

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

OR

[] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT OF 1934

From the transition period from _____ to _____

Commission File Number 001-38819

SUPER LEAGUE GAMING, INC.
(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

47-1990734
(IRS Employer Identification No.)

2912 Colorado Ave., Suite #203
Santa Monica, California 90404
(Address of principal executive offices)

Company: (802) 294-2754; Investor Relations: 949-574-3860
(Issuer's telephone number)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	SLGG	NASDAQ Capital Market

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

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 [X]

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 [X] 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 [X] No []

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. []

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Small reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 is a shell company (as defined in Rule 12b-2 of the Act). [] Yes [X] No

The aggregate market value of the common stock of the registrant held by non-affiliates of the registrant on June 30, 2020, the last business day of the registrant's second fiscal quarter was approximately \$24,097,000.

As of March 15, 2021, there were 21,608,144 shares of the registrant's common stock, \$0.001 par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Items 10, 11, 12, 13 and 14 of Part III incorporate by reference certain information from Super League Gaming, Inc.'s definitive proxy statement, to be filed with the Securities and Exchange Commission on or before April 30, 2021.

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References in this Annual Report on Form 10-K to "Super League Gaming, Inc." "Company," "we," "us," "our," or similar references mean Super League Gaming, Inc. References to the "SEC" refer to the U.S. Securities and Exchange Commission.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this “Report”) contains forward-looking statements that involve substantial risks and uncertainties. The forward-looking statements are contained principally in the sections of this Report entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” but are also contained elsewhere in this Report. In some cases, you can identify forward-looking statements by the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “might,” “objective,” “ongoing,” “plan,” “predict,” “project,” “potential,” “should,” “will,” or “would,” or the negative of these terms, or other comparable terminology intended to identify statements about the future. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from the information expressed or implied by these forward-looking statements. Although we believe that we have a reasonable basis for each forward-looking statement contained in this Report, we caution you that these statements are based on a combination of facts and factors currently known by us and our expectations of the future, about which we cannot be certain. Forward-looking statements include statements about:

- overall strength and stability of general economic conditions and of the electronic video game sports (“esports”) industry in the United States and globally;
- changes in consumer demand for, and acceptance of, our services and the games that we license for our tournaments and other experiences, as well as online gaming in general;
- changes in the competitive environment, including adoption of technologies, services and products that compete with our own;
- our ability to generate consistent revenue;
- our ability to effectively execute our business plan;
- changes in the price of streaming services, licensing fees, and network infrastructure, hosting and maintenance;
- changes in laws or regulations governing our business and operations;
- our ability to maintain adequate liquidity and financing sources and an appropriate level of debt on terms favorable to us;
- our ability to effectively market our services;
- costs and risks associated with litigation;
- our ability to obtain and protect our existing intellectual property protections, including patents, trademarks and copyrights;
- our ability to obtain and enter into new licensing agreements with game publishers and owners;
- changes in accounting principles, or their application or interpretation, and our ability to make estimates and the assumptions underlying the estimates, which could have an effect on earnings;
- interest rates and the credit markets; and
- other risks described from time to time in periodic and current reports that we file with the SEC.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but not exhaustive. New risk factors and uncertainties not described here or elsewhere in this Report, including in the sections entitled “Risk Factors,” may emerge from time to time. Moreover, because we operate in a competitive and rapidly changing environment, it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business 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 we may make. The forward-looking statements are also subject to the risks and uncertainties specific to our Company, including but not limited to the fact that we have a limited operating history as a public company. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Report may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or occur. Moreover, neither we nor any other person assume responsibility for the accuracy and completeness of the forward-looking statements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

You should read this Reports, any documents referenced herein and those documents filed as exhibits to this Report with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect.

Use of Market and Industry Data

This Report includes market and industry data that we have obtained from third party sources, including industry publications, as well as industry data prepared by our management on the basis of its knowledge of and experience in the industries in which we operate (including our management’s estimates and assumptions relating to such industries based on that knowledge). Management has developed its knowledge of such industries through its experience and participation in these industries. While our management believes the third-party sources referred to in this Report are reliable, neither we nor our management have independently verified any of the data from such sources referred to in this Report or ascertained the underlying economic assumptions relied upon by such sources. Furthermore, references in this Report to any publications, reports, surveys or articles prepared by third parties should not be construed as depicting the complete findings of the entire publication, report, survey or article. The information in any such publication, report, survey or article is not incorporated by reference in this Report.

Forecasts and other forward-looking information obtained from these sources involve risks and uncertainties and are subject to change based on various factors, including those discussed in sections entitled “Forward-Looking Statements,” “Item 1A. Risk Factors” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Report.

PART I

Item 1. Business.

Overview

Super League Gaming is a leading gaming community and content platform that gives everyday gamers and creators multiple ways to connect and engage with others while enjoying the video games they love. Powered by patented, proprietary technology systems, Super League offers players the ability to create gameplay-driven experiences they can share with friends, the opportunity to watch live streaming broadcasts and gameplay highlights across digital and social channels, and the chance to compete in events and challenges designed to celebrate victories and achievements across multiple skill levels. With gameplay and content offerings featuring more than a dozen of the top video game titles in the world, Super League is building a broadly inclusive, global brand at the intersection of gaming, experiences and entertainment. Whether to access its expanding direct audience of young gamers, creators and esports players, or to leverage the company's remote video production division, Virtualis Studios, third parties ranging from consumer brands, video game publishers, professional esports teams, traditional sports organizations, video content producers, and more, are turning to Super League to provide integrated solutions that drive business growth.

Super League has a mission to empower passionate players and creators through proprietary tools to create gaming-centric content that inspires connectivity and engagement for the greater good of gaming. We offer brands and advertisers the opportunity to create meaningful connections with one of the most sought-after audiences in today's media landscape – the engaged young gamer. We generate revenues from (i) advertising, serving as a marketing channel for brands and advertisers to reach their target audiences of gamers across our network, (ii) content, curating and distributing esports and entertainment content for our own network of digital channels and media and entertainment partner channels, and (iii) direct to consumer offers including digital subscriptions, digital goods, gameplay access fees and merchandise sales.

Our Business

We are a leading gaming community and content platform that gives everyday players and creators multiple ways to connect and engage with others while enjoying the video games they love. Our platform offers competitive video gaming experiences, esports entertainment and social connections to the large and underserved global audience of what is estimated by Statista to be approximately three billion gamers by the end of 2021. Our focus is the avid, everyday, competitive amateur player and related audience, representing the middle of the esports player pyramid, as follows:

The Esports Player Pyramid



* Based on the average esports viewer, Nielsen Esports Playbook, 2017.

As a first-mover in defining the esports category for the everyday gamer since 2015, we believe Super League is on the leading edge of the rapidly growing competitive video gaming industry, which has become an established and vital part of the entertainment landscape. We believe there is a significant opportunity for the world of mainstream competitive players who want their own esports experience. These gamers are players who enjoy the competition, the social interaction and community, and the entertainment value associated with playing and watching others play.

Super League is a critically important component in providing the infrastructure for mainstream competitive video gaming content and gameplay, that is synergistic and accretive to the greater esports ecosystem. Over the past five years, we believe we have become the preeminent brand for gamers, by providing a proprietary software platform that allows them to create, compete, socialize and spectate gameplay and entertainment, both physically and digitally online. In addition, our creator and player platform generates a significant amount of derivative gameplay content for further syndication beyond our own digital channels.

The fundamental driver of our business model and monetization strategy is creating deep community engagement through our highly personalized experiences that, when coupled with the critical mass of our large digital audiences, provides the depth and volume for premium content and offer monetization differentiated from a more traditional, commoditized advertising model. The combination of our physical venue network and digital programming channels, with Super League's cloud-based, digital products platform technology at the hub, creates the opportunity for not just a share of the player's wallet, but also the advertiser's wallet. We do this by offering brand sponsors and advertisers a premium marketing channel to reach elusive Generation Z and Millennial gamers and creators and offering players ways to access exclusive tournaments and programming.

Our products range from offers that speak to a wide market of competitive gamers through always on, highly participatory and social gameplay, as well as offers that ladder to our more heightened competitions and broadcasts. We work closely with top-tier game publishers and brands to bring premium esports entertainment to this under-served market of Generation Z and Millennial for both the players and the viewers.

Digital Properties and Offerings

We have created and grown our proprietary audience network, comprised of our expanding content and creator-centric digital properties. Collectively, Super League has more than 5.0 million registered users and followers combined, and generated more than 169.0 million average video views and impressions per month in fiscal 2020.

Our network and media platform includes social media, live streaming, video-on-demand and website-based offerings that provide players and creators with multiple forms of content designed to celebrate their love of play and to support their limitless creativity. Whether through gameplay highlights, live streamed esports competitions, original lifestyle programming or custom designed digital gameplay environments, Super League's audience is constantly creating, watching and engaging, making this otherwise elusive demographic accessible at scale to ourselves and our partners. In addition, our digital properties provide a level of scale that can complement our physical esports events, which bring players and spectators together across the U.S., both digitally and physically. Live experiences provide another source of content to augment our digital content library for what we believe can be a next generation esports and entertainment content network.

Our primary digital properties and offerings include:

- **Minehut:** Attracting younger gamers and creators, Minehut is an "always on" social and gaming portal for hundreds of thousands of avid Minecraft players with on average, approximately 350,000 monthly unique users during 2020. Within Minehut is a vibrant Minecraft community in which players create their own Minecraft worlds where friends share, socialize and play together. The Children's Online Privacy and Protection Act of 1998 ("COPPA") compliant platform offers a way for parents to secure private spaces for their children's gameplay to control who they are playing with along with offering a unique marketing channel for age-appropriate content. Equally, Minehut is a platform to allow budding future creators an opportunity to share their content and build their own player audiences.
- **Framerate:** Framerate is one of the fastest growing social video networks in gaming, with multiple channels on Instagram, Facebook and Tik Tok, as well as original content series on InstagramTV and FacebookWatch. Targeting more competitive, young-adult gamers and creators, Framerate, enables any gamer playing any game, anywhere to submit their own user-generated highlight reel for recognition. Once submitted, the content becomes ours to promote, repackage and monetize across other digital channels. Combined with our proprietary digital channels, we generate tens of millions of monthly views providing a marketing channel for sponsors and advertisers to authentically reach gamers and creators.
- **SLG.TV:** Focused on the widest breadth of gamers and creators across all genres, ages and skill levels, SLG.TV offers esports competitions and entertainment programming following the leagues, the teams, and players. Content is available in both livestream and on-demand video on superleague.com along with our branded Twitch, YouTube and Facebook channels.
- **Virtualis Studios:** Virtualis Studios is our fully virtual production studio providing proprietary, state-of-the-art, scalable solutions for video, television, and branded content. Production companies in need of experienced teams with a deep understanding of remote production technologies and systems can rely on Virtualis Studios' expertise, developed through years of broadcasting multi-location esports events. Whether for the creation and broadcast of premium content, or for monitoring productions from remote locations, Virtualis Studios supports a broad spectrum of critical needs in today's production environment.
- **City Clubs:** A network of 24 city clubs in the US, Canada and Mexico that aggregates gamers and creators across different genres of games, ages and skill levels for digital and physical competitions. Our city clubs currently consist of the following:

Super League's City Clubs



Key Performance Indicators (“KPIs”)

The KPIs driving our business model are related to scalable offers across our digital and physical footprint of gaming-centric offers and entertainment. The significant growth we achieved in 2020 in part, reflects the advancement of our technology platform, and the acceleration of our audience growth through the expansion of our digital network of online gameplay and viewing channels. A summary of KPIs, and related growth for fiscal year 2020, compared to fiscal year 2019 is as follows:

	2019	2020	Growth
Views and impressions ⁽¹⁾	120,000,000	2,031,615,000	+17X Increase
Registered users ⁽²⁾	950,000	2,919,000	+3X Increase
Engagement hours ⁽³⁾	15,000,000	72,205,000	+4.8X Increase

- (1) Views and impressions represent number of views of our video content which is distributed on several platforms.
- (2) Registered users represent individuals who have registered on our platform, providing applicable identifying information, that have engaged with our platform at some point.
- (3) Engagement hours represent time spent engaging with Super League in the form of participating in our experiences, viewing our content, and/or spending time on our website.

Monetization

Advertising and Sponsorships

The highly sought after Millennial and Generation Z audience is increasingly difficult for brands to reach due to the proliferation of new content distribution channels, ad-blocking technology and a sentiment against overt marketing and promotion. Our ability to uniquely aggregate a diverse user base across age ranges, skill levels and game titles and embed direct authentic brand integrations creates a base of high-quality, premium advertising inventory attractive to brands and advertisers. We stand for inclusive, fair and fun gameplay and entertainment and believe that our brand is at the forefront of the mainstreaming of competitive gaming and esports entertainment, which provides a positive access point for both endemic and non-endemic brands to reach these audiences.

Throughout 2020, we experienced significant growth in our audience, increasing viewership and registered users, and expanded our premium advertising inventory. We further developed our in-house direct sales capability to monetize this ad inventory, as well as increasing revenues generated from programmatic display and video advertising units. We expect to continue to grow our advertising pipeline across various verticals with the capability to give brands and advertisers with targeted, high quality integrations that warrant premium costs per impressions (“CPM”) advertising rates.

Advertising and sponsorship revenue primarily consists of direct sales activity along with programmatic advertising. The various forms of advertising campaigns for competitive video gaming and esports entertainment, digitally and physically, include:

- Master brand sponsorships;
- Tournament and game specific sponsorships;
- City Club sponsorships;
- Custom digital programs for brands and advertisers both in-stream and in-game; and
- Video and display programmatic advertising.

Content

Content related revenue is generated in connection with our curation and distribution of esports and entertainment content for our own network of digital channels and media and entertainment partner channels. We distribute three primary types of content for syndication and licensing, including: (1) our own original programming content, (2) user generated content (“UGC”), including online gameplay and gameplay highlights, and (3) the creation of content for third parties utilizing our remote production and broadcast technology.

We generate revenues from our proprietary content by utilizing this content to drive audience growth across our network and expand our premium advertising inventory. In addition, the UGC can be repackaged for further syndication and monetization to third-parties seeking esports and entertainment content for their own distribution channels. Tens of millions of hours of proprietary content is generated through our platform per year providing us with a sizable library of esports entertainment content.

Additionally, we generate revenues from third-party partners who seek our patented remote production and broadcast technology to create content for their own digital channels to drive audience engagement. From consumer brands and media companies, to game publishers and professional esports teams, Virtualis Studios offers a fully virtual, cloud-based production and broadcast studio providing proprietary, state-of-the-art, scalable solutions for video, television, and branded content. Virtualis Studios’ is designed to enable thousands of simultaneous gameplay and player cam feeds to be live streamed across dozens of endpoints, and the integration of multiple technology solutions to ensure any given project can be produced and monitored successfully on a partially or fully-remote basis.

Direct to Consumer

Direct to consumer revenues are primarily comprised of revenues generated from our Minehut digital property, which provides various Minecraft server hosting services on a subscription basis, and other digital goods to the Minecraft gaming community. Gamers and creators typically begin their relationship with Super League by viewing content on our digital network, registering an email address, and/or by participating in a free-to-play experience. Users become more engaged by creating a profile to join our network of players and creators and share more information about their gaming interests and other attributes. Joining Super League and Minehut is free, but we continue to focus on the monetization of gamers as activity grows, with premium digital offers experiences to expand their gameplay experience in the form of digital subscriptions, digital goods and gameplay access fees.

Our Vision

Our vision is to make Super League Gaming a vital brand in the lives of everyday gamers and creators. While the games are digital, our players are human. In a world of increasing de-socialization, we believe players and creators are increasingly seeking new ways to create and share their content and deepen their bonds to each other in their preferred virtual worlds. Our community platform provides the tools to allow our players and creators around the world to compete, socialize, share and spectate competitive video gaming and esports entertainment.

