s payment to INDYCAR of \$250,000 on the date of the INDYCAR Agreement and \$150,000 within 30 days following the date of execution of the INDYCAR Agreement. The INDYCAR Agreement became effective upon satisfaction of (i) the Company’s payment to INDYCAR of \$250,000 on the date of the INDYCAR Agreement and (ii) the Company’s payment of \$150,000 to INDYCAR within 30 days following the date of execution of the INDYCAR Agreement. Both \$250,000 and \$150,000 were paid to INDYCAR by the Company in May 2024. Pursuant to the INDYCAR Agreement, the Company recognized a gain of \$2.5 million which is included in gain from settlement of license liabilities on the consolidated statements of operations for the year ended December 31, 2024.

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

Purchase Commitment Liabilities

On April 20, 2021, the Company acquired 100% of the share capital of Studio 397 B.V. (“Studio397”) from Luminis International B.V. and Technology In Business B.V. (collectively, the “Sellers”). The purchase price originally consisted of (i) \$12.8 million paid at closing and (ii) \$3.2 million payable April 2022 on the first anniversary of closing, as deferred consideration (the “Deferred Payment”). On April 22, 2022 and July 21, 2022, the Company entered into certain letter agreements with the Sellers pursuant to which, among other things, the Deferred Payment installment amount due to be paid by the Company on the first anniversary of closing was reduced from \$3.2 million to \$1 million with the remaining \$2.2 million

to be settled in installments of: \$330,000 to be paid on July 31, 2022; for the period August 15, 2022, through December 15, 2022 monthly installments of \$100,000 and for the period beginning on January 15, 2023, monthly installments of \$150,000 until the remaining Deferred Payment amount is satisfied. The letter agreements also call for 15% interest on the Deferred Payment balance effective on July 19, 2022. As security for payment of the amounts owed, we pledged 20% of the share capital of Studio397 (the “Pledged Shares”) to the Sellers. The terms of the sale provide that, in the event the Company fails to make any payment due subsequent to the closing, the Sellers would become entitled to exercise the voting rights and receive any dividends or distributions associated with the Pledged Shares.

On February 20, 2025, the Company entered into a Settlement Agreement with the Sellers, pursuant to which and subject to the satisfaction of the conditions to the effectiveness of the Luminis Settlement Agreement (as described below), the Company and the Sellers agreed that the Company will pay to the Sellers in full satisfaction of all amounts due, including the Deferred Payment, the sum of \$750,000 payable to Luminis in five (5) equal installment payments of \$150,000, commencing on March 5, 2025 and thereafter continuing on April 2, 2025, May 5, 2025, June 4, 2025 and July 3, 2025, which resulted in a gain of approximately \$175,000 recorded as other income (expense), net on the accompanying consolidated statements of operations. The Luminis Settlement Agreement further provided that, upon receipt of the entire Settlement Payment by the Sellers, all amounts owed by the Company under the Studio397 Purchase Agreement, including the Deferred Payments, shall be deemed to have been paid and settled in full and the Sellers shall release their security interest in the pledged stock of Studio397, and if the Company fails to make any Settlement Payment when due and the breach is not cured within five (5) days of receipt of written notice thereof, the Agreement may be terminated by the Sellers. The final \$150,000 payment was made by the Company to Luminis on July 2, 2025, which has resulted in full settlement of all amounts due to Luminis under the Settlement Agreement.

NOTE 12 - INCOME TAXES

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

The components of income (loss) before provision for income taxes are as follows:

	<u>2025</u>	<u>2024</u>
Domestic	\$ (1,369,854)	\$ 1,169,659
Foreign	7,969,493	(4,217,730)
Income before provision for income taxes	\$ 6,599,639	\$ (3,048,071)

The provision for income taxes consists of the following:

	<u>2025</u>	<u>2024</u>
Current:		
Federal	\$ 21,610	\$ -
State	3,233	-
Foreign	-	-
Total current tax expense	24,843	-
Deferred:		
Federal	-	-
State	-	-
Foreign	(270,101)	-
Total deferred tax (benefits) expense	(270,101)	-
Provision for income taxes	\$ (245,258)	\$ -

The cash paid for income taxes (net of refunds) during the year ended December 31, 2025 was as follows:

	<u>2025</u>
Federal	\$ 9,022
State and Local	
California	857
Tennessee	(6,516)
North Carolina	339
Total income taxes paid, net of refunds	\$ 3,702

The components of deferred tax assets and liabilities consist of the following at December 31, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Assets:		
Net operating loss carryforwards	\$ 14,299,432	\$ 10,969,756
Stock options	951,817	989,741
Charitable contribution carryforward	-	21,169
Goodwill	743,159	1,043,533
Unrealized loss	-	457,919
Other intangible assets	6,064,511	8,274,403
Other assets	589,493	63,584
Total assets	<u>22,648,412</u>	<u>21,820,105</u>
Liabilities:		
Unrealized gain	1,225,900	-
Right-of-use assets	5,155	14,829
Change in fair value of warrants	7,190	-
Total liabilities	<u>1,238,245</u>	<u>14,829</u>
Net asset before valuation allowance	21,410,167	21,805,276
Valuation allowance	(21,140,066)	(21,805,276)
Net deferred tax asset	<u>\$ 270,101</u>	<u>\$ -</u>

Beginning in 2025 annual reporting, we adopted ASU 2023-09 prospectively. See Note 2 – *Summary of Significant Accounting Policies – Adoption of Accounting Pronouncements* for additional details on the adoption of ASU 2023-09. A reconciliation between the Company’s effective income tax rate and the federal statutory income tax rate pursuant to the disclosure requirements of ASU 2023-09 for the year ended December 31, 2025 is as follows:

	<u>2025</u>	
Federal statutory income tax expense	\$ 1,385,924	21.0%
State income taxes, net of federal income tax effect (a)	2,554	0.0%
Effect of cross-border tax laws		
Foreign disregarded entity income	502,594	7.6%
Change in valuation allowance	(477,752)	(7.2)%
Nondeductible Items		
Noncontrolling interest adjustment	40,428	0.6%
Other	6,876	0.1%
Foreign tax effects		
United Kingdom		
Statutory tax rate difference between U.K. and U.S.	263,300	4.0%
Valuation allowance	(2,138,364)	(32.4)%
Australia		
Statutory tax rate difference between Australia and U.S.	41,728	0.6%
Valuation allowance	(139,093)	(2.1)%
Other foreign jurisdictions	28,734	0.4%
Other		
Adjustment to deferred balance	235,677	3.6%
Other	2,136	0.0%
Effective income tax rate	<u>\$ (245,258)</u>	<u>(3.7)%</u>

(a) State taxes in Florida and California made up the majority (greater than 50 percent) of the tax effect in this category for all periods presented.

For comparison purposes, a reconciliation between the Company’s effective income tax rate and the federal statutory income tax rate for the year ended December 31, 2024 is as follows:

	<u>2024</u>
Federal statutory income tax benefit	21.0%
State income taxes, net of federal income tax benefit	30.5%
Permanent differences and other	(0.1)%
Change in valuation allowance	(52.1)%
Effect of flow through entity	(6.4)%
Other adjustments	6.8%
Effective income tax rate	<u>(0.3)%</u>

At December 31, 2025, the Company had United States federal, state, and foreign net operating loss (“NOL”) carryforwards available to reduce future taxable income in the amount of \$39.5 million, \$39.7 million, and \$13.6 million, respectively. All federal, state, and foreign net operating losses may be carried forward indefinitely. As a result of the 704 Games LLC acquisition during the 2018 tax year, certain pre-change federal and state net operating losses were limited under Section 382 of the Internal Revenue Code and were subject to a valuation allowance to the extent they are not expected to be realized in the foreseeable future.

In assessing whether the Company’s deferred tax assets will be realized, management considered whether it was more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of the deferred tax assets is dependent upon the ability to generate future taxable income (including reversals of deferred tax liabilities) during periods in which temporary differences become deductible. A valuation allowance was recognized on all U.S. federal and state net deferred tax assets and certain foreign net deferred tax assets as of December 31, 2025, as management concluded that it is not more likely than not that the Company will generate sufficient future income to utilize the NOL carryforward and realize the specified deferred tax assets.