Industry

The consumer appetite for esports continues to grow at a rapid pace with passionate fans across the globe. According to Grandview Research (2020), the overall value of the global gaming market was \$168.0 billion in 2020 and is forecasted to grow to approximately \$300.0 billion by 2027, representing a CAGR of 8% from 2020 to 2027. Key trends fueling this growth include:

- the democratization of content creation and rise of live streaming;
- game design that is inherently competitive and cross-platform;
- increased accessibility through cloud-based gaming and 5G broadband;
- the further establishment of professional esports teams and leagues; and
- multi-generational and mass participatory gaming.

Esports, a term generally used to refer to competitive video game play by professional players, have been around for as long as the video game industry itself. However, recent growth in the gaming audience and player engagement has elevated esports into mainstream culture with a massive global following that, in some instances, exceeds the monthly audience of large professional sports leagues. According to Grandview Research the professional esports market totaled \$1.5 billion in 2020 and is expected to grow to \$6.8 billion by 2027, representing a 24% CAGR over the period from 2020 to 2027. The significant growth in viewership, audience reach and engagement activities, increasing infrastructure for the esports tournaments, the growth in live streaming of games, and investments in the space are key factors driving the market growth. Professionalization in the industry has created value and opportunities for game developers, gamers, influencers, creators and event organizers. Millennials are increasingly considering esports as a professional career and universities and colleges are starting dedicated esports curriculums to develop skilled professionals.

Additionally, there has been significant growth in the global esports audience since 2017, primarily due to growing awareness, the rise of live streaming platforms like Twitch and YouTube Gaming Live, infrastructure developments and the growth of mobile. According to Newzoo the global esports audience was 454.0 million in 2019, and is expected to grow to 645.0 million in 2022, representing a 14% CAGR from 2017 to 2022. In 2020, 93.0 billion minutes were watched per month on Twitch, and increase of 69%, compared to 2019 (TwitchTracker). In the third quarter of 2020, 33.6 billion minutes were watched per month on YouTube Gaming Live (Statista).

Our Opportunity

Despite the significant growth potential outlined above, there are several key challenges facing stakeholders in the esports and entertainment landscape:

- **Sponsors and Advertisers** are limited in their channels to reach the “cord cutting” Generation Z and Millennials due to the increasing fragmentation of content distribution and use of advertising-blocking technology. Given these demographic groups consume most content online, brands are challenged to target these audiences in an authentic way and achieve efficient marketing spend.
- **Mainstream Competitive Players and Creators** are a highly fragmented, often anonymous community with limited ways to find gamers and creators of similar skill-level and gaming interest online and locally. In addition, the limited recreational esports infrastructure results in few experiences with limited clear paths to the professional esports level for players and creators who wish to develop and test their skills while forging social connections.
- **Game Publishers** must find alternative methods to attract new gamer and creator audiences to their game titles and offer premium experiences that drive greater retention. The lack of diversity in gaming, along with increased competition amongst titles, requires marketing partnerships to extend the lifecycle and franchise value of their intellectual property.
- **Venue Operators**, including restaurants and retailers, must grow same-store sales in order to capture new sources of foot-traffic and deeper customer loyalty. Millennials and Generation Z generally value experiences, but tend to purchase more content and products online, making them an attractive demographic to widen a venue’s customer base and improve asset utilization.
- **Professional Esports Teams and Owners** have made significant investments in their teams and must rapidly develop a fanbase to achieve franchise values similar to traditional sports teams. However, there is no formal structure to identify the next generation of esports professionals to build their long-term rosters to support long-term fan loyalty.

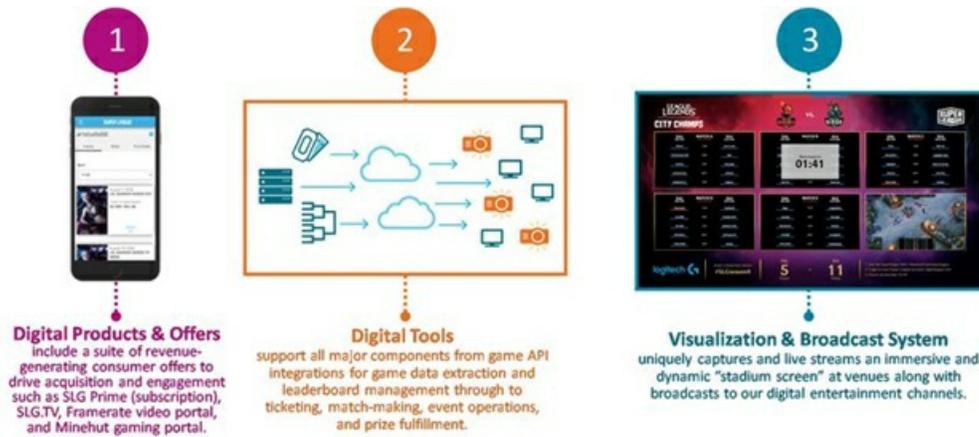
Our platform offers the following solutions for these key stakeholders:

- **For Sponsors and Advertisers**, our platform provides a highly targeted marketing channel that offers a relevant path for brands to build affinity with the hard to reach, yet highly sought after, Generation Z and Millennial demographics. Based on our player data, we will have the ability to target audiences based on preferred game titles and other profile information for more efficient marketing spend.
- **For Mainstream Competitive Players and Creators**, our technology and tools enable gameplay experiences, social connections and gaming-centric entertainment for the everyday gamer seeking new ways to compete or share their content and build their audience.
- **For Game Publishers**, our platform introduces their game titles to new audiences and drives retention by providing an immersive, premium way to play games, leading to deeper player engagement.
- **For Venue Operators** we provide access to our platform in order to operate esports experiences that enable these enterprises to attract new foot traffic, improve day-part utilization and drive same-store sales. In addition, we expect to provide venue operators with predictive customer activity information for more targeted offers to existing customers and our users.
- **For Professional Esports Teams and Owners**, we cultivate the future professional esports fanbase through recreational competitive youth and young adult leagues, while providing an amateur feeder system as a path to the professional leagues. Looking forward, we will have a comprehensive set of data and tools to provide player analytics and progress skill levels.

Our Scalable Technology Platform

Our proprietary cloud-based platform provides competitive video gamers and content creators a modernized way to connect, play and view games in real-time and on-demand. We believe our platform will allow us to capture a large audience of gamers and their gameplay and viewing hours. Our platform aggregates a diverse audience of gamers and creators across multiple game titles and provides users with access to digital and physical competitive experiences and broadcasts that are accessible to a broad range of ages and demographics. Through our platform, we have three core components that enable differentiated and immersive gameplay at scale for both online and in-person experiences.

Super League's Scalable Technology Components



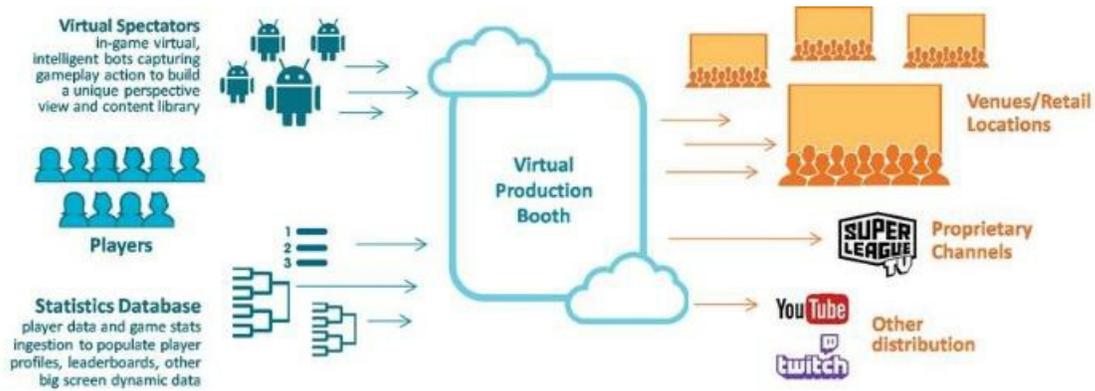
Our platform is focused on the customer journey and player discovery. Gamers and creators are introduced to Super League through our online digital channels and marketing or through our distributed network of venue partners, at which point they are encouraged to register for their profile and/or for an event through superleague.com or minehut.com. The platform allows for match-making, statistics and leaderboard management as well as the ultimate output of a livestream or on-demand broadcasts digitally and in-venue.

Furthermore our platform enables digital tools for scale including, but not limited to data services, event creation and management, ecommerce, advertising technology, COPPA compliance, search engine optimization, email and mobile marketing, and our HUD automated, production and streaming technology. With respect to data services, the platform ingests from multiple data sources, including game publisher application programming interfaces ("API"), and offer a wide variety of gameplay experiences across multiple environments, often simultaneously, with a vast array of resulting content publishing opportunities.

Early in our inception, we utilized a local hardware solution to create interactive physical spaces, to create in-person gaming experiences for mainstream competitive gamers. We had two opportunities ahead of us for both scale and differentiation. Firstly, we further advanced our in-person event technology to be entirely cloud-based for scale and more rapid venue partner expansion. Secondly, we created a second-screen perspective that would make the experience more immersive for players and entertaining for spectators much like professional sporting events resulting in our Virtualis Studios, our patented, fully-remote visualization, production and broadcast technology.

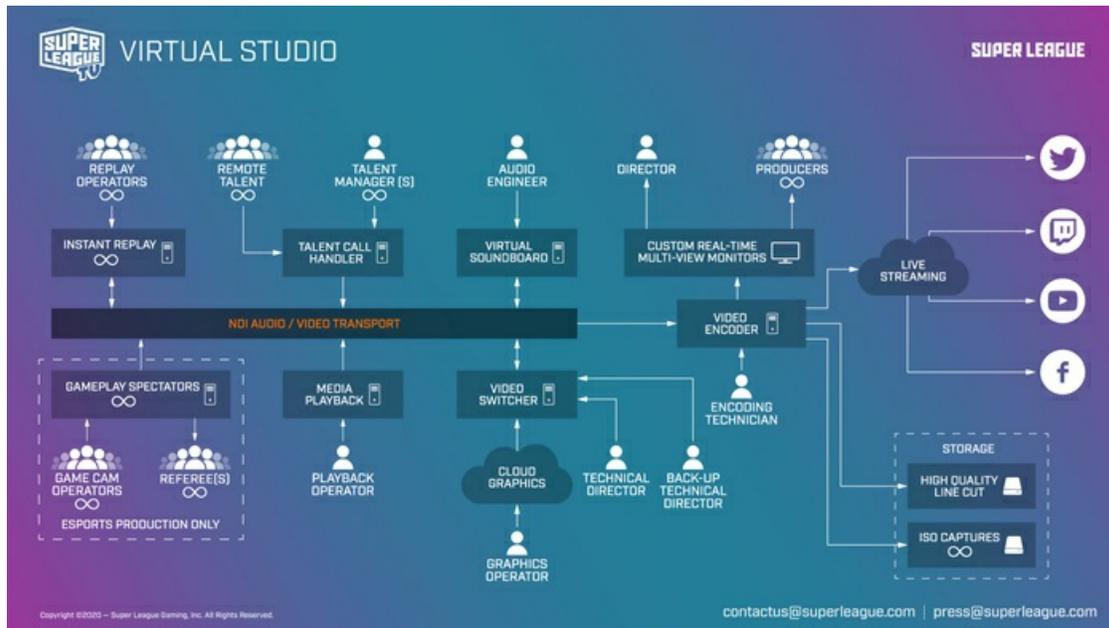
Virtualis Studios technology automates and scales various gameplay processes and functions that would otherwise need to be accomplished manually. These processes and functions primarily include ways to ensure that visualizations of gameplay and other value-added data and graphics are both captured and delivered efficiently and timely. For example, our proprietary software is used during our experiences to ensure that we are showing the most interesting aspects of gameplay, as well as switching to matches that are most relevant to the competition. Further, we use computer vision to glean key events, graphics or data from the game screen, especially when the game publisher might not make such information available via an API:

Super League's Gameplay Content Capture and Broadcast Technology



A more technical view of Virtualis Studios' solution, which solves for minimal latency and lag for a high-quality gaming experience for both players and viewers is provided below. This level of broadcast performance makes Virtualis Studios a scalable, affordable solution for media and entertainment partners for content product beyond competitive gaming and esports entertainment.

Super League's Virtualis Studios



Our Strengths

We differentiate ourselves from potential competition by being a game and location agnostic software platform with a material digital audience reach, a large and growing registered user base of young, highly engaged players and creators, and strong brand, gaming and venue partners all targeting avid gamers. Our core strengths include the following:

- **Game Publisher Agreements** provide access to existing user bases via partnerships with some of the largest game publishers. These partnerships bring players into our customer funnel providing direct to consumer sales opportunities. Our ability to interact with this highly attractive, engaged user base draws brands and sponsors to us to reach this otherwise hard-to-reach demographic.
- **Proprietary and Curated Content**, reaching in the tens of millions of hours being generated through our platform per year, provides us with a unique perspective and library of recreational esports and entertainment content. This content is currently absent from the esports and entertainment ecosystem and is highly complementary and valuable to the needs of large on-demand and streaming video providers. Furthermore, the majority of this content is user-generated (“UGC”) with minimal production costs and can be easily ingested into our library via tools on our platform.
- **Patented Technology** allows for intelligent, scalable content capture enabling us to display the most relevant gameplay activity in real time along with broad visualization of active gameplay to facilitate a high quality playing and viewing experience.
- **Over Five Years of Brand and Technology Development** provides us a strong, distinctive lead on followers with no obvious competitors in the holistic community, league operations and media platform category that also currently and directly own the relationship with the gamer.
- **A Growing Player, Creator and Viewer Base** approaching critical mass that when coupled with highly customized gaming, creator and viewing experiences allows us to capture a global, highly engaged, yet somewhat elusive community that will provide many new ways to monetize over time.
- **Creation of Intangible Brand Value** in the quality of our offer, game titles, brand partners and investor base that validates our trusted, premium brand and distinctive positioning to drive value in the fragmented, burgeoning esports landscape.

Our Growth Strategy

Our core strategy is to pursue initiatives that promote the viral growth of our audience, player and creator base, and in doing so, drive direct to consumer, advertising, and content revenue streams. Our customer acquisition and retention funnel provide the primary lens for community growth, engagement and long-term brand equity.

- **Audience and engagement growth** driven organically through compelling proprietary and user-generated content supplemented by direct marketing, partner and influencer promotion, and search engine optimization overtime leveraging a network effect as we reach critical mass across our digital properties.
- **Monetizable advertising inventory expansion** in addition to increasing our direct sales force effectiveness, complemented with quality programmatic advertising, allowing us to both scale and gain a greater share of large advertisers' marketing spend while preserving our premium CPM advertising model.
- **Servable market expansion** through new partnerships with game publishers and venues partners, along with the amplification from our brand and advertising partners, for access to new gamers domestically and internationally.
- **Direct to consumer revenue improvement** through a further expansion of compelling, digital offerings and funnel optimization to convert more free-to-play gamers into paying consumers for greater revenue per user to drive up lifetime customer value while driving down customer acquisition cost.
- **Platform licensing exploration** allowing media and retail partners to license our proprietary broadcast and esports venue-based technology, respectively.
- **Opportunistic Acquisitions.** We intend to pursue opportunistic acquisitions that will allow us to add complementary users, revenues, and/or technology components to accelerate our gaming-centric community and content platform.

Intellectual Property and Patents

Similar to other interactive entertainment and esports companies, our business depends heavily on the creation, acquisition, licensing, use and protection of intellectual property. We have developed and own various intellectual properties, including pending and issued trademarks, patents, and copyrights. For example, each of our City Clubs have pending trademarks related to naming and logo. We also have obtained licenses to valuable intellectual property with game publishers. We leverage these licenses and service agreements to operate online and location-based competitions, and in parallel, use them to generate a wide array of content.

To protect our intellectual property, we rely on a combination of patent applications, published and issued patents, copyrights, pending and issued trademarks, confidentiality provisions and procedures, other contractual provisions, trade secret laws, and restrictions on disclosure. We intend to vigorously protect our technology and proprietary rights; however, no assurances can be given that our efforts will be successful. Even if our efforts are successful, we may incur significant costs in defending our rights. From time to time, third parties may initiate litigation against us, alleging infringement of their proprietary rights or claiming they have not infringed our intellectual property rights. See the section entitled "Risk Factors" for additional information regarding the risks we face with respect to litigation related to intellectual property claims. As of the date hereof, we have two pending patent applications and two issued patents, and various trademark applications, some granted and most of which are currently pending, covering our technologies and brands, as more specifically set forth below. We intend to file additional applications for the grant of patents and registration of our trademarks in the United States and foreign jurisdictions as our business expands.