The Company does not have any uncertain tax positions (“UTPs”) as of December 31, 2025. While the Company currently does not have any UTPs, it is foreseeable that the calculation of our tax liabilities may involve dealing with uncertainties in the application of complex tax laws and regulations in a multitude of jurisdictions across the Company’s global operations. ASC 740 states that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. Upon identification of a UTP, the Company would (1) record the UTP as a liability in accordance with ASC 740 and (2) adjust these liabilities if/when management’s judgment changes as a result of the evaluation of new information not previously available. Ultimate resolution of UTPs may produce a result that is materially different from an entity’s estimate of the potential liability. In accordance with ASC 740, the Company would reflect these differences as increases or decreases to income tax expense in the period in which new information is available. The Company recognizes and includes interest and penalties accrued on uncertain tax positions as a component of income tax expense.

The Company regularly assesses the likelihood of additional tax assessments by jurisdiction and, if necessary, adjusts its tax reserves based on new information or developments. The Company is not currently under any income tax audits or examinations, however, the tax years 2022-2024 remain open for examination.

NOTE 13 – CONCENTRATIONS

Customer Concentrations

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

Customer	For the Year Ended December 31,	
	2025	2024
Customer B	*%	21.2%
Customer C	*%	18.5%
Customer D	64.1%	46.4%
Customer H	21.4%	*%
Total.....	<u>85.5%</u>	<u>86.1%</u>

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	December 31 ,	
	2025	2024
Customer B	*%	16.8%
Customer C	*%	15.1%
Customer D	46.9%	45.2%
Customer H	29.5%	*%
Customer I.....	11.8%	*%
Customer J.....	10.2%	*%
Total	<u>98.4%</u>	<u>77.1%</u>

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:

Customer	For the Year Ended December 31,	
	2025	2024
Supplier G	11.0%	*%

* Less than 10%.

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

NOTE 14 – SEGMENT REPORTING

The Company’s principal operating segments coincide with the types of products and services to be sold. The products and services from which revenues are derived are consistent with the reporting structure of the Company’s internal organization. The Company’s two reportable segments for the years ended December 31, 2025 and 2024 were (i) the development and publishing of interactive racing video games, entertainment content and services (the “Gaming segment”); and (ii) the organization and facilitation of esports tournaments, competitions and events for the Company’s licensed racing games as well as on behalf of third-party video game racing series and other video game publishers (the “esports segment”). The Company’s CODM has been identified as the Company’s Chief Executive Officer, who reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Segment information is presented based upon the Company’s management organization structure as of December 31, 2025 and the distinctive nature of each segment. Future changes to this internal financial structure may result in changes to the reportable segments disclosed. There are no inter-segment revenue transactions and, therefore, revenues are only to external customers. As the Company primarily generates its revenues from customers in the United States, no geographical segments are presented.

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

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

	For the Year Ended December 31,	
	2025	2024
Revenues:		
Gaming	\$ 11,297,898	\$ 8,687,462
Esports	-	-
Total Revenues	<u>\$ 11,297,898</u>	<u>\$ 8,687,462</u>
Cost of Revenues:		
Gaming	\$ 2,010,140	\$ 2,930,635
Esports	83,170	295,115
Total Cost of Revenues	<u>\$ 2,093,310</u>	<u>\$ 3,225,750</u>
Gross Profit (Loss):		
Gaming	\$ 9,287,758	\$ 5,756,827
Esports	(83,170)	(295,115)
Total Gross Profit	<u>\$ 9,204,588</u>	<u>\$ 5,461,712</u>
Sales and Marketing Expenses:		
Gaming	\$ 624,021	\$ 662,610
Esports	602	76,488
Total Sales and Marketing Expenses	<u>\$ 624,623</u>	<u>\$ 739,098</u>
Development Expenses:		
Gaming	\$ 1,760,183	\$ 3,378,346
Esports	-	-
Total Development Expenses	<u>\$ 1,760,183</u>	<u>\$ 3,378,346</u>
General and Administrative Expenses:		
Gaming	\$ 5,117,737	\$ 6,848,568
Esports	14,697	34,900
Total General and Administrative Expenses	<u>\$ 5,132,434</u>	<u>\$ 6,883,468</u>
Depreciation and Amortization:		
Gaming	\$ 24,389	\$ 165,495
Esports	22,656	43,157
Total Depreciation and Amortization	<u>\$ 47,045</u>	<u>\$ 208,652</u>
Gain from Settlement of License Liabilities and Other Operating Income		
Gaming	\$ 1,608,497	\$ 3,998,000
Esports	-	-
Total from Settlement of License Liabilities and Other Operating Income	<u>\$ 1,608,497</u>	<u>\$ 3,998,000</u>
Income (Loss) From Operations		
Gaming	\$ 3,369,925	\$ (1,300,191)
Esports	(121,125)	(449,661)
Total Income (Loss) From Operations	<u>\$ 3,248,800</u>	<u>\$ (1,749,852)</u>
Interest Expense, net:		
Gaming	\$ (18,786)	\$ (120,177)
Esports	-	(580)
Total Interest Expense, net	<u>\$ (18,786)</u>	<u>\$ (120,757)</u>
Other Income (Expense), net		
Gaming	\$ 3,369,625	\$ (1,023,296)
Esports	-	(154,166)
Total Other Income (Expense), net	<u>\$ 3,369,625</u>	<u>\$ (1,177,462)</u>
Provision for Income Taxes		
Gaming	\$ (245,258)	\$ -
Esports	-	-
Total Provision for Income Taxes	<u>\$ (245,258)</u>	<u>\$ -</u>
Net Income (Loss):		
Gaming	\$ 6,966,022	\$ (2,443,664)
Esports	(121,125)	(604,407)
Total Net Income (Loss)	<u>\$ 6,844,897</u>	<u>\$ (3,048,071)</u>