Our issued patents relate to methods of visualization of gameplay across a wide array of game titles for the purpose of content creation and broadcasting. These visualizations manifest as web streams with related textual, graphical, and video content targeted for consumption by audiences across various streaming and VOD platforms such as Twitch and YouTube. To achieve these visualizations, we leverage patent protected technology that places "camera" characters into certain games alongside the competing players, and use the perspective of the 'camera' character to provide unique views into the action. We also have pending patent applications for certain bleeding edge virtualization methods that allow us to generate, at scale, many concurrent visualizations from the cloud.

Our Values and Company Culture

Super League is a gamer-first company, a credo embraced by every employee. We are committed to enhancing and celebrating the player and creator experience by providing gameplay experiences and viewing entertainment that promotes positive play that is inclusive, fair and fun.

Having produced thousands of digital and physical experiences in addition to our always-on offers, Super League speaks to a wide range of demographic audiences that bring players and creators along with their families and friends together to celebrate their gameplay and entertainment content.

Employees and Labor Relations

As of December 31, 2020, we had 51 full-time and full-time equivalent employees. Additionally, we occasionally enter into service agreements with independent contractors, on an as-needed basis, to perform certain services. As of December 31, 2020, four of our full-time employees were subject to fixed-term employment agreements with us, and all other employees served at-will pursuant to the terms set forth in their offer letters.

We believe that we maintain a good working relationship with our employees, and we have not experienced any labor disputes. None of our employees are represented by labor unions.

Governmental Regulation

Our online gaming platforms, which target individuals ranging from elementary school age children to adults, are subject to laws and regulations relating to privacy and child protection. Through our website, online platforms and in person gaming activities we may monitor and collect certain information about child users of these forums. A variety of laws and regulations have been adopted in recent years aimed at protecting children using the internet, such as COPPA. COPPA sets forth, among other things, a number of restrictions related to what information may be collected with respect to children under the age of 13, as the kinds of content that website operators may present to children under such age. There are also a variety of laws and regulations governing individual privacy and the protection and use of information collected from individuals, particularly in relation to an individual's personally identifiable information (e.g., credit card numbers). We employ a kick-out procedure during user registration whereby anyone identifying themselves as being under the age of 13 during the process is not allowed to register for a player account on our website or participate in any of our online experiences or tournaments without linking their account to that of a parent or guardian.

In addition, as a part of our experiences, we offer prizes and/or gifts as incentives to play. The federal Deceptive Mail Prevention and Enforcement Act and certain state prize, gift or sweepstakes statutes may apply to certain experiences we run from time to time, and other federal and state consumer protection laws applicable to online collection, use and dissemination of data, and the presentation of website or other electronic content, may require us to comply with certain standards for notice, choice, security and access. We believe that we are in compliance with any applicable law or regulation when we run these experiences.

Cost of Compliance with Environmental Laws

We have not incurred any costs associated with compliance with environmental regulations, nor do we anticipate any future costs associated with environmental compliance; however, no assurances can be given that we will not incur such costs in the future.

ITEM 1A. RISK FACTORS

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, as well as the other information in this Report, including our financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding whether to invest in our common stock. The occurrence of any of the events or developments described below could harm our business, financial condition, operating results, and growth prospects. In such an event, the market price of our common stock could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risk Factor Summary

Our business operations are subject to numerous risks and uncertainties, including those outside of our control, that could cause our business, financial condition or operating results to be harmed, including risks regarding the following:

Risks Related to Our Business and Industry

- our significant past operating losses and any inability to maintain profitability or accurately predict fluctuations in the future;
- inability to sustain or manage our growth, or otherwise implement our business strategies;
- a rapidly developing and relatively new market;
- loss of advertising revenue;
- inability to maintain an effective revenue model;
- reduction in activity by material clients and/or vendors;
- ineffective marketing and/or advertising efforts;
- our ability to maintain and promote our company culture;
- competition in our industry;
- ability to attract, maintain, and retain licenses for popular games on our platforms;
- ability to enter into definitive license agreements with certain game publishers;
- ability to maintain and acquire new gamers and creators;
- our ability to maintain, enhance, and promote our brand;
- negative perceptions about our brand, gaming platform, leagues, tournaments, and/or competitions;
- anticipating and adopting changes to new technologies, business strategies, and/or methods;
- actual or perceived security breaches, as well as errors, vulnerabilities or defects in our software and/or products, and in software and/or products of third-party providers;
- reliance on server functionality;
- the interoperability of our products and services across third-party services and systems;
- security breaches and cyber threats;
- system failures, outages, and/or disruption due to certain events and interruptions by man-made problems;
- our ability to hire, retain and motivate highly skilled personnel; and
- our reliance on assumptions and estimates to calculate certain key metrics.

Regulatory and Legal

- complex and evolving U.S. and foreign laws and regulations;
- changes in tax laws or regulations regarding us or our customers;
- decreased levels of traffic due to intensified government regulation of the Internet industry;
- liability in the event of a violation of privacy regulations, data privacy laws, and/or child protection laws;
- lawsuits or liability arising as a result of the Company providing its products and/or services; and
- lawsuits or liability as a result of content published through our products and services.

Intellectual Property and Technology

- current and future litigation related to intellectual property rights;
- our failure to protect our intellectual property rights; and
- piracy, unauthorized copying, and other forms of intellectual property infringement.

Governance Risks and Risks Related to Our Common Stock

- provisions of Delaware law and our certificate of incorporation and bylaws could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us;
- low trading volume of our common stock;
- the volatility of the trading price of our common stock;
- our policy of not paying cash dividends on our common stock;
- lessened disclosure requirements due to our status as an emerging growth company; and
- increased share-based compensation expense due to granted equity awards.

General Risk Factors

- actual or threatened epidemics, pandemics, outbreaks, or other public health crises;
- reversal of the U.S. economic recovery and a return to volatile or recessionary conditions; and
- risks generally associated with the entertainment industry.

Risks Related to Our Business and Industry

We have incurred significant losses since our inception, and we may continue to experience losses in the future.

We incurred net losses of \$18.7 million and \$30.7 million during the years ended December 31, 2020 and 2019, respectively. Noncash expenses (excluding depreciation and amortization of fixed and intangible assets) totaled \$2.0 million and \$16.2 million for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020, we had an accumulated deficit of \$104.6 million. We cannot predict if we will achieve profitability soon or at all. We expect to continue to expend substantial financial and other resources on, among other things:

- investments to expand and enhance our esports technology platform and technology infrastructure, make improvements to the scalability, availability and security of our platform, and develop new offerings;
- sales and marketing, including expanding our customer acquisition and sales organization and marketing programs, and expanding our programs directed at increasing our brand awareness among current and new customers;
- investments in bandwidth to support our video streaming functionality;
- contract labor costs and other expenses to host our leagues and tournaments;
- costs to retain and attract gamers and creators and license first tier game titles, grow our online gamer community and generally expand our business operations;
- hiring additional employees;

- expansion of our operations and infrastructure, both domestically and internationally; and
- general administration, including legal, accounting and other expenses related to being a public company.

We may not generate sufficient revenue to offset such costs to achieve or sustain profitability in the future. We expect to continue to invest heavily in our operations, our online and in person experiences, and business development related to game publishers, advertisers, sponsors and gamer acquisition, to maintain as well as accelerate our market position, support anticipated future growth and to meet our expanded reporting and compliance obligations as a public company.

We expect operating losses to continue in the near term in order to carry out our strategic objectives. We consider historical operating results, capital resources and financial position, in combination with current projections and estimates, as part of our plan to fund operations over a reasonable period of time.

We intend to continue implementing our business strategy with the expectation that there will be no material adverse developments in our business, liquidity or capital requirements. If one or more of these factors do not occur as expected, it could have a material adverse impact on our activities, including (i) reduction or delay of our business activities, (ii) forced sales of material assets, (iii) defaults on our obligations, or (iv) insolvency. Our planned investments may not result in increased revenue or growth of our business. We cannot assure you that we will be able to generate revenue sufficient to offset our expected cost increases and planned investments in our business and platform. As a result, we may incur significant losses for the foreseeable future, and may not be able to achieve and/or sustain profitability. If we fail to achieve and sustain profitability, then we may not be able to achieve our business plan, fund our business or continue as a going concern.

We are a relatively young company, and we may not be able to sustain our rapid growth, effectively manage our anticipated future growth or implement our business strategies.

We have a limited operating history. Although we have experienced significant growth since our gaming platform for amateur online and in person gaming experiences was launched, and we established our amateur city leagues, tournaments and competitions, our historical growth rate may not be indicative of our future performance due to our limited operating history and the rapid evolution of our business model, including a focus on direct to consumer-based gaming. We may not be able to achieve similar results or accelerate growth at the same rate as we have historically. As our amateur city leagues, tournaments and competitions continue to develop, we may adjust our strategy and business model to adapt. These adjustments may not achieve expected results and may have a material and adverse impact on our financial condition and results of operations.

In addition, our rapid growth and expansion have placed, and continue to place, significant strain on our management and resources. This level of significant growth may not be sustainable or achievable at all in the future. We believe that our continued growth will depend on many factors, including our ability to develop new sources of revenues, diversify monetization methods including our direct to consumer offerings, attract and retain competitive gamers and creators, increase engagement, continue developing innovative technologies, tournaments and competitions in response to shifting demand in esports and online gaming, increase brand awareness, and expand into new markets. We cannot assure you that we will achieve any of the above, and our failure to do so may materially and adversely affect our business and results of operations.

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

We generate a portion of our revenues from advertising and sponsorship. If we fail to attract more advertisers and sponsors to our gaming platform or tournaments or competitions, or if advertisers or sponsors are less willing to advertise with or sponsor us, our revenues may be adversely affected.

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

Furthermore, our core and long-term priority of optimizing the gamer experience and satisfaction may limit our gaming platform's ability to generate revenues from advertising and sponsorship. For example, in order to provide our gamers and creators with an uninterrupted competitive gaming experience, we do not place significant amounts of advertising on our streaming interface or insert pop-up advertisements during streaming. While this decision could adversely affect our operating results in the short-term, we believe it enables us to provide a superior gamer experience on our gaming platform, which will help us expand and maintain our current base of gamers and creators and enhance our monetization potential in the long-term. However, this philosophy of putting our gamers and creators first may also negatively impact our relationships with advertisers, sponsors or other third parties, and may not result in the long-term benefits that we expect, in which case the success of our business and operating results could be harmed.

Our revenue model may not remain effective and we cannot guarantee that our future monetization strategies will be successfully implemented or generate sustainable revenues and profit.

We generate revenues from advertising and sponsorship of our league tournaments, and through the operation of our live streaming gaming platform using a revenue model whereby gamers and creators can get free access to certain live streaming of amateur tournaments, and gamers and creators pay fees to compete in league competition. We have generated, and expect to continue to generate, a substantial portion of revenues using this revenue model in the near term. We are, however, particularly focused on implementing a direct to consumer model for our expanding gamer base. Although our business has experienced significant growth in recent years, there is no guarantee that our direct to consumer packages will gain significant traction to maximize our growth rate in the future, as the demand for our offerings may change, decrease substantially or dissipate, or we may fail to anticipate and serve gamer demands effectively.

The loss of or a substantial reduction in activity by one or more of our largest customers and/or vendors could materially and adversely affect our business, financial condition and results of operations.

For the years ended December 31, 2020 and 2019, four customers accounted for 49% and five customers accounted for 69% of revenue, respectively. At December 31, 2020, two customers accounted for 39% of accounts receivable. At December 31, 2019, one customer accounted for 70% of accounts receivable. At December 31, 2020, three vendors accounted for 52% of accounts payable. At December 31, 2019, one vendor accounted for 21% of accounts payable.

The loss of or a substantial reduction in activity by one or more of our largest customers and/or vendors could materially and adversely affect our business, financial condition and results of operations.

Our marketing and advertising efforts may fail to resonate with amateur gamers and creators.

Our amateur city league tournaments and competitions are marketed through a diverse spectrum of advertising and promotional programs such as online and mobile advertising, marketing through websites, event sponsorship and direct communications with our gaming community including via email, blogs and other electronic means. An increasing portion of our marketing activity is taking place on social media platforms that are either outside, or not totally within, our direct control. Changes to gamer preferences, marketing regulations, privacy and data protection laws, technology changes or service disruptions may negatively impact our ability to reach target gamers and creators. Our ability to market our amateur city league tournaments and competitions is dependent in part upon the success of these programs. If the marketing for our amateur city league tournaments and competitions fails to resonate and expand with the gamer community, or if advertising rates or other media placement costs increase, our business and operating results could be harmed.

We have a unique community culture that is vital to our success. Our operations may be materially and adversely affected if we fail to maintain this community culture as we expand in our addressable gamer communities.

We have cultivated an interactive and vibrant online social gamer community centered around amateur online and in person gaming. We ensure a superior gamer experience by continuously improving the user interface and features of our gaming platform along with offering a multitude of competitive and recreational gaming experiences with first tier esports games. We believe that maintaining and promoting a vibrant community culture is critical to retaining and expanding our gamer community. We have taken multiple initiatives to preserve our community culture and values. Despite our efforts, we may be unable to maintain our community culture and cease to be the preferred platform for our target gamers and creators as we expand our gamer footprint, which would be detrimental to our business operations.

The amateur esports gaming industry is intensely competitive. Gamers and creators may prefer our competitors' amateur leagues, competitions or tournaments over our own.

Competition in the amateur esports gaming industry generally is intense. 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, our revenue, margins, and profitability will decline.

The amateur esports gaming industry is very "hit" driven. We may not have access to "hit" games or titles.

Select game titles dominate competitive amateur esports and online gaming, and many new games titles are regularly introduced in each major industry segment (console, mobile and PC free-to-download). Despite the number of new entrants, only a very few "hit" titles account for a significant portion of total revenue in each segment.

The size and engagement level of our online and in person gamers are critical to our success and are closely linked to the quality and popularity of the esports game publishers with which we have licenses. Esports game publishers on our gaming platform, including those who have entered into license agreements with us, may leave us for other gaming platforms or amateur leagues which may offer better competition, and terms and conditions than we do. Furthermore, we may lose esports game publishers if we fail to generate the number of gamers and creators to our amateur tournaments and competitions expected by such publishers. In addition, if popular esports game publishers cease to license their games to us, or our live streams fail to attract gamers and creators, we may experience a decline in gamer traffic, direct to consumer opportunities and engagement, which may have a material and adverse impact on our results of operations and financial conditions.

Although we have entered into multi-year agreements with certain publishers, if we fail to license multiple additional "hit" games or any of our existing licensed esports game publishers with which we currently have a license decide to breach the license agreement or choose not to continue with us once the term of the license agreement expires, the popularity of our amateur city leagues, tournaments and competitions may decline and the number of our gamers and creators may decrease, which could materially and adversely affect our results of operations and financial condition.

In addition to the esports games we have licensed, we must continue to attract and retain the most popular esports gaming titles in order to maintain and increase the popularity of our amateur city leagues, tournaments and competitions, and ensure the sustainable growth of our gamer community. We must continue to identify and enter into license agreements with esports gaming publishers developing "hit" games that resonate with our community on an ongoing basis. We cannot assure you that we can continue to attract and retain the same level of first-tier esports game publishers and our ability to do so is critical to our future success.

We have not entered into definitive license agreements with certain game publishers that we currently have relationships with, and we may never do so.

We currently do not have definitive license agreements in place with game publishers for the use of certain of the game titled played on our platform, as these publishers currently permit us to integrate the specifications of the game title with our technology. We may not ever enter into license agreements with these parties in the future, instead continuing our relationship with these game publishers without a license agreement. These game publishers may unilaterally choose to discontinue their relationship with the Company, thereby preventing us from offering experiences on our platform using their game titles, as the case may be. Should those game publishers choose not to allow us to offer experiences involving their respective game titles to our users, the popularity of our amateur city leagues, tournaments and competitions may decline and the number of our gamers and creators may decrease, which could materially and adversely affect our results of operations and financial condition.

If we fail to keep our existing gamers and creators highly engaged, to acquire new gamers and creators, to successfully implement a direct to consumer model for our gaming community, our business, profitability and prospects may be adversely affected.

Our success depends on our ability to maintain and grow the number of amateur gamers and creators attending and participating in our in-person and online tournaments and competitions, and using our gaming platform, and keeping our gamers and creators highly engaged. Of particular importance is the successful deployment and expansion of our direct to consumer model to our gaming community for purposes of creating predictable recurring revenues.

In order to attract, retain and engage amateur gamers and creators and remain competitive, we must continue to develop and expand our city leagues, including internationally, produce engaging tournaments and competitions, successfully license the newest “hit” esports games and titles, implement new technologies and strategies, improve features of our gaming platform and stimulate interactions in our gamer community.

A decline in the number of our amateur gamers and creators in our ecosystem may adversely affect the engagement level of our gamers and creators, the vibrancy of our gamer community, or the popularity of our amateur league play, which may in turn reduce our monetization opportunities, and have a material and adverse effect on our business, financial condition and results of operations. If we are unable to attract and retain, or convert gamers and creators into direct to consumer-based paying gamers and creators, our revenues may decline, and our results of operations and financial condition may suffer.

We cannot assure you that our online and in person gaming platform will remain sufficiently popular with amateur gamers and creators to offset the costs incurred to operate and expand it. It is vital to our operations that we remain sensitive and responsive to evolving gamer preferences and offer first-tier esports game content that attracts our amateur gamers and creators. We must also keep providing amateur gamers and creators with new features and functions to enable superior content viewing, and social interaction. Further, we will need to continue to develop and improve our gaming platform and to enhance our brand awareness, which may require us to incur substantial costs and expenses. If such increased costs and expenses do not effectively translate into an improved gamer experience and direct to consumer-based, long-term engagement, our results of operations may be materially and adversely affected.

The ability to grow our business is dependent in part on the success and availability of mass media channels developed by third parties, as well as our ability to develop commercially successful content, and amateur tournaments and competitions.

The success of our business is driven in part by the commercial success and adequate supply of third-party mass media channels for which we may distribute our content, amateur league tournaments and competitions, including Twitch, YouTube and ESL.tv. Our success also depends on our ability to accurately predict which channels and platforms will be successful with the esports gaming community, our ability to develop commercially successful content and distribute via SLG.TV, which is presently available on Twitch, amateur tournaments and competition for these channels and gaming platforms and our ability to effectively manage the transition of our gamers and creators from one generation or demographic to the next. Additionally, we may enter into certain exclusive licensing arrangements that affect our ability to deliver or market our amateur gaming tournaments and competitions on certain channels and platforms. A channel or platform may not succeed as expected or new channels or platforms may take market share and gamers and creators away from platforms for which we have devoted significant resources. If demand for the channels or platforms for which we are developing amateur tournaments or competitions is lower than our expectations, we may be unable to fully recover the investments we have made, and our financial performance may 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.

If we fail to maintain and enhance our brand or if we incur excessive expenses in this effort, our business, results of operations and prospects may be materially and adversely affected.

We believe that maintaining and enhancing our brand is of significant importance to the success of our business. A well-recognized brand is important to increasing the number of esports gamers and creators and the level of engagement of our overall gaming community which is critical in enhancing our attractiveness to advertisers and sponsors. Since we operate in a highly competitive market, brand maintenance and enhancement directly affect our ability to maintain and enhance our market position.

Although we have developed our brand and amateur tournaments and competitions through word of mouth referrals, key strategic partners and our esports game publisher licensors, as we expand, we may conduct various marketing and brand promotion activities using various methods to continue promoting our brand. We cannot assure you, however, that these activities will be successful or that we will be able to achieve the brand promotion effect we expect.

In addition, any negative publicity in relation to our league tournaments or competitions, or operations, regardless of its veracity, could harm our brands and reputation. Negative publicity or public complaints from gamers and creators may harm our reputation, and if complaints against us are not addressed to their satisfaction, our reputation and our market position could be significantly harmed, which may materially and adversely affect our business, results of operations and prospects.

Negative gamer perceptions about our brand, gaming platform, amateur city leagues, tournaments or competitions and/or business practices may damage our business and increase the costs incurred in addressing gamer concerns.

Esports gamer expectations regarding the quality, performance and integrity of our amateur city league tournaments and competitions are high. Esports gamers and creators may be critical of our brand, gaming platform, amateur city leagues, tournaments or competitions and/or business practices for a wide variety of reasons. These negative gamer reactions may not be foreseeable or within our control to manage effectively, including perceptions about gameplay fairness, negative gamer reactions to game content via social media or other outlets, components and services, or objections to certain of our business practices. Negative gamer sentiment about our business practices also can lead to investigations from regulatory agencies and consumer groups, as well as litigation, which, regardless of their outcome, may be costly, damaging to our reputation and harm our business.

Technology changes rapidly in our business and if we fail to anticipate or successfully implement new technologies or adopt new business strategies, technologies or methods, the quality, timeliness and competitiveness of our amateur city leagues, tournaments or competition may suffer.

Rapid technology changes in the esports gaming market require us to anticipate, sometimes years in advance, which technologies we must develop, implement and take advantage of in order to be and remain competitive in the esports gaming market. We have invested, and in the future may invest, in new business strategies including a direct to consumer model, technologies, products, or games or first-tier game titles to continue to persistently engage the amateur gamer and deliver the best online and in person gaming experience. Such endeavors may involve significant risks and uncertainties, and no assurance can be given that the technology we choose to adopt and the features that we pursue will be successful. If we do not successfully implement these new technologies, our reputation may be materially adversely affected and our financial condition and operating results may be impacted. We also may miss opportunities to adopt technology, or develop amateur city leagues, tournaments or competitions that become popular with gamers and creators, which could adversely affect our financial results. It may take significant time and resources to shift our focus to such technologies, putting us at a competitive disadvantage.

Our development process usually starts with particular gamer experiences in mind, and a range of technical development and feature goals that we hope to be able to achieve. We may not be able to achieve these goals, or our competitors may be able to achieve them more quickly and effectively than we can based on having greater operating capital and personnel resources. If we cannot achieve our technology goals within the original development schedule, then we may delay their release until these goals can be achieved, which may delay or reduce revenue and increase our development expenses. Alternatively, we may be required to significantly increase the resources employed in research and development in an attempt to accelerate our development of new technologies, either to preserve our launch schedule or to keep up with our competitors, which would increase our development expenses.

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. Both our partners and we have implemented certain systems and processes to guard against cyber risks and to help protect our data and systems. However, 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, 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 and creators 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.

Successful exploitation of our networks and gaming platform can have other negative effects upon the gamer experience we offer. In particular, the virtual economies that exist in certain of our licensed game publishers' games are subject to abuse, exploitation and other forms of fraudulent activity that can negatively impact our business. Virtual economies involve the use of virtual currency and/or virtual assets that can be used or redeemed by a player within a particular online game or service.

Our business could be adversely affected if our data privacy and security practices are not adequate, or perceived as being inadequate, to prevent data breaches, or by the application of 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, the latter of which is subject to PCI-DSS compliance. Although we take measures to protect this information from unauthorized access, acquisition, disclosure and misuse, 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 ability to maintain the credibility of our gamer community.

Data privacy, data protection, localization, security and consumer-protection laws are evolving, and the interpretation and application of these laws in the United States, Europe (including compliance with the General Data Protection Regulation), and elsewhere often are uncertain, contradictory and changing. It is possible that these laws may be interpreted or applied in a manner that is averse to us or otherwise inconsistent with our practices, which could result in litigation, regulatory investigations and potential legal liability or require us to change our practices in a manner adverse to our business. As a result, our reputation and brand may be harmed, we could incur substantial costs, and we could lose both gamers and creators and revenue.

We depend on servers to operate our games with online features and our proprietary online gaming service. If we were to lose server functionality for any reason, our business may be negatively impacted.

Our business relies on the continuous operation of servers, some of which are owned and operated by third parties. Although we strive to maintain more than sufficient server capacity, and provide for active redundancy in the event of limited hardware failure, any broad-based catastrophic server malfunction, a significant service-disrupting attack or intrusion by hackers that circumvents security measures, a failure of disaster recovery service or the failure of a company on which we are relying for server capacity to provide that capacity for whatever reason could degrade or interrupt the functionality of our platform, and could prevent the operation of our platform for both in-person and online gaming experiences.

We also rely on networks operated by third parties to support content on our platform, including networks owned and operated by game publishers. An extended interruption to any of these services could adversely affect the use of our platform, which would have a negative impact on our business.

Further, insufficient server capacity could also negatively impact our business. Conversely, if we overestimate the amount of server capacity required by our business, we may incur additional operating costs.

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

Our 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 gaming platform before they are released. Nonetheless, these quality controls are subject to human error, overriding, and reasonable 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 gaming platform and quality controls and preventative measures we have implemented may not be effective in detecting all defects in our gaming platform. In the event a significant defect in our gaming platform and associated systems and controls is realized, we could be required to offer refunds, suspend the availability of our city league competitions and other gameplay, or expend significant resources to cure the defect, each of which could significantly harm our business and operating results.

We may experience system failures, outages and/or disruptions of the functionality of our platform. Such failures, delays and other problems could harm our reputation and business, cause us to lose customers and expose us to customer liability.

We may experience system failures, outages and/or disruptions of our infrastructure, including information technology system failures and network disruptions, cloud hosting and broadband availability at in person and online experiences. Our operations could be interrupted or degraded by any damage to or failure of:

- our computer software or hardware, or our customers' or suppliers' computer software or hardware;
- our network, our customers' networks or our suppliers' networks; or
- our connections and outsourced service arrangements with third parties.
- Our systems and operations are also vulnerable to damage or interruption from:
 - power loss, transmission cable cuts and other telecommunications and utility failures;
 - hurricanes, fires, earthquakes, floods and other natural disasters
 - a terrorist attack in the U.S. or in another country in which we operate;
- interruption of service arising from facility migrations, resulting from changes in business operations including acquisitions and planned data center migrations;
- computer viruses or software defects;
- loss or misuse of proprietary information or customer data that compromises security, confidentiality or integrity; or
- errors by our employees or third-party service providers.

From time to time in the ordinary course of our business, our network nodes and other systems experience temporary outages. As a means of ensuring continuity in the services we provide to our community and partners, we have invested in system redundancies via partnerships with industry leading cloud service providers, proactive alarm monitoring and other back-up infrastructure, though we cannot assure you that we will be able to re-route our services over our back-up facilities and provide continuous service to customers in all circumstances without material degradation. Because many of our services play a critical role for our community and partners, any damage to or failure of the infrastructure we rely on could disrupt or degrade the operation of our network, our platform and the provision of our services and result in the loss of current and potential community members and/or partners and harm our ability to conduct normal business operations.

We use third-party services and technologies in connection with our business, and any disruption to the provision of these services and technologies to us could result in negative publicity and a slowdown in the growth of our users, which could materially and adversely affect our business, financial condition and results of operations.

Our business partially depends on services provided by, and relationships with, various third parties, including cloud hosting and broadband providers, among others. To this end, when our cloud hosting and broadband vendors experience outages, our esports gaming services will be negatively impacted and alternative resources will not be immediately available. In addition, certain third-party software we use in our operations is currently publicly available free of charge. If the owner of any such software decides to charge users or no longer makes the software publicly available, we may need to incur significant costs to obtain licensing, find replacement software or develop it on our own. If we are unable to obtain licensing, find or develop replacement software at a reasonable cost, or at all, our business and operations may be adversely affected.

We exercise no control over the third-party vendors that we rely upon for cloud hosting, broadband and software service. If such third parties increase their prices, fail to provide their services effectively, terminate their service or agreements or discontinue their relationships with us, we could suffer service interruptions, reduced revenues or increased costs, any of which may have a material adverse effect on our business, financial condition and results of operations.

Growth and engagement of our gamer community depends upon effective interoperability with mobile operating systems, networks, mobile devices and standards that we do not control.

We make our services available across a variety of mobile operating systems and devices. We are dependent on the interoperability of our services with popular mobile devices and mobile operating systems that we do not control, such as Android and iOS. Any changes in such mobile operating systems or devices that degrade the functionality of our services or give preferential treatment to competitive services could adversely affect usage of our services. In order to deliver high quality services, it is important that our services work well across a range of mobile operating systems, networks, mobile devices and standards that we do not control. We may not be successful in developing relationships with key participants in the mobile industry or in developing services that operate effectively with these operating systems, networks, devices and standards. In the event that it is difficult for our users to access and use our services, particularly on their mobile devices, our user growth and user engagement could be harmed, and our business and operating results could be adversely affected.

Our business depends substantially on the continuing efforts of our executive officers, key employees and qualified personnel, and our business operations may be severely disrupted if we lose their services.

Our future success depends substantially on the continued efforts of our executive officers and key employees. If one or more of our executive officers or key employees were unable or unwilling to continue their services with us, we might not be able to replace them easily, in a timely manner, or at all. Since the esports gaming industry is characterized by high demand and intense competition for talents, we cannot assure you that we will be able to attract or retain qualified staff or other highly skilled employees. In addition, as the Company is relatively young, our ability to train and integrate new employees into our operations may not meet the growing demands of our business which may materially and adversely affect our ability to grow our business and hence our results of operations.

If any of our executive officers and key employees terminates their services with us, our business may be severely disrupted, our financial condition and results of operations may be materially and adversely affected and we may incur additional expenses to recruit, train and retain qualified personnel. If any of our executive officers or key employees joins a competitor or forms a competing company, we may lose gamers and creators, know-how and key professionals and staff members. Certain of our executive officers and key employees have entered into a non-solicitation and non-competition agreements with us. However, certain provisions under the non-solicitation and non-competition agreement may be deemed legally invalid or unenforceable. If any dispute arises between our executive officers and us, we cannot assure you that we would be able to enforce these non-compete agreements.

The preparation of our financial statements involves the use of good faith estimates, judgments and assumptions, and our financial statements may be materially affected if such good faith estimates, judgments or good faith assumptions prove to be inaccurate.

Financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) typically require the use of good faith estimates, judgments and assumptions that affect the reported amounts. Often, different estimates, judgments and assumptions could reasonably be used that would have a material effect on such financial statements, and changes in these estimates, judgments and assumptions may occur from period to period over time. Significant areas of accounting requiring the application of management’s judgment include, but are not limited to, determining the fair value of assets, share-based compensation and the timing and amount of cash flows from assets. These estimates, judgments and assumptions are inherently uncertain and, if our estimates were to prove to be wrong, we would face the risk that charges to income or other financial statement changes or adjustments would be required. Any such charges or changes would require a restatement of our financial statements and could harm our business, including our financial condition and results of operations and the price of our securities. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of the accounting estimates, judgments and assumptions that we believe are the most critical to an understanding of our financial statements and our business.

Regulatory and Legal Risk Factors

Our business is subject to regulation, and changes in applicable regulations 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, data collection, retention, electronic commerce, virtual items and currency, consumer protection, 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 could harm our business by limiting the products and services we can offer consumers or the manner in which we offer them. The costs of compliance with these laws may increase in the future as a result of changes in interpretation. Furthermore, 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.

In addition, we include modes in our gaming platform that allow players to compete against each other. Although we structure and operate these skill-based competitions with applicable laws in mind, our skill-based competitions in the future could become subject to evolving rules and regulations and expose us to significant liability, penalties and reputational harm.

Changes in tax laws or regulations that are applied adversely to us or our customers may have a material adverse effect on our business, cash flow, financial condition or results of operations.