	<u>December 31, 2025</u>	<u>December 31, 2024</u>
Total Assets:		
Gaming	\$ 10,424,054	5,065,073
Esports	1,544,012	1,203,148
Total Assets.....	<u>\$ 11,968,066</u>	<u>\$ 6,268,221</u>

NOTE 15 - SUBSEQUENT EVENTS

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

On February 20, 2026, the Company entered into a business loan agreement (the “Credit Agreement”) with Citibank, N.A. (“Citibank”), pursuant to which Citibank provided the Company with a revolving line of credit of up to \$3.0 million at an interest rate equal to the Adjusted Term SOFR (as defined in the Credit Agreement) plus 2.250%, subject to increase upon an event of default. The Adjusted Term SOFR has a floor of 0.75%. The revolving line of credit is evidenced by a promissory note (the “Citibank Promissory Note”) that the Company issued to Citibank in the principal amount of up to \$3.0 million. The Citibank Promissory Note has a stated maturity date of February 20, 2027. The Company also entered into a commercial security agreement pursuant to which Citibank was granted a lien on substantially all of the Company’s assets. The Credit Agreement includes certain affirmative covenants related to conducting the Company’s business and maintaining certain levels of cash flow and fixed charges, including a requirement to maintain a Fixed Charge Coverage Ratio (as defined in the Credit Agreement) in excess of 1.200 to 1.000 and a Cash Flow Leverage Ratio (as such term is defined in the Credit Agreement) not in excess of 2.500 to 1.000. The Credit Agreement also contains negative covenants including prohibitions on the creation or existence of any liens or security interests on the Company’s assets. The Credit Agreement also contains events of default, including failure to make payments under the Note or any related documents, failure to comply with covenants, obligations or conditions contained in the Note or any related document, defaults under other loans, extension of credit or security agreement and any change in the Company’s ownership of twenty five percent (25%) or more of the Company’s common stock. The occurrence of an event of default can result in the exercise of remedies including an increase in the applicable rate of interest by 3.00% and declaration that all outstanding amounts owed under the Citibank Promissory Note immediately become due and payable.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2025. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded our disclosure controls and procedures were not effective as of December 31, 2025 because of the material weaknesses in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) described below.

Management's Annual Report on Internal Control Over Financial Reporting

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

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

Our management, under the supervision and with participation of our Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2025. In making its assessment of internal control over financial reporting, our management used the criteria described in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, our management concluded we did not maintain effective internal control over financial reporting as of December 31, 2025 because of the material weaknesses identified below.

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

Material Weaknesses

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

The following material weaknesses were identified – (i) we did not design and maintain effective monitoring procedures and controls to evaluate and monitor the effectiveness of our individual control activities; (ii) a lack of sufficient number of personnel with an appropriate level of accounting knowledge, training and experience to appropriately analyze, record and disclose accounting matters timely; and (iii) documentation of certain complex accounting analyses and significant accounting positions that were not contemporaneously reviewed independently of the preparer. These material weaknesses could result in misstatements to our account balances or disclosures that would result in a material misstatement to the annual or interim consolidated financial statements that would not be prevented or detected.