New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted at any time, which could affect the tax treatment of our earnings and adversely affect our operations, and our business and financial performance. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, changed, modified or applied adversely to us. For example, on December 22, 2017, tax legislation was signed into law that contained many significant changes to the U.S. tax laws. The new legislation reduced the corporate income tax rate from 34% to 21% effective January 1, 2018, resulting in our deferred income tax assets and liabilities, including NOLs, to be measured using the new rate as reflected in the valuation of these assets as of December 31, 2017. As a result, the value of our deferred tax assets decreased by approximately \$4.3 million and the related valuation allowance has been reduced by the same amount. Our analysis and interpretation of this legislation is ongoing. Given the full valuation allowance provided for net deferred tax assets for the periods presented herein, the change in tax law did not have a material impact on our financial statements provided herein. There may, however, be additional tax impacts identified in subsequent fiscal periods in accordance with subsequent interpretive guidance issued by the SEC or the Internal Revenue Service. Further, there may be other material adverse effects resulting from the legislation that we have not yet identified. No estimated tax provision has been recorded in the financial statements included herein for tax attributes that are incomplete or subject to change.

The foregoing items could have a material adverse effect on our business, cash flow, financial condition or results of operations. In addition, it is unclear how these U.S. federal income tax changes will affect state and local taxation, which often uses federal taxable income as a starting point for computing state and local tax liabilities. The impact of this tax legislation on holders of our common stock is also uncertain and could be adverse. We urge our stockholders and investors to consult with our legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our common stock.

Our online activities are subject to various laws and regulations relating to privacy and child protection, which, if violated, could subject us to an increased risk of litigation and regulatory actions.

In addition to our gaming platform, we use third-party applications, websites, and social media platforms to promote our amateur tournaments and competitions and engage gamers, as well as monitor and collect certain information about gamers in our online forums. A variety of laws and regulations have been adopted in recent years aimed at protecting children using the internet such as the Children's Online Privacy and Protection Act of 1998 ("COPPA"). COPPA sets forth, among other things, a number of restrictions on what website operators can present to children under the age of 13 and what information can be collected from them. COPPA is of particular concern to us, and in an effort to minimize our risk of potential exposure, we retained a COPPA expert as a consultant and have posted a compliant privacy policy, terms of use and various other policies on our website. We undertake significant effort to implement certain precautions to ensure that access to our gaming platform for competitive gameplay is COPPA compliant. Despite our efforts, no assurances can be given that such measures will be sufficient to completely avoid exposure and COPPA violations, any of which could expose us to significant liability, penalties, reputational harm and loss of revenue, among other things.

The laws and regulations concerning data privacy are continually evolving. Failure to comply with these laws and regulations could harm our business.

Consumers are able to play our licensed game titles online, using our platform. We collect and store information about our consumers both personally identifying and non-personally identifying information. Numerous federal, state and international laws address privacy, data protection and the collection, storing, sharing, use, disclosure and protection of personally identifiable information and other user data. Numerous states already have, and are looking to expand, data protection legislation requiring companies like ours to consider solutions to meet differing needs and expectations of creators and attendees. Outside the United States, personally identifiable information and other user data is increasingly subject to legislation and regulations in numerous jurisdictions around the world, the intent of which is to protect the privacy of information that is collected, processed and transmitted in or from the governing jurisdiction. Foreign data protection, privacy, information security, user protection and other laws and regulations are often more restrictive than those in the United States. In particular, the European Union and its member states traditionally have taken broader views as to types of data that are subject to privacy and data protection laws and regulations and have imposed greater legal obligations on companies in this regard. For example, in April 2016, European legislative bodies adopted the General Data Protection Regulation (“GDPR”), which became effective on May 25, 2018. The GDPR applies to any company established in the European Union as well as to those outside of the European Union if they collect and use personal data in connection with the offering of goods or services to individuals in the European Union or the monitoring of their behavior. The GDPR enhances data protection obligations for processors and controllers of personal data, including, for example, expanded disclosures about how personal information is to be used, limitations on retention of information, mandatory data breach notification requirements and onerous new obligations on service providers. Non-compliance with the GDPR may result in monetary penalties of up to €20 million or 4% of annual worldwide revenue, whichever is higher. In addition, some countries are considering or have passed legislation implementing data protection requirements or requiring local storage and processing of data or similar requirements that could increase the cost and complexity of delivering our services. The GDPR and other changes in laws or regulations associated with the enhanced protection of certain types of personal data could greatly increase our cost of providing our products and services or even prevent us from offering certain services in jurisdictions in which we operate. The European Commission is also currently negotiating a new ePrivacy Regulation that would address various matters, including provisions specifically aimed at the use of cookies to identify an individual’s online behavior, and any such ePrivacy Regulation may provide for new compliance obligations and significant penalties. Any of these changes to European Union data protection law or its interpretation could disrupt and/or harm our business.

Further, following a referendum in June 2016 in which voters in the United Kingdom approved an exit from the European Union, the United Kingdom government has initiated a process to leave the European Union, which has created uncertainty with regard to the regulation of data protection in the United Kingdom. In particular, although a Data Protection Bill designed to be consistent with the GDPR is pending in the United Kingdom’s legislative process, it is unclear whether the United Kingdom will enact data protection laws or regulations designed to be consistent with the GDPR and how data transfers to and from the United Kingdom will be regulated. The interpretation and application of many privacy and data protection laws are, and will likely remain, uncertain, and it is possible that these laws may be interpreted and applied in a manner that is inconsistent with our existing data management practices or product features. Although player interaction on our platform is subject to our privacy policies, end user license agreements (“EULAs”), and terms of service, if we fail to comply with our posted privacy policies, EULAs, or terms of service, or if we fail to comply with existing privacy-related or data protection laws and regulations, it could result in proceedings or litigation against us by governmental authorities or others, which could result in fines or judgments against us, damage our reputation, impact our financial condition and/or harm our business.

In addition to government regulation, privacy advocacy and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us. Any inability to adequately address privacy, data protection and data security concerns or comply with applicable privacy, data protection or data security laws, regulations, policies and other obligations could result in additional cost and liability to us, damage our reputation, inhibit sales and harm our business. Further, our failure, and/or the failure by the various third-party service providers and partners with which we do business, to comply with applicable privacy policies or federal, state or similar international laws and regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in the unauthorized release of personally identifiable information or other user data, or the perception that any such failure or compromise has occurred, could damage our reputation, result in a loss of creators or attendees, discourage potential creators and attendees from trying our platform and/or result in fines and/or proceedings by governmental agencies and/or users, any of which could have an adverse effect on our business, results of operations and financial condition. In addition, given the breadth and depth of changes in data protection obligations, ongoing compliance with evolving interpretation of the GDPR and other regulatory requirements requires time and resources and a review of the technology and systems currently in use against the requirements of GDPR and other regulations.

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 and creators to exchange information and engage in various other online activities. Although we require our gamers and creators to register their real name, 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 and creators. 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 and creators before they are posted or streamed. Therefore, it is possible that gamers and creators may engage in illegal, obscene or incendiary conversations or activities, including publishing of inappropriate or illegal content that may be deemed unlawful. 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 and creators, which may adversely affect our results of operations.

Intensified government regulation of the Internet industry could restrict our ability to maintain or increase the level of traffic to our gaming platform as well as our ability to capture other market opportunities.

The Internet industry is increasingly subject to strict scrutiny. New laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. We may not timely obtain or maintain all the required licenses or approvals or make all the necessary filings in the future. We also cannot assure you that we will be able to obtain the required licenses or approvals if we plan to expand into other Internet businesses. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, which may disrupt our business operations or derail our business strategy, and materially and adversely affect our business, financial condition and results of operations.

From time to time we may become involved in legal proceedings.

From time to time we may become subject to legal proceedings, claims, litigation and government investigations or inquiries, which could be expensive, lengthy, disruptive to normal business operations and occupy a significant amount of our employees' time and attention. In addition, the outcome of any legal proceedings, claims, litigation, investigations or inquiries may be difficult to predict and could have a material adverse effect on our business, operating results, or financial condition.

Risks Related to Intellectual Property

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 esports games, our gaming platform or other features or services 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 and creators may be precluded by existing patents that we are unable to license on reasonable terms.

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 and take measures to protect our technology, content and brands and other confidential information from infringement. 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 have contributed to an expansion in unauthorized copying of our technology, content and brands.

Third parties may register trademarks or domain names or purchase internet search engine keywords that are similar to our registered trademark or pending trademarks, brands or websites, or misappropriate our data and copy our gaming platform, all of which could cause confusion, divert gamers and creators away from our gaming platform and league tournaments, or harm our reputation.

Competitors and other third parties may purchase (i) trademarks that are similar to our trademarks and (ii) keywords that are confusingly similar to our brands or websites in Internet search engine advertising programs and in the header and text of the resulting sponsored links or advertisements in order to divert gamers and creators from us to their websites. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may continue to drive potential gamers and creators away from our gaming platform to competing, irrelevant or potentially offensive platforms, which could harm our reputation and cause us to lose revenue.

We may not be able to prevent others from unauthorized use of our intellectual property, which could harm our business and competitive position.

We regard our registered trademark and pending trademarks, service marks, pending patents, domain names, trade secrets, proprietary technologies and similar intellectual property as critical to our success. We rely on trademark and patent law, trade secret protection and confidentiality and license agreements with our employees and others to protect our proprietary rights.

We have invested significant resources to develop our own intellectual property and acquire licenses to use and distribute the intellectual property of others on our gaming platform. Failure to maintain or protect these rights could harm our business. In addition, any unauthorized use of our intellectual property by third parties may adversely affect our current and future revenues and our reputation.

Policing unauthorized use of proprietary technology is difficult and expensive. We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. Further, we require every employee and consultant to execute proprietary information and invention agreements prior to commencing work. Despite our efforts to protect our proprietary rights, third parties may attempt to copy or otherwise obtain and use our intellectual property or seek court declarations that they do not infringe upon our intellectual property rights. Monitoring unauthorized use of our intellectual property is difficult and costly, and we cannot assure you that the steps we have taken will prevent misappropriation of our intellectual property. From time to time, we may have to resort to litigation to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources.

Our patent and trademark applications may not be granted and our patent and trademark rights, once patents are issued and trademarks are registered, may be contested, circumvented, invalidated or limited in scope, and our patent and trademark rights may not protect us effectively once issued and registered, respectively. In particular, we may not be able to prevent others from developing or exploiting competing technologies and trademarks, which could have a material and adverse effect on our business operations, financial condition and results of operations.

Currently, we have three patent applications pending, one registered trademark and eighteen pending trademark applications, along with licenses from game publishers to utilize their proprietary games. For our pending patent applications and we cannot assure you that we will be granted patents pursuant to our pending applications as well as future patent applications we intend to file. Even if our patent applications succeed, it is still uncertain whether these patents will be contested, circumvented or invalidated in the future. In addition, the rights granted under any issued patents may not provide us with sufficient protection or competitive advantages. The claims under any patents that issue from our patent applications may not be broad enough to prevent others from developing technologies that are similar or that achieve results similar to ours. It is also possible that the intellectual property rights of others will bar us from licensing and from exploiting any patents that issue from our pending applications. Numerous U.S. and foreign issued patents and pending patent applications owned by others exist in the fields in which we have developed and are developing our technology. These patents and patent applications might have priority over our patent applications and could subject our patent applications to invalidation. Finally, in addition to those who may claim priority, any of our pending patent and trademark applications may also be challenged by others on the basis that they are otherwise invalid or unenforceable.

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 and creators to exchange information and engage in various other online activities. Although we require our gamers and creators to register their real name, 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 and creators. 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 and creators before they are posted or streamed. Therefore, it is possible that gamers and creators may engage in illegal, obscene or incendiary conversations or activities, including publishing of inappropriate or illegal content that may be deemed unlawful. 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 and creators, which may adversely affect our results of operations.

Intensified government regulation of the Internet industry could restrict our ability to maintain or increase the level of traffic to our gaming platform as well as our ability to capture other market opportunities.

The Internet industry is increasingly subject to strict scrutiny. New laws and regulations may be adopted from time to time to address new issues that come to the authorities' attention. We may not timely obtain or maintain all the required licenses or approvals or make all the necessary filings in the future. We also cannot assure you that we will be able to obtain the required licenses or approvals if we plan to expand into other Internet businesses. If we fail to obtain or maintain any of the required licenses or approvals or make the necessary filings, we may be subject to various penalties, which may disrupt our business operations or derail our business strategy, and materially and adversely affect our business, financial condition and results of operations.

Governance Risks and Risks Related to our Common Stock

Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our amended and restated bylaws, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having personal jurisdiction over indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to this provision. The forum selection clause in our amended and restated bylaws may have the effect of discouraging lawsuits against us or our directors and officers and may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

Because the applicability of the exclusive forum provision is limited to the extent permitted by law, we believe that the exclusive forum provision would not apply to suits brought to enforce any duty or liability created by the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Securities Act of 1933, as amended (the "Securities Act"), any other claim for which the federal courts have exclusive jurisdiction or concurrent jurisdiction over all suits brought to enforce any duty or liability created by the Securities Act. We note that there is uncertainty as to whether a court would enforce the provision and that investors cannot waive compliance with the federal securities laws and the rules and regulations thereunder. Although we believe this provision benefits us by providing increased consistency in the application of Delaware law in the types of lawsuits to which it applies, the provision may have the effect of discouraging lawsuits against our directors and officers.

Although our common stock is listed on the Nasdaq Capital Market, our shares are likely to be thinly traded for some time and an active market may never develop.

Although our common stock is listed on the Nasdaq Capital Market, it is likely that initially there will be a very limited trading market for our common stock, and we cannot ensure that a robust trading market will ever develop or be sustained. Our shares of common stock may be thinly traded, and the price, if traded, may not reflect our actual or perceived value. There can be no assurance that there will be an active market for our shares of common stock in the future. The market liquidity will be dependent on the perception of our operating business, competitive forces, state of the esports gaming industry, growth rate and becoming cash flow profitable on a sustainable basis, among other things. We may, in the future, take certain steps, including utilizing investor awareness campaigns, press releases, road shows, and conferences to increase awareness of our business and any steps that we might take to bring us to the awareness of investors may require we compensate financial public relations firms with cash and/or stock. There can be no assurance that there will be any awareness generated or the results of any efforts will result in any impact on our trading volume. Consequently, investors may not be able to liquidate their investment or liquidate it at a price that reflects the value of the business and trading may be at an inflated price relative to the performance of our company due to, among other things, availability of sellers of our shares. If a market should develop, the price may be highly volatile. Because there may be a low price for our shares of common stock, many brokerage firms or clearing firms may not be willing to effect transactions in the securities or accept our shares for deposit in an account. Even if an investor finds a broker willing to effect a transaction in the shares of our common stock, the combination of brokerage commissions, transfer fees, taxes, if any, and any other selling costs may exceed the selling price. Further, many lending institutions will not permit the use of low-priced shares of common stock as collateral for any loans.

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

The trading price of our common stock following our offering may fluctuate substantially and may be higher or lower than the initial public offering price. This may be especially true for companies with a small public float. The trading price of our common stock following our offering will depend on several factors, including those described in this "Risk Factors" section, many of which are beyond our control and may not be related to our operating performance. These fluctuations could cause you to lose all or part of your investment in our common stock since you might be unable to sell your shares at or above the price you paid in the offering. Factors that could cause fluctuations in the trading price of our common stock include:

- changes to our industry, including demand and regulations;
- we may not be able to compete successfully against current and future competitors;
- competitive pricing pressures;
- our ability to obtain working capital financing as required;
- additions or departures of key personnel;
- sales of our common stock;
- our ability to execute our business plan;
- operating results that fall below expectations;
- loss of any strategic relationship, sponsor or licensor;
- any major change in our management;
- changes in accounting standards, procedures, guidelines, interpretations or principals; and
- economic, geo-political and other external factors.

In addition, the stock market in general, and the market for technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry factors, as well as general economic, political and market conditions such as recessions or interest rate changes, may seriously affect the market price of our common stock, regardless of our actual operating performance. These fluctuations may be even more pronounced in the trading market for our stock shortly following our offering. If the market price of our common stock after our offering does not exceed the initial public offering price, you may not realize any return on your investment in us and may lose some or all of your investment.