Remediation

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

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

Steps taken to remediate the remaining material weaknesses include actions related to designing and maintaining effective monitoring procedures and controls to evaluate and monitor the effectiveness of our individual control activities, and minimum documentation requirements for significant accounting positions and management estimates, including consideration of underlying assumptions and judgments, where applicable, that are used in the financial statement preparation and reporting process. In addition, the Company has engaged qualified risk advisory consultants, with experience in evaluating internal controls over financial reporting, to further assist with our remediation efforts by independently assessing our monitoring procedures and controls, verifying segregation of duties are appropriately considered, and through performing tests of internal controls, verifying reviews over certain complex accounting analyses and significant accounting positions are performed by an independent reviewer, with an appropriate level of accounting knowledge, training, and experience.

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

Changes in Internal Control over Financial Reporting

Except as described above, there were no other changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) and 15d-15(d) under the Exchange Act during the fourth quarter ended December 31, 2025, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Rule 10b5-1 Trading Plans

During the three months ended December 31, 2025, none of our directors or officers (as defined in Exchange Act Rule 16a-1(f)) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Item 408 of Regulation S-K.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this Item 10 will be included in our definitive proxy statement to be filed within 120 days after our fiscal year ended December 31, 2025 in connection with our 2026 Annual Meeting of Stockholders (the “Proxy Statement”) and is incorporated herein by reference.

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this Report:

- (1) *Financial Statements*. The consolidated financial statements listed on the index set forth on page F-1 of this Report are filed as a part of this Report.
- (2) *Financial Statement Schedules*. All financial statement schedules have been omitted since the information is either not applicable or required or is included in the financial statements or notes thereof.

(b) Exhibits

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
2.1	Plan of Conversion of Motorsport Gaming US LLC	S-1/A	333-251501	2.1	1/11/21	
2.2	Delaware Certificate of Conversion	S-1/A	333-251501	2.2	1/11/21	
2.3	Florida Articles of Conversion	S-1/A	333-251501	2.3	1/11/21	
2.4	Stock Purchase Agreement, dated August 14, 2018, by and between 704Games Company and Motorsport Gaming US LLC	S-1	333-251501	2.4	12/18/20	
2.5	Plan of Merger, dated as of April 16, 2021, by and between 704Games Company and 704 Games LLC	8-K	001-39868	2.1	4/20/21	
3.1.1	Certificate of Incorporation of Motorsport Games Inc.	S-1/A	333-251501	3.3	1/11/21	
3.1.2	Certificate of Amendment to the Certificate of Incorporation of Motorsport Games Inc.	8-K	001-39868	3.1	11/10/22	
3.2.1	Bylaws of Motorsport Games Inc.	S-1/A	333-251501	3.4	1/11/21	
3.2.2	Amendment No. 1 to the Bylaws of Motorsport Games Inc.	8-K	001-39868	3.2	11/10/22	
3.3	Certificate of Merger of 704Games LLC	8-K	001-39868	3.1	4/20/21	
4.1	Form of Class A Common Stock Certificate	S-1	333-251501	4.1	12/18/20	
4.2	Description of Motorsport Games Inc.'s Securities Registered under Section 12 of the Exchange Act	10-K	001-39868	4.2	3/24/23	