In addition, in the past, following periods of volatility in the overall market and the market prices of particular companies' securities, securities class action litigations have often been instituted against these companies. Litigation of this type, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources. Any adverse determination in any such litigation or any amounts paid to settle any such actual or threatened litigation could require that we make significant payments.

If securities industry analysts do not publish research reports on us, or publish unfavorable reports on us, then the market price and market trading volume of our common stock could be negatively affected.

Any trading market for our common stock will be influenced in part by any research reports that securities industry analysts publish about us. We may not obtain any future research coverage by securities industry analysts. In the event we are covered by research analysts, and one or more of such analysts downgrade our securities, or otherwise reports on us unfavorably, or discontinues coverage of us, the market price and market trading volume of our common stock could be negatively affected.

We have not paid cash dividends in the past and do not expect to pay dividends in the future. Any return on investment will likely be limited to the value of our common stock.

We have never paid cash dividends on our common stock and do not anticipate doing so in the foreseeable future. The payment of dividends on our common stock will depend on earnings, financial condition and other business and economic factors affecting us at such time as our board of directors may consider relevant. If we do not pay dividends, our common stock may be less valuable because a return

Since we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, stock price appreciation, if any, will be your sole source of gain.

We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, appreciation, if any, in the market price of our common stock will be your sole source of gain for the foreseeable future.

Future issuances of debt securities, which would rank senior to our common stock upon our bankruptcy or liquidation, and future issuances of preferred stock, which would rank senior to our common stock for the purposes of dividends and liquidating distributions, may adversely affect the level of return you may be able to achieve from an investment in our common stock.

In the future, we may attempt to increase our capital resources by offering debt securities. In the event of a bankruptcy or liquidation, holders of our debt securities, and lenders with respect to other borrowings we may make, would receive distributions of our available assets prior to any distributions being made to holders of our common stock. Moreover, if we issue preferred stock in the future, the holders of such preferred stock could be entitled to preferences over holders of common stock 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 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 common stock must bear the risk that any such future offerings we conduct or borrowings we make may adversely affect the level of return they may be able to achieve from an investment in our common stock.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies that are not “emerging growth companies,” including:

- not being required to have our independent registered public accounting firm audit our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act;
- reduced disclosure obligations regarding executive compensation in our periodic reports and annual report on Form 10-K; and
- exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We could be an emerging growth company for up to five years following the completion of our offering. Our status as an emerging growth company will end as soon as any of the following takes place:

- the last day of the fiscal year in which we have more than \$1.07 billion in annual revenue;
- the date we qualify as a “large accelerated filer,” with at least \$700 million of equity securities held by non-affiliates;
- the date on which we have issued, in any three-year period, more than \$1.0 billion in non-convertible debt securities; or
- the last day of the fiscal year ending after the fifth anniversary of the completion of our offering.

We cannot predict if investors will find our common stock less attractive if we choose to rely on the exemptions afforded emerging growth companies. If some investors find our common stock less attractive because we rely on any of these exemptions, there may be a less active trading market for our common stock and the market price of our common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

Because of our status as an emerging growth company, you will not be able to depend on any attestation from our independent registered public accounting firm as to our internal control over financial reporting for the foreseeable future.

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 of the Sarbanes-Oxley Act until the later of the year following our first annual report required to be filed with the SEC or the date we are no longer an “emerging growth company” as defined in the JOBS Act. Accordingly, you will not be able to depend on any attestation concerning our internal control over financial reporting from our independent registered public accounting firm for the foreseeable future. Subsequent to the time frame above, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act until such time that the Company becomes an “accelerated filer,” as defined by the SEC.

We have granted, and may continue to grant, share incentive awards, which may result in increased share-based compensation expenses.

We adopted our Amended and Restated 2014 Stock Option and Incentive Plan (the “2014 Plan”) in October 2014, for purposes of granting share-based compensation awards to employees, directors and consultants to incentivize their performance and align their interests with ours. We account for compensation costs for all share-based awards issued under the 2014 Plan using a fair-value based method and recognize expenses in our statements of comprehensive loss in accordance with GAAP. Under the 2014 Plan, we are authorized to grant options to purchase shares of common stock of our Company, restricted share units to receive shares of common stock and restricted shares of common stock. For the year ended December 31, 2020 and 2019, we recorded share-based compensation expense of \$2.0 million and \$6.2 million, respectively, primarily related to issuances and vesting of awards under the 2014 Plan.

We believe the granting of share incentive awards is important to our ability to attract and retain employees, and we will continue to grant share incentive awards to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

General Risk Factors

Actual or threatened epidemics, pandemics, outbreaks, or other public health crises may adversely affect our business.

Our business could be materially and adversely affected by the risks, or the public perception of the risks, related to an epidemic, pandemic, outbreak, or other public health crisis, such as the recent outbreak of novel coronavirus (COVID-19). The risk, or public perception of the risk, of a pandemic or media coverage of infectious diseases could cause a decrease to the attendance of our in person gaming experiences, or cause certain of our partners, such as Wanda Theaters in China, to avoid holding in person events. Moreover, an epidemic, pandemic, outbreak or other public health crisis, such as COVID-19, could cause members of our Action Squad, in whom we rely to manage the logistics of our in person experiences, or on-site employees of partners to avoid any involvement with our in person experiences or other events, which would adversely affect our ability to hold such events. The ultimate extent of the impact of any epidemic, pandemic or other health crisis on our business, financial condition and results of operations will depend on future developments, which are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of such epidemic, pandemic or other health crisis and actions taken to contain or prevent their further spread, among others. These and other potential impacts of an epidemic, pandemic or other health crisis, such as COVID-19, could therefore adversely affect our business, financial condition and results of operations.

A reversal of the U.S. economic recovery and a return to volatile or recessionary conditions in the United States or abroad could adversely affect our business or our access to capital markets in a material manner.

To date, our principal sources of capital used to fund our operations have been the net proceeds we received from sales of equity securities and proceeds received from the issuance of convertible debt, as described herein. We have and will continue to use significant capital for the growth and development of our business, and, as such, we expect to seek additional capital either from operations or that may be available from future issuance(s) of common stock or debt financings, to fund our planned operations.

Accordingly, our results of operations and the implementation of our long-term business strategy could be adversely affected by general conditions in the global economy, including conditions that are outside of our control, such as the impact of health and safety concerns from the current outbreak of COVID-19. The most recent global financial crisis caused by COVID-19 resulted in extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn could result in a variety of risks to our business and could have a material adverse effect on us, including limiting our ability to obtain additional capital from the capital markets. We could also be adversely affected by such factors as changes in foreign currency rates and weak economic and political conditions in each of the countries in which we operate.

Our business is subject to risks generally associated with the entertainment industry.

Our business is subject to risks that are generally associated with the entertainment industry, many of which are beyond our control. These risks could negatively impact our operating results and include the popularity, price to play, and timing of release of our esports licensed games, economic conditions that adversely affect discretionary consumer spending, changes in gamer demographics, the availability and popularity of other forms of entertainment, and critical reviews and public tastes and preferences, which may change rapidly and cannot necessarily be predicted.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We leased office space under an operating lease agreement which expired on May 31, 2017, and was amended to a month-to-month basis lease. In June 2020, we terminated the lease for the majority of our corporate headquarters (approximately 4,965 square feet). As of December 31, 2020 we maintain approximately 1650 square feet of office space in Santa Monica, CA, on a month-to-month basis, at \$5,197 per month.

We anticipate no difficulty in extending the leases of our facilities or obtaining comparable facilities in suitable locations, as needed, and we consider our facilities to be adequate for our current needs.

ITEM 3. LEGAL PROCEEDINGS

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

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information and Holders

Our common stock is listed on the Nasdaq Capital Market under the ticker symbol "SLGG."

Shown below is the range of high and low sales prices for our common stock for the periods indicated as reported by the Nasdaq Capital Market. Our common stock began trading on the Nasdaq Capital Market on February 27, 2019, and the following table reflects the high and low sales prices for our common stock subsequent to that date:

	<u>High</u>	<u>Low</u>
Fiscal Year Ending December 31, 2020		
First quarter ending March 31, 2020	\$ 5.45	\$ 1.82
Second quarter ending June 30, 2020	\$ 6.50	\$ 2.07
Third quarter ending September 30, 2020	\$ 3.63	\$ 1.76
Fourth quarter ending December 31, 2020	\$ 3.90	\$ 1.66
	<u>High</u>	<u>Low</u>
Fiscal Year Ending December 31, 2019		
First quarter ending March 31, 2019 (beginning February 27, 2019)	\$ 9.73	\$ 6.27
Second quarter ending June 30, 2019	\$ 9.28	\$ 6.05
Third quarter ending September 30, 2019	\$ 8.75	\$ 3.90
Fourth quarter ending December 31, 2019	\$ 4.99	\$ 1.85

As of March 1, 2021, we had 147 holders of record of our common stock based upon the records of our transfer agent, which do not include beneficial owners of common stock whose shares are held in the names of various securities brokers, dealers and registered clearing agencies.

Dividend Policy

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business. Therefore, we do not currently expect to pay any cash dividends on our common stock for the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board and will depend upon our results of operations, financial condition, capital requirements, general business conditions, and other factors that our board of directors deems relevant. Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any future debt or preferred equity securities.

Recent Sales of Unregistered Equity Securities

Conversion of Convertible Debt. On February 27, 2019, we completed our initial public offering of shares of common stock, as described below. Concurrent with the closing of the initial public offering on February 27, 2019, in accordance with the underlying convertible debt agreements, all outstanding principal and interest of the 9.00% convertible notes outstanding, totaling \$13,793,000, was automatically converted into 1,475,164 shares of the Company's common stock at a conversion price of \$9.35.

In connection with the issuance of the convertible debt, we provided each holder with registration rights to register the shares of common stock issuable upon conversion, subject to certain limitations. In addition, the holders of the notes agreed to certain lock-up restrictions on the shares of common stock underlying the notes and the warrants that limited the ability of each holder to freely trade such shares during the 180-day period following the completion of the initial public offering.

Restricted Stock Units. In December 2019, we issued a total of 4,000 restricted stock units to two individual accredited investors in consideration for strategic sales and marketing services rendered to our company. No underwriters were involved in the foregoing issuance of securities. The securities were issued to an accredited investor in reliance upon the exemption from the registration requirements of the Securities Act, as set forth in Section 4(a)(2) under the Securities Act, relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required.

Use of Proceeds from Sales of Registered Securities

In August 2020, the Company issued 4,540,541 shares of common stock at a price of \$1.85 per share, raising aggregate net proceeds of approximately \$7.6 million, after deducting placement agent fees of \$588,000 and other offering expenses totaling \$180,000. The offering was conducted pursuant to the Company's effective Registration Statements on Form S-1 (File No. 333-248248), and a related registration statement filed pursuant to Rule 462(b) under the Securities Act. In addition, pursuant to the terms of the related underwriting agreement, the Company granted to the underwriter a 30-day over-allotment option to purchase up to an additional 681,081 Shares at the same public offering price per share, less discounts and commissions, which was partially exercised in September 2020, resulting in the issuance of 448,440 shares and net proceeds of \$771,000, after deducting placement agent fees of \$58,000. The net proceeds from this offering were for working capital and other general corporate purposes, including sales and marketing activities, product development and capital expenditures. Net proceeds from this offering were also intended to be available for acquisitions of, or investments in, technologies, solutions or businesses that may complement our business and or accelerate our growth.

In May 2020, the Company issued 1,825,000 shares of common stock at a price of \$3.50 per share, raising aggregate net proceeds of approximately \$6.0 million, after deducting placement agent fees of \$319,000 and other offering expenses totaling \$116,000, pursuant to a registered direct offering. The net proceeds from this offering were for working capital and other general corporate purposes, including sales and marketing activities, product development and capital expenditures. Net proceeds from this offering were also intended to be available for acquisitions of, or investments in, technologies, solutions or businesses that may complement our business and or accelerate our growth.

On February 27, 2019 (the "IPO Closing Date"), Super League completed its initial public offering ("IPO") of shares of its common stock, pursuant to which an aggregate of 2,272,727 shares were offered and sold at a public offering price of \$11.00 per share, resulting in net proceeds of \$22,458,000 after deducting underwriting discounts, commissions and offering costs of \$2,542,000. The principal purposes of the IPO were to obtain additional capital to support our operations, to create a public market for our common stock and to facilitate our future access to the public equity markets. The net proceeds received from the IPO were for working capital and general corporate purposes, including sales and marketing activities, product development and capital expenditures. Net proceeds from our IPO were also eligible for use in connection with the strategic acquisition of, or investment in, technologies, solutions or businesses that may complement our business and or accelerate our growth. The amounts and timing of our actual expenditures, including expenditure related to sales and marketing and product development depended on numerous factors, including the status of our product development efforts, our sales and marketing activities, expansion internationally, the amount of cash generated or used by our operations, competitive pressures and other factors.

There has been no material change in the use of proceeds since our IPO, as described in our final Prospectus filed with the SEC pursuant to Rule 424(b) of the Securities Act of 1933, as amended, and other periodic reports previously filed with the SEC.

Performance Graph

As a smaller reporting company, we are not required to provide the performance graph required by Item 201(e) of Regulation S-K.

ITEM 6. SELECTED FINANCIAL DATA

We derived the selected financial data as of and for the years ended December 31, 2020 (“fiscal year 2020”) and 2019 (“fiscal year 2019”), set forth below, from our audited financial statements included elsewhere herein, and should be read in conjunction with those audited financial statements and related notes thereto, as well as the information found under the sections titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere herein. Our historical results are not necessarily indicative of the results to be expected in future periods.

	Fiscal Year	
	2020	2019
Statement of Operations Data:		
Revenues	\$ 2,064,000	\$ 1,084,000
Cost of revenues	856,000	513,000
Gross profit	1,208,000	571,000
Operating expenses:		
Sales, marketing and advertising	5,403,000	4,488,000
Technology platform and infrastructure	6,647,000	4,915,000
General and administrative	7,901,000	11,938,000
Total operating expense	19,951,000	21,341,000
Loss from operations	(18,743,000)	(20,770,000)
Other income (expense), net	11,000	(9,909,000)
Net loss	\$ (18,732,000)	\$ (30,679,000)
Net loss per share:		
Basic and diluted	\$ (1.64)	\$ (3.89)
Weighted average common shares used to compute net loss per share:		
Basic and diluted(1)	11,430,057	7,894,326

(1) All share and per share data has been retrospectively adjusted to reflect the one-for-three Reverse Stock Split, which was effected on February 8, 2019.

	As of December 31,	
	2020	2019
Balance Sheet Data:		
Cash and cash equivalents	\$ 7,942,000	\$ 8,442,000
Accounts receivable	588,000	293,000
Prepaid expenses and other current assets	837,000	924,000
Property and equipment, net	138,000	239,000
Intangible and other assets, net	1,907,000	1,984,000
Goodwill	2,565,000	2,565,000
Accounts payable, accrued expenses and deferred revenue	1,829,000	1,004,000
Long-term note payable	1,208,000	-
Total stockholders’ equity	13,977,000	13,443,000

Factors Affecting Comparability:

- *Long-Term Note Payable.* On May 4, 2020, the Company entered into a potentially forgivable loan from the U.S. Small Business Administration (“SBA”) resulting in net proceeds of \$1,200,047 pursuant to the Paycheck Protection Program enacted by Congress under the CARES Act administered by the SBA. Refer to “*Liquidity and Capital Resources*” below.
- *Noncash Stock Compensation Expense.* Noncash stock-based compensation expense for the periods presented was comprised of the following:

	Fiscal Year	
	2020	2019
Sales, marketing and advertising	\$ 849,000	\$ 635,000
Technology platform and infrastructure	254,000	129,000
General and administrative	901,000	5,453,000
Total noncash stock compensation expense	<u>\$ 2,004,000</u>	<u>\$ 6,217,000</u>

Noncash stock compensation expense in fiscal year 2019 included expense resulting from certain performance-based options and warrants granted in 2018, which vested upon the achievement of certain performance-based milestones. Performance-based milestones included the completion of our IPO in February 2019 and other operational performance targets. During fiscal year 2019, 325,000 of performance-based stock options and warrants vested, resulting in noncash stock compensation expense of \$2,766,000. Refer to Note 8 to the financial statements included elsewhere herein.