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
4.3	Form of Placement Agent Common Stock Purchase Warrant by and between Motorsport Games, Inc. and H.C. Wainwright & Co., LLC	8-K	001-39868	4.1	2/2/23	
4.4	Form of Pre-Funded Common Stock Purchase Warrant	8-K	001-39868	4.1	7/29/24	
4.5	Form of Series A Common Stock Purchase Warrant	8-K	001-39868	4.2	7/29/24	
4.6	Form of Series B Common Stock Purchase Warrant	8-K	001-39868	4.3	7/29/24	
4.7	Form of Placement Agent Common Stock Purchase Warrant, dated July 29, 2024, by and between Motorsport Games, Inc. and H.C. Wainwright & Co., LLC	8-K	001-39868	4.4	7/29/24	
4.8	Pre-Funded Warrant, dated April 11, 2025, by and between Motorsport Games, Inc. and Sharp Arrow Global Tech Ventures L.P.	8-K	001-39868	4.1	4/14/25	
10.1	Promissory Note, dated April 1, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	S-1	333-251501	10.3	12/18/20	
10.2	Joint Venture Agreement, dated March 15, 2019, by and between Automobile Club de l'Ouest, Motorsport Gaming US LLC and Le Mans Esports Series Limited	S-1	333-251501	10.5	12/18/20	
10.3	Amendment No. 1, dated January 25, 2021, to Joint Venture Agreement, dated March 15, 2019, by and between Motorsport Games Inc. and Automobile Club de l'Ouest	8-K	001-39868	10.1	1/27/21	
10.4*	License Agreement, dated May 29, 2020, by and between BARC (TOCA) Limited and Motorsport Gaming US LLC	S-1	333-251501	10.9	12/18/20	
10.5*	Distribution Agreement, dated April 18, 2016, by and between U&I Entertainment, LLC and 704Games Company LLC	S-1	333-251501	10.10.1	12/18/20	

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
10.6	Amendment to Distribution Agreement, dated November 23, 2020, by and between U&I Entertainment, LLC and 704Games Company	S-1	333-251501	10.10.2	12/18/20	
10.7+	Amended and Restated Motorsport Games Inc. 2021 Equity Incentive Plan, dated November 10, 2022	8-K	001-39868	10.1	11/10/22	
10.8+	Form of UK Approved Company Share Option Plan (Sub-Plan to the Motorsport Games Inc. 2021 Equity Incentive Plan)	S-1/A	333-251501	10.15.2	12/31/20	
10.9+	Form of UK Motorsport Games Incentive Plan (Sub-Plan to the Motorsport Games Inc. 2021 Equity Incentive Plan)	S-1/A	333-251501	10.15.3	12/31/20	
10.10+	Form of Incentive Stock Option Award Agreement Under the Motorsport Games Inc. 2021 Equity Incentive Plan	S-1	333-251501	10.16	12/18/20	
10.11+	Form of Restricted Stock Award Agreement Under the Motorsport Games Inc. 2021 Equity Incentive Plan	S-1	333-251501	10.17	12/18/20	
10.12*	License Agreement, dated August 11, 2020, by and between Epic Games International S.à.r.l. and MS Gaming Development LLC	S-1	333-251501	10.20	12/18/20	
10.13*	Xbox Console Publisher License Agreement, by and between Microsoft Corporation and 704Games Company	S-1	333-251501	10.21	12/18/20	
10.14*	PlayStation Global Developer and Publisher Agreement, by and among Sony Computer Entertainment, Inc., Sony Computer Entertainment America LLC, Sony Computer Entertainment Europe Ltd. and 704Games Company	S-1	333-251501	10.22	12/18/20	
10.15	Amendment to Promissory Note, effective as of September 15, 2020, by and between Motorsport Network, LLC and Motorsport Gaming US LLC	S-1	333-251501	10.28	12/18/20	

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
10.16*	License Agreement, effective as of January 25, 2021, by and between Automobile Club de l'Ouest and Le Mans Esports Series Ltd	8-K	001-39868	10.2	1/27/21	
10.17*	License Agreement, effective as of January 25, 2021, by and between Automobile Club de l'Ouest and Le Mans Esports Series Ltd	8-K	001-39868	10.3	1/27/21	
10.18*	License Agreement, effective as of January 25, 2021, by and between Automobile Club de l'Ouest and Le Mans Esports Series Ltd	8-K	001-39868	10.4	1/27/21	
10.19*	Share Purchase Agreement, dated April 1, 2021, by and between Motorsport Games Inc., Luminis International B.V. and Technology In Business B.V.	8-K	001-39868	10.1	4/1/21	
10.20	Letter Agreement, dated April 22, 2022, to amend Share Purchase Agreement and Pledge of Shares among Motorsport Games Inc., Luminis International B.V., Technology In Business B.V. and certain Technology In Business B.V. shareholders parties thereto	8-K	001-39868	10.1	4/28/2022	
10.21	Letter Agreement, dated July 21, 2022 but effective as of July 19, 2022, to further amend Share Purchase Agreement and Pledge of Shares Among Motorsport Games Inc., Luminis International B.V., Technology In Business B.V. and certain Technology In Business B.V. shareholders parties thereto	8-K	001-39868	10.1	7/22/22	
10.22*	License Agreement, effective as of July 13, 2021, by and between Motorsport Games Inc. and INDYCAR LLC	8-K	001-39868	10.1	7/15/21	
10.23*	License Agreement, effective as of July 13, 2021, by and between Motorsport Games Inc. and INDYCAR LLC	8-K	001-39868	10.2	7/15/21	

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
10.24	Support Agreement, dated September 8, 2022, by and between Motorsport Games Inc. and Motorsport Network, LLC	8-K	001-39868	10.1	9/8/22	
10.25+	Indemnification Agreement, dated as of November 18, 2022, by and between Motorsport Games Inc. and John Delta	8-K	001-39868	10.1	11/18/22	
10.26+	Indemnification Agreement, dated as of December 23, 2022, by and between Motorsport Games Inc. and Andrew Jacobson	8-K	001-39868	10.1	12/27/22	
10.27+	Indemnification Agreement, dated as of January 12, 2023, by and between Motorsport Games Inc. and Navtej Singh Sunner	8-K	001-39868	10.1	1/13/23	
10.28	Settlement Agreement, dated as of January 11, 2023, by and among Motorsport Games Inc., Continental General Insurance Company, Counsel to Continental and other defendants name therein	8-K	001-39868	10.1	1/18/23	
10.29	Debt-For-Equity Exchange Agreement, dated as of January 30, 2023, by and between Motorsport Games Inc. and Motorsport Network, LLC	8-K	001-39868	10.1	1/30/23	
10.30	Form of Securities Purchase Agreement, dated as of February 1, 2023, by and between Motorsport Games Inc. and the purchaser identified on the signature page thereto	8-K	001-39868	10.1	2/2/23	
10.31	Debt-For-Equity Exchange Agreement, dated as of February 1, 2023, by and between Motorsport Games Inc. and Motorsport Network, LLC	8-K	001-39868	10.2	2/2/23	
10.32	Form of Securities Purchase Agreement, dated as of February 2, 2023, by and between Motorsport Games Inc. and the purchaser identified on the signature page thereto	8-K	001-39868	10.1	2/3/23	

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
10.33	Form of Securities Purchase Agreement, dated as of February 3, 2023, by and between Motorsport Games Inc. and the purchaser identified on the signature page thereto	8-K	001-39868	10.1	2/6/23	
10.34+	Statement of Terms and Conditions of Employment, effective as of April 19, 2023, by and between Motorsport Games Limited (the Company's UK subsidiary) and Stephen Hood	8-K	001-39868	10.1	4/19/23	
10.35	Assignment and Assumption Agreement, dated as of October 3, 2023, by and among Motorsport Games Inc., 704GAMES LLC and iRacing.com Motorsport Simulations, LLC	8-K	001-39868	10.1	10/5/23	
10.36*	Consent to Assignment and Assumption of, and Releases, dated as of October 3, 2023, by and between 704GAMES LLC, iRacing.com Motorsport Simulations, LLC and NASCAR Team Properties, a series trust organized under the laws of Delaware	8-K	001-39868	10.2	10/5/23	
10.37*	Limited License Agreement, dated as of October 3, 2023, by and between 704GAMES LLC and NASCAR Team Properties, a series trust organized under the laws of Delaware	8-K	001-39868	10.3	10/5/23	
10.38+	Offer letter, dated November 3, 2023, by and between Motorsport Games Inc. and Stanley Beckley	10-Q	001-39868	10.4	11/7/23	
10.39	Settlement Agreement, dated as of April 12, 2024, by and between Motorsport Games Inc. and BARC (TOCA) LIMITED	8-K	001-39868	10.1	4/18/24	
10.40*	License Agreement, dated as of April 12, 2024, by and between Motorsport Games Inc. and BARC (TOCA) LIMITED	8-K	001-39868	10.2	4/18/24	