- *Convertible Debt Noncash Interest Expense.* Interest expense for the periods presented primarily relates to the issuance of 9.00% secured convertible promissory notes, described below. As a result of the automatic conversion of the 2018 Notes (defined below) and the application of conversion accounting, the Company recorded an immediate charge to interest expense of \$1,384,000, representing the write-off of the unamortized balance of debt discounts associated with the 2018 warrants and cash commissions and warrants issued to third parties. Further, as described below, the non-detachable conversion feature embedded in the 2018 Notes provided for a conversion rate that was below market value at the commitment date, and therefore, represented a beneficial conversion feature (defined below). The intrinsic value of the beneficial conversion feature on the IPO closing date, was approximately \$7,067,000, and is reflected as additional interest expense in the statement of operations for fiscal year 2019.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of our financial condition and results of our operations together with our financial statements and the notes thereto appearing elsewhere in this Report. This discussion contains forward-looking statements reflecting our current expectations, whose actual outcomes involve risks and uncertainties. Actual results and the timing of events may differ materially from those stated in or implied by these forward-looking statements due to a number of factors, including those discussed in the sections entitled "Risk Factors," "Special Note Regarding Forward-Looking Statements" and elsewhere in this Report.

General

Super League Gaming is a leading gaming community and content platform that gives everyday gamers and creators multiple ways to connect and engage with others while enjoying the video games they love. Powered by patented, proprietary technology systems, Super League offers players the ability to create gameplay-driven experiences they can share with friends, the opportunity to watch live streaming broadcasts and gameplay highlights across digital and social channels, and the chance to compete in events and challenges designed to celebrate victories and achievements across multiple skill levels. With gameplay and content offerings featuring more than a dozen of the top video game titles in the world, Super League is building a broadly inclusive, global brand at the intersection of gaming, experiences and entertainment. Whether to access its expanding direct audience of young gamers, creators and esports players, or to leverage the company's remote video production division, Virtualis Studios, third parties ranging from consumer brands, video game publishers, professional esports teams, traditional sports organizations, video content producers, and more, are turning to Super League to provide integrated solutions that drive business growth.

Executive Summary

We believe Super League is on the leading edge of the rapidly growing competitive video gaming industry, which has become an established and vital part of the entertainment landscape. We believe there is a significant opportunity for the world of mainstream competitive players and creators who want their own esports and entertainment experience. These players and creators enjoy the competition, the social interaction and community, and the entertainment value associated with playing, creating and watching others play.

Super League is a critically important component in providing the infrastructure for mainstream competitive video gaming content and gameplay, that is synergistic and accretive to the greater esports ecosystem. Over the past five years, we believe we have become the preeminent brand for gamers by providing a proprietary software platform that allows them to create, compete, socialize and spectate gameplay and entertainment, both physically and digitally online. Our creator and player platform generates a significant amount of derivative gameplay content for further syndication beyond our own digital channels.

The fundamental driver of our business model and monetization strategy is creating deep community engagement through our highly personalized experiences that, when coupled with the critical mass of our large digital audiences, provides the depth and volume for premium content and offer monetization differentiated from a more traditional, commoditized advertising model. The combination of our physical venue network and digital programming channels, with Super League's cloud-based, digital products platform technology at the hub, creates the opportunity for not just a share of the player's wallet, but also the advertiser's wallet. We do this by offering brand sponsors and advertisers a premium marketing channel to reach elusive Generation Z and Millennial gamers and creators and offering players ways to access exclusive tournaments and programming.

During fiscal year 2020, management continued to focus on monetization with respect to our three primary revenue streams: (1) advertising revenues, (2) content revenues, and (3) direct to consumer revenues. In addition to the significant strong KPI performance described below, we: (i) continued our focus on our premium advertising model for future monetization of our rapidly growing premium advertising inventory, invested in the expansion of our in-house direct sales team to facilitate delivery, and increased revenues generated from programmatic display and video advertising units; (ii) focused on our swift pivot to accelerate the monetization of our original and user generated content library and remote production and broadcast capabilities, which emerged as a significant component of revenue in 2020; (iii) continued to focus on monetization of the gamer and creator through direct-to-consumer offers, including increases in sales of digital goods, primarily with our Minehut digital property, and the launch of the early stages of a micro-transaction marketplace; and, (iv) began to unlock new ways that our content production technology can extend beyond esports into traditional sports and other entertainment formats representing revenue growth opportunities in future periods. We expect to continue to grow our adverting pipeline across various verticals with the capability to provide brands and advertisers with targeted, high quality integrations that warrant premium costs per impressions (“CPM”) advertising rates.

Super League Gaming experienced its strongest period of audience growth during the challenging time of the COVID-19 pandemic, marked by the reaching of a key 2020 milestone in July 2020; reaching one billion video views and impressions. This key milestone at the time, represented more than a 700% increase over the full fiscal year of 2019, during which we achieved a total of 120 million views. More importantly, as of the end of 2020 we generated a total of 2.0 billion views and impressions.

The ability to generate over one billion views year to date in July 2020, on our way to over two billion views for fiscal 2020, was a key proof point of not only the compelling attractiveness of our content, but also to the variety we are able to offer. We have established ourselves as a leading publisher of user generated gaming highlights on Snapchat and within our Framerate social video network. During 2020, we expanded to nine gameplay highlights channels across Instagram and Tik Tok, produced three original series on InstagramTV, and produced seven original shows on Snapchat that, all together, delivered on average more than 169.0 million video views per month.

During the fiscal year 2020, we experienced a significant increase in registered users, gamer and creator engagement, and gameplay hours across all of our platforms. We believe a driver of the increase was, to a certain extent, the general period of social distancing and mandatory shelter in place orders stemming from the COVID-19 pandemic, during which passionate video gamers and creators around the world sought a competitive outlet, seeking to connect with others around the games they love and turned to esports and entertainment and other online gaming communities to fill the void. We also believe that a driver of the increase is the fact that esports and entertainment is mainstream, which was the case prior to COVID-19, and we expect this trend to continue subsequent to the COVID-19 pandemic. These increases are accelerating our growth plans, and are increasing our opportunities for monetization.

Our video content business is also accelerating on an additional path through the advancement of our proprietary, cloud-based, live content capture and broadcast system, which includes patented technology and fully remote, innovative workflows operated by SuperLeagueTV, our completely virtual studio. Endemic and non-endemic brands and partners have sought out Super League to provide premium, TV-quality production services across a multitude of live streamed events. During 2020, within gaming alone, broadcasts have spanned an impressive mix of game titles including Minecraft, APEX Legends, NBA2K, PUBG Mobile, the World Golf Tour and more.

In connection with the advancement of our content capture and broadcast system, in December 2020 we announced the launch of Virtualis Studios, our fully virtual production studio providing proprietary, state-of-the-art, scalable solutions for video, television, and branded content. We believe that production companies in need of experienced teams with a deep understanding of remote production technologies and systems can rely on Virtualis Studios’ expertise, developed through years of broadcasting multi-location esports events. Whether for the creation and broadcast of premium content, or for monitoring productions from remote locations, Virtualis Studios supports a broad spectrum of critical needs in today’s production environment. Born from cloud-based esports broadcast solutions designed to enable thousands of simultaneous gameplay and player cam feeds to be live streamed across dozens of endpoints, Virtualis Studios specializes in integrating multiple technology solutions to ensure any given project can be produced and monitored successfully on a partially or fully-remote basis. The proprietary infrastructure already supports multiple, concurrent virtual control rooms that are fully operational at any given time, with limitless scalability compared to what is possible within a physical studio and on-site control room.

In response to the COVID-19 pandemic and the related uncertainty, advertisers and sponsors across the board inevitably paused to reset their marketing strategies, and as a result, all companies with business models that include sponsorship and advertising revenues felt the impact of the pause in advertising spend industry-wide. In addition, as a result of COVID-19, we also felt the impact of the deferral of some of the programs in our pipeline and related revenues to future periods. We did not experience any cancellations of existing programs. The majority of our gameplay hours and other engagement occurs digitally, online, so while our “in real life” gaming is a premium and important aspect of our brand, the shift away from retail locations is not expected to have a significant impact on our overall business model over time, which is largely digitally focused.

Although we were impacted by the general deferral in advertising spending by brands and sponsors resulting from the COVID-19 pandemic for a significant portion of fiscal year 2020, we reported significant quarter over quarter growth in revenues in the second half of fiscal 2020 and we expect to continue to expand our advertising revenue and revenue from the sale of our proprietary and third-party user generated content in future periods, as we continue to expand our advertising inventory, viewership and related sales activities.

Key Performance Indicators.

The KPIs driving our business model are related to scalable offers across our digital and physical footprint of gaming-centric offers and entertainment. We focus and report on three key performance indicators (“KPIs”), as outlined below, to assess our progress and drive revenue growth, which is also a key performance indicator. As December 31, 2020, we continued to see strong growth in our leading key performance indicators, as follows:

- *Views and Impressions:* We generated 2.0 billion views and impressions during fiscal year 2020, compared to our full-year 2019 views of 120.0 million, representing an approximately 17 times, or approximately 1600% increase over full year 2019 views. This continued growth in views results in the exponential growth of our total and monetizable advertising inventory, which can increase the number of brands and advertisers attracted to our audience and platform.
- *Registered Users:* During fiscal year 2020, we increased our registered users by approximately three times, or 200%, to 2.9 million registered users. We ended fiscal 2019 with approximately 980,000 registered users. We believe that continuing our trend of significant year over year increases in registered users introduces more gamers and creators into our customer funnel, from whom we can gather higher volumes of quality user generated content and convert into subscribers and/or upsell into other paid offers.
- *Engagement Hours:* During fiscal year 2020, including our live gaming experiences and our expanding digital gameplay channels, we generated approximately 72.2 million hours of gameplay and other engagement, as compared to approximately 15.0 million full year 2019 gameplay and other engagement hours, an increase of approximately 5 times, or 381%. We continue to focus on ways we can repackage and distribute this significant derivative content library for further monetization.

Impact of COVID-19 Pandemic

Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The novel coronavirus and actions taken to mitigate the spread of it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical areas in which the Company operates. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted to amongst other provisions, provide emergency assistance for individuals, families and businesses affected by the coronavirus pandemic. It is unknown how long the adverse conditions associated with the coronavirus will last and what the complete financial effect will be to the Company.

Notwithstanding the growth in revenues and in user engagement metrics discussed herein, the broader impact of the ongoing COVID-19 pandemic on our results of operations and overall financial performance remains uncertain. The COVID-19 pandemic may continue to impact our revenue and revenue growth in future periods, and is likely to continue to adversely impact certain aspects of our business and our partners, including advertising demand, retail expansion plans and our in-person esports experiences. See “Risk Factors” for further discussion of the adverse impacts of the COVID-19 pandemic on our business.

Recent Developments

On March 9, 2021, we entered into an Agreement and Plan of Merger (the "MC Merger Agreement") by and among Mobcrush Streaming, Inc. ("Mobcrush"), Super League Gaming, Inc., and SLG Merger Sub II, Inc., a wholly-owned subsidiary of Super League ("Merger Co"). The MC Merger Agreement provides for the acquisition of Mobcrush by us pursuant to the merger of Merger Co with and into Mobcrush, with Mobcrush as the surviving corporation (the "Merger"). Upon completion of the Merger, Mobcrush will be a wholly-owned subsidiary of Super League Gaming, Inc.

In accordance with the terms and subject to the conditions of the MC Merger Agreement: (A) each outstanding share of Mobcrush common stock ("Mobcrush Common Stock") and Mobcrush preferred stock ("Mobcrush Preferred Stock", and with the Mobcrush Common Stock, the "Mobcrush Stock") (other than dissenting shares) will be canceled and converted into the right to receive (i) 0.528 shares of Super League's common stock ("Company Common Stock"), as determined in the MC Merger Agreement (the "Share Conversion Ratio"), and (ii) any cash in lieu of fractional shares of common stock otherwise issuable under the MC Merger Agreement (the "Merger Consideration"); (B) vested options of Mobcrush will be assumed by Mobcrush and converted into comparable options that are exercisable for shares of Company Common Stock, with a value determined in accordance with the Share Conversion Ratio; and (C) unvested options of Mobcrush will either be (i) assumed by Super League and converted into comparable options that are exercisable for shares of Company Common Stock, with a value as determined by us and Mobcrush prior to the closing of the Merger, or (ii) terminated and re-issued as options that are exercisable for shares of Company Common Stock with a value as determined by us and Mobcrush prior to the closing of the Merger. Subject to certain adjustments and other terms and conditions more specifically set forth in the MC Merger Agreement, we will be issuing 12,582,204 shares of the Company's Common Stock as the Merger Consideration. The MC Merger Agreement contains representations, warranties and covenants of each of the parties thereto that are customary for transactions of this type.

The obligations of Super League and Mobcrush to consummate the Merger are subject to certain closing conditions, including, but not limited to, (i) the approval of Mobcrush's and our shareholders, (ii) Mobcrush and our reaching an agreement as to the treatment of Mobcrush's unvested options exercisable for shares of Mobcrush Common Stock, (iii) receipt of any necessary regulatory approvals, (iv) the execution and delivery of the Support Agreements by the Voting Stockholders, and (v) the execution and delivery of the Registration Rights Agreement.

Critical Accounting Estimates

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. Preparation of our financial statements requires management to make judgments and estimates. Some accounting policies have a significant impact on amounts reported in our financial statements. The SEC has defined a company's critical accounting policies as the ones that are most important to the portrayal of a company's financial condition and results of operations, and which require a company to make its most difficult and subjective judgments. A summary of significant accounting policies and a description of accounting policies that are considered critical may be found in the audited financial statements and notes thereto included elsewhere herein. The following accounting policies were identified during the periods presented, based on activities occurring during the periods presented, as critical and requiring significant judgments and estimates.

Revenue Recognition

Revenue is recognized when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. In this regard, revenue is recognized when: (i) the parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations; (ii) the entity can identify each party's rights regarding the goods or services to be transferred; (iii) the entity can identify the payment terms for the goods or services to be transferred; (iv) the contract has commercial substance (that is, the risk, timing, or amount of the entity's future cash flows is expected to change as a result of the contract); and (v) it is probable that the entity will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Transaction prices are based on the amount of consideration to which we expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, if any. We consider the explicit terms of the revenue contract, which are typically written and executed by the parties, our customary business practices, the nature, timing, and the amount of consideration promised by a customer, in connection with determining the transaction price for our revenue arrangements.

We generate revenues from (i) advertising, serving as a marketing channel for brands and advertisers to reach their target audiences of gamers across our network, (ii) content, curating and distributing esports and entertainment content for our own network of digital channels and media and entertainment partner channels and (iii) direct to consumer offers including digital subscriptions, digital goods, gameplay access fees and merchandise sales.

Revenue billed or collected in advance is recorded as deferred revenue until the event occurs or until applicable performance obligations are satisfied.

Advertising and Sponsorships:

Advertising revenue primarily consists of direct sales activity along with sales of programmatic display and video advertising units to third-party advertisers and exchanges. Advertising arrangements typically include contract terms for time periods ranging from several days to several weeks in length.

For advertising arrangements that include performance obligations satisfied over time, customers typically simultaneously receive and consume the benefits under the arrangement as we satisfy our performance obligations, over the applicable contract term. As such, revenue is recognized over the contract term based upon estimates of progress toward complete satisfaction of the contract performance obligations (typically utilizing a time, effort or delivery-based method of estimation). Revenue from shorter term advertising arrangements that provide for a contractual delivery or performance date is recognized when performance is substantially complete and or delivery occurs. Payments are typically due from customers during the term of the arrangement for longer-term campaigns, and once delivery is complete for shorter-term campaigns.

Sponsorship revenue arrangements may include: exclusive or non-exclusive title sponsorships, marketing benefits, official product status exclusivity, product visibly and additional infrastructure placement, social media rights, rights to on-screen activations and promotions, display material rights, media rights, hospitality and tickets and merchandising rights. Sponsorship revenues also include revenues pursuant to arrangements with brand and media partners, retail venues, game publishers and broadcasters that allow our partners to run amateur esports experiences, and or capture specifically curated gameplay content that is customized for our partners' distribution channels. Sponsorship arrangements typically include contract terms for time periods ranging from several weeks or months to terms of twelve months in length.