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
10.41	Asset Purchase Agreement, dated as of April 26, 2024, by and between Motorsport Games Inc. and Traxion.GG Limited	8-K	001-39868	10.1	5/1/24	
10.42	Settlement Agreement and License, dated as of May 17, 2024, by and between Motorsport Games Inc. and INDYCAR, LLC	8-K	001-39868	10.1	5/23/24	
10.43	Form of Securities Purchase Agreement, dated as of July 26, 2024, by and between Motorsport Games Inc. and the Purchasers named therein	8-K	001-39868	10.1	7/29/24	
10.44	Settlement Agreement, dated as of February 20, 2025, by and between Motorsport Games Inc. and Technology In Business B.V. and Luminis International B.V.	8-K	001-39868	10.1	2/26/25	
10.45	Form of Securities Purchase Agreement, dated April 11, 2025, by and between Motorsport Games Inc. and the Purchasers signatory thereto	8-K	001-39868	10.1	4/14/25	
10.46	Loan Termination Agreement, dated November 5, 2025, by and between Motorsport Games Inc. and Driven Lifestyle Group LLC	10-Q	001-39868	10.1	11/6/25	
10.47	Business Loan Agreement, dated February 20, 2026, by and between Motorsport Games Inc. and Citibank, N.A.	8-K	001-39868	10.1	02/25/26	
10.48	Promissory Note, dated February 20, 2026, by and between Motorsport Games Inc. and Citibank, N.A..	8-K	001-39868	10.2	02/25/26	
19.1	Code of Ethics and Business Conduct	10-K	001-39868	19.1	3/20/25	
19.2	Amended and Restated Insider Trading Policy	10-K	001-39868	19.2	3/20/25	
21.1	Subsidiaries of Motorsport Games Inc.	10-K	001-39868	21.1	3/20/25	
23.1	Consent of Grassi & Co., CPAs, P.C., Independent Registered Public Accounting Firm					X

Exhibit Number	Description	Incorporated by Reference				Filed/Furnished Herewith
		Form	File No.	Exhibit Number	Filing Date	
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act					X
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act					X
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350					X
97.1+	Motorsport Games Inc. Clawback Policy	10-K	001-39868	97.1	4/1/24	
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	Inline XBRL Taxonomy Extension Schema Document					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as Inline XBRL with applicable taxonomy extension information contained in Exhibits 101)					X

* Portions of the exhibit, marked by brackets, have been omitted in accordance with applicable SEC rules. The Company agrees to furnish an unredacted copy of this exhibit to the SEC upon request.

+ Indicates management contract or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 10, 2026

MOTORSPORT GAMES INC.

By: /s/ Stephen Hood

Stephen Hood
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
By: <u>/s/ Stephen Hood</u> Stephen Hood	Chief Executive Officer (Principal Executive Officer)	March 10, 2026
By: <u>/s/ Stanley Beckley</u> Stanley Beckley	Chief Financial Officer (Principal Financial and Accounting Officer)	March 10, 2026
By: <u>/s/ John Delta</u> John Delta	Director	March 10, 2026
By: <u>/s/ Andrew Jacobson</u> Andrew Jacobson	Director	March 10, 2026
By: <u>/s/ Navtej Singh Sunner</u> Navtej Singh Sunner	Director	March 10, 2026
By: <u>/s/ Guoquan Huang</u> Guoquan Huang	Director	March 10, 2026

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in Registration Statements on Form S-1 (File No. 333-281661), Form S-3 (File Nos. 333-283444 and 333-287673), and Form S-8 (File No. 333-252054) of our report dated March 10, 2026 relating to the consolidated financial statements of Motorsport Games, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2025.

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

Jericho, New York
March 10, 2026

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen Hood, certify that:

1. I have reviewed this Annual Report on Form 10-K of Motorsport Games Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2026

/s/ Stephen Hood

Stephen Hood
Chief Executive Officer (Principal Executive Officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) OR RULE 15d-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934, AS
ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stanley Beckley, certify that:

1. I have reviewed this Annual Report on Form 10-K of Motorsport Games Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 10, 2026

/s/ Stanley Beckley

Stanley Beckley
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with the Annual Report on Form 10-K of Motorsport Games Inc. (the “Company”) for the year ended December 31, 2025, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, Stephen Hood, Chief Executive Officer of the Company, and Stanley Beckley, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 10, 2026

/s/ Stephen Hood

Stephen Hood
Chief Executive Officer (Principal Executive Officer)

Date: March 10, 2026

/s/ Stanley Beckley

Stanley Beckley
Chief Financial Officer
(Principal Financial and Accounting Officer)

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