For sponsorship arrangements that include performance obligations satisfied over time, customers typically simultaneously receive and consume the benefits under the agreement as we satisfy our performance obligations, over the applicable contract term. As such, revenue is recognized over the contract term based upon estimates of progress toward complete satisfaction of the contract performance obligations (typically utilizing a time, effort or delivery-based method of estimation). Payments are typically due from customers during the term of the arrangement.

Revenue from sponsorship arrangements for one-off branded experiences and/or the development of content tailored specifically for our partners' distribution channels that provide for a contractual delivery or performance date, is recognized at a point in time, when performance is substantially complete and or delivery occurs.

Content:

Content related revenues are generated in connection with our curation and distribution of esports and entertainment content for our own network of digital channels and media and entertainment partner channels. We distribute three primary types of content for syndication and licensing, including: (1) our own original programming content, (2) user generated content ("UGC"), including online gameplay and gameplay highlights, and (3) the creation of content for third parties utilizing our remote production and broadcast technology.

For content arrangements that include performance obligations satisfied over time, customers typically simultaneously receive and consume the benefits under the arrangement as we satisfy our performance obligations, over the applicable contract term. As such, revenue is recognized over the contract term based upon estimates of progress toward complete satisfaction of the contract performance obligations (typically utilizing a time, effort or delivery-based method of estimation). Revenue from shorter term content sales arrangements that provide for a contractual delivery or performance date is recognized when performance is substantially complete and or delivery occurs. Payments are typically due from customers during the term of the arrangement for longer-term campaigns, and once delivery is complete for shorter-term campaigns.

Direct to Consumer:

Direct to consumer revenues primarily consist of digital subscription fees, digital goods, gameplay access fees and merchandise sales. Subscription revenue is recognized in the period the services are rendered. Payments are typically due from customers at the point of sale.

We make estimates and judgments when determining whether we will collect substantially all of the consideration to which we will be entitled in exchange for the goods or services that will be transferred to the customer. We assess the collectability of receivables based on several factors, including past transaction history and the creditworthiness of our customers. If it is determined that collection is not reasonably assured, amounts due are recognized when collectability becomes reasonably assured, assuming all other revenue recognition criteria have been met, which is generally upon receipt of cash for transactions where collectability may have been an issue. Management's estimates regarding collectability impact the actual revenues recognized each period and the timing of the recognition of revenues. Our assumptions and judgments regarding future collectability could differ from actual events and thus materially impact our financial position and results of operations.

Depending on the complexity of the underlying revenue arrangement and related terms and conditions, significant judgments, assumptions and estimates may be required to determine each parties rights regarding the goods or services to be transferred, each parties performance obligations, whether performance obligations are satisfied at a point in time or over time, estimates of completion methodologies, the timing of satisfaction of performance obligations, and the appropriate period or periods in which, or during which, the completion of the earnings process occurs. Depending on the magnitude of specific revenue arrangements, if different judgments, assumptions and estimates are made regarding revenue arrangements in any specific period, our periodic financial results may be materially affected.

Stock-Based Compensation Expense

Compensation expense for stock-based awards is measured at the grant date, based on the estimated fair value of the award, and is recognized as an expense, typically on a straight-line basis over the employee's requisite service period (generally the vesting period of the equity award), which is generally two to four years. Compensation expense for awards with performance conditions that affect vesting is recorded only for those awards expected to vest or when the performance criteria are met. The fair value of restricted stock and restricted stock unit awards is determined by the product of the number of shares or units granted and the grant date market price of the underlying common stock. The fair value of stock option and common stock purchase warrant awards is estimated on the date of grant utilizing the Black-Scholes-Merton option pricing model. We account for forfeitures of awards as they occur.

Grants of equity-based awards (including warrants) to non-employees in exchange for consulting or other services are accounted for using the grant date fair value of the equity instruments issued.

Determining the fair value of stock-based awards at the grant date requires significant estimates and judgments, including estimating the market price volatility of our common stock, determination of grant dates, future employee stock option exercise behavior, estimates of probabilities of vesting and requisite service periods.

Accounting for Business Combinations

In connection with the application of purchase accounting for the acquisition of Framerate, as described above, we estimated the fair values of the assets acquired and liabilities assumed. A fair value measurement is determined as the price we would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. In the absence of active markets for the identical assets or liabilities, such measurements involve developing assumptions based on market observable data and, in the absence of such data, internal information that is consistent with what market participants would use in a hypothetical transaction that occurs at the measurement date. In the context of purchase accounting, the determination of fair value often involves significant judgments and estimates by management, including the selection of valuation methodologies, estimates of future revenues, costs and cash flows, discount rates, and selection of comparable companies. The estimated fair values reflected in the purchase accounting rely on management's judgment and the expertise of a third-party valuation firm engaged to assist in concluding on the fair value measurements.

Results of Operations

The following table sets forth a summary of our statements of operations for the years ended December 31, 2020 and 2019:

	Fiscal Year	
	2020	2019
REVENUES	\$ 2,064,000	\$ 1,084,000
COST OF REVENUES	856,000	513,000
GROSS PROFIT	1,208,000	571,000
OPERATING EXPENSES		
Selling, marketing and advertising	5,403,000	4,488,000
Technology platform and infrastructure	6,647,000	4,915,000
General and administrative	7,901,000	11,938,000
Total operating expenses	19,951,000	21,341,000
NET LOSS FROM OPERATIONS	(18,743,000)	(20,770,000)
OTHER INCOME (EXPENSE), NET	11,000	(9,909,000)
NET LOSS	<u>\$ (18,732,000)</u>	<u>\$ (30,679,000)</u>

Comparison of the Results of Operations for Fiscal Years 2020 and 2019

Revenue

	Fiscal Year		\$ Change	% Change
	2020	2019		
Advertising and sponsorships	\$ 1,170,000	\$ 1,019,000	\$ 151,000	15%
Content	735,000	32,000	703,000	+300%
Direct to consumer	159,000	33,000	126,000	+300%
	<u>\$ 2,064,000</u>	<u>\$ 1,084,000</u>	<u>\$ 980,000</u>	<u>90%</u>

Revenues for fiscal year 2020 increased \$980,000 or 90%, compared to fiscal year 2019. For fiscal year 2020 and 2019, four customers accounted for 49% and five customers accounted for 69% of revenue, respectively.

The increase in revenues primarily reflects significant increases in advertising on our owned and operated digital channels and content sales revenues, compared to the prior year, reflecting our continued focus on the monetization of our increasing premium advertising inventory and esports and entertainment content. The increase was partially offset by a decrease in traditional sponsorship revenues due to the industry wide pause in sponsorship spending and resetting of marketing strategies by brand and sponsors in connection with the uncertainty caused by the COVID-19 pandemic in 2020.

Advertising and sponsorship revenues for fiscal year 2020 increased \$151,000, or 15%, and included revenues from advertising campaigns with Netflix, Inc., or Netflix, in connection with Netflix's "The Sleepover" movie release, and with Disney+ in connection with their animated musical comedy series Phineas and Ferb. The change reflects an increase in advertising revenues of \$502,000, or approximately seven times the fiscal year 2019 level, primarily related to direct sales and programmatic display and video advertising within our Minecraft related digital property, Minehut. Traditional sponsorship revenues decreased \$351,000, or 37%, due to the impacts of the COVID-19 pandemic described earlier. The increase in advertising revenues more than offset the decrease in traditional sponsorship revenues.

Content related revenues increased to \$703,000, or greater than 300% in fiscal year 2020, as compared to \$32,000 in fiscal year 2019. The increase was primarily driven by an increase in sales of our proprietary and user generated content, primarily with Snap Inc., and Cox Media, and live stream broadcast related content sales activities with Topgolf and GenG during fiscal year 2020.

Although we were impacted by the general deferral in advertising spending by brands and sponsors resulting from the COVID-19 pandemic for a significant portion of fiscal year 2020, we reported significant quarter over quarter growth in total revenues in the second half of fiscal 2020 and we expect to continue to expand our advertising revenue and revenue from the sale of our proprietary and user generated content in future periods, as we continue to expand our premium advertising inventory, viewership and related sales activities.

Direct to consumer revenues were primarily comprised of revenues generated from our Minehut digital property, which provides various Minecraft server hosting services on a subscription basis and other digital goods to the Minecraft gaming community. Direct to consumer revenues for fiscal year 2020 increased \$126,000, or greater than 300%, compared to fiscal year 2019. The increase in direct to consumer revenues reflects our continued focus on the acceleration of our direct to consumer monetization.

Cost of Revenue

	Fiscal Year		\$ Change	% Change
	2020	2019		
Cost of revenue	\$ 856,000	\$ 513,000	\$ 343,000	67%

Cost of revenue for fiscal year 2020 increased \$343,000, or 67% compared to fiscal year 2019, as compared to the 90% increase in related revenues for the same periods. The less than proportionate increase in cost of revenue was driven by a significant increase in lower cost advertising and third party content sales revenues in fiscal year 2020. In addition, as a result of the various shelter in place orders in connection with the global response to the COVID-19 pandemic, we reduced our physical / in-person gaming activities during fiscal year 2020, which typically have higher direct cost profiles, which to a lesser extent, also contributed to the less than proportionate increase in cost of revenue for the periods presented.

Cost of revenues fluctuate period to period based on the specific programs and revenue streams contributing to revenue each period and the related cost profile of our physical and digital experiences, and advertising and content sales activities occurring each period.

Operating Expenses

	Fiscal Year		\$ Change	% Change
	2020	2019		
Selling, marketing and advertising	\$ 5,403,000	\$ 4,488,000	\$ 915,000	20%
Technology platform and infrastructure	6,647,000	4,915,000	1,732,000	35%
General and administrative	7,901,000	11,938,000	(4,037,000)	(34)%
Total operating expenses	\$ 19,951,000	\$ 21,341,000	\$ (1,390,000)	(7)%

Noncash stock-based compensation expense for the periods presented was included in the following operating expense line items:

	Fiscal Year		\$ Change	% Change
	2020	2019		
Selling, marketing and advertising	\$ 849,000	\$ 635,000	\$ 214,000	34%
Technology platform and infrastructure	254,000	129,000	125,000	97%
General and administrative	901,000	5,453,000	(4,552,000)	(83)%
Total operating expenses	\$ 2,004,000	\$ 6,217,000	\$ (4,213,000)	(68)%

Selling, Marketing and Advertising. The increase in selling, marketing and advertising expense for fiscal year 2020 was primarily due to an increase in personnel costs, including noncash stock compensation, associated with the increase in our in-house direct sales force focused on the monetization of our increasing premium advertising inventory and audience across our digital properties. The increase was partially offset by a reduction in marketing costs related to our traditional physical / in-person activities due to the impact of the COVID-19 pandemic on physical / in-person activities.

Technology Platform and Infrastructure. Technology platform and infrastructure costs include (i) allocated personnel costs, including salaries, noncash stock compensation, taxes and benefits related to our internal software developers and engineers, employed by Super League, engaged in the operation, maintenance, management, administration, testing, development and enhancement of our proprietary gaming and content technology platform, (ii) third-party contract software development and engineering resources engaged in developing and enhancing our proprietary gaming and content technology platform, (iii) the amortization of capitalized internal use software costs, and (iv) technology platform related cloud services, broadband and other technology platform costs. Capitalized internal use software development costs are amortized on a straight-line basis over the software's estimated useful life. The increase in technology platform and infrastructure costs for fiscal year 2020 primarily reflects an increase in cloud services and other technology platform costs totaling \$1,592,000, which primarily reflects the impact of the surge in engagement across our digital properties as described earlier, quarterly fees paid to a third party under a licenses and rights agreement, as amended, totaling \$175,000, and the acceleration of amortization related to the termination of certain rights and licenses in connection with amendments to our arrangement with a third party, totaling \$413,000, as described at Note 4 to our financial statements elsewhere herein. The increase in technology platform and infrastructure costs was partially offset by a decrease in broadband costs totaling \$268,000 for fiscal year 2020, as compared to fiscal year 2019.

General and Administrative. General and administrative expense for the periods presented was comprised of the following:

	Fiscal Year		\$ Change	% Change
	2020	2019		
Personnel costs	\$ 2,454,000	\$ 2,436,000	\$ 18,000	1%
Office and facilities	247,000	403,000	(156,000)	(39)%
Professional fees	704,000	842,000	(138,000)	(16)%
Stock-based compensation	901,000	5,453,000	(4,552,000)	(83)%
Depreciation and amortization	229,000	436,000	(207,000)	(-47)%
Other	3,366,000	2,368,000	998,000	42%
Total general and administrative expense	\$ 7,901,000	\$ 11,938,000	\$ (4,037,000)	(34)%

A summary of the main drivers of the net increase in general and administrative expenses for the periods presented is as follows:

- Office and facilities costs decreased due to the termination of our lease for approximately 75% of our office space in Santa Monica, California, and converting to a fully remote work structure, resulting in significant rent and facilities costs savings commencing in the third quarter of 2020 and going forward.
- Professional fees expense decreased primarily due to a reduction in IPO and acquisition related professional fees in fiscal year 2020.
- Noncash stock compensation expense included in general and administrative expense decreased 83%, primarily due to certain performance options and warrants previously granted to certain executives, which vested upon the achievement of certain performance-based milestones in fiscal year 2019. Performance targets included the completion of our IPO in February 2019 and other 2019 operational performance targets. During fiscal year 2019, approximately 300,000 of performance-based stock options and warrants vested with grant date fair values ranging from \$8.28 to \$8.50, resulting in noncash stock compensation expense of \$2,617,000. The decrease also reflects a reduction of the average fair value of options and restricted shares expensed in fiscal year 2020 to approximately \$3.34, from approximately \$8.34 for fiscal year 2019.
- Depreciation and amortization expense decreased due primarily to a decrease in scheduled amortization related to fully depreciated assets with useful lives that expired during fiscal 2020 or prior, and the acceleration of depreciation related to certain networking and related equipment disposed of during fiscal 2019.
- Other general and administrative expenses increased primarily due to an increase in public company related directors and officer's ("D&O") insurance premiums and a full fiscal year of D&O insurance and other public company costs, partially offset by a decrease in travel related expenses due to the COVID-19 pandemic.

Other Income (expense)

Other income (expense), net, for fiscal year 2020 and 2019, was \$11,000 and (\$9,909,000), respectively. Other income and expense, net for fiscal year 2019 was primarily comprised of interest expense related to convertible notes outstanding as of the IPO Closing Date, as follows:

	Fiscal Year		\$ Change	% Change
	2020	2019		
Accretion of discount on convertible notes	\$ -	\$ 2,475,000	\$ (2,475,000)	(100)%
Accrued interest expense on convertible notes	-	187,000	(187,000)	(100)%
Accretion of convertible note issuance costs	-	209,000	(209,000)	(100)%
Beneficial conversion feature	-	7,067,000	(7,067,000)	(100)%
Total interest expense	\$ -	\$ 9,938,000	\$ (9,938,000)	(100)%

Interest Expense. Interest expense for fiscal year 2019 primarily relates to the issuance of 9.00% secured convertible promissory notes, commencing in February 2018 through August 2018, as described below under *Liquidity and Capital Resources*. Principal and interest as of February 27, 2019, the IPO Closing Date totaled \$13,793,000. Concurrent with the closing of the IPO on February 27, 2019, in accordance with the related agreements, all outstanding principal and interest for the 9.00% convertible notes outstanding was automatically converted into 1,475,164 shares of the Company's common stock at a conversion price of \$9.35. As a result of the automatic conversion of the 2018 Notes (defined below) and the application of conversion accounting, the Company recorded an immediate charge to interest expense of \$1,384,000, representing the write-off of the unamortized balance of debt discounts associated with the 2018 warrants and cash commissions and warrants issued to third parties. Unamortized debt discounts at December 31, 2018 totaled \$2,684,000, respectively.

The non-detachable conversion feature embedded in the 2018 Notes provides for a conversion rate that was below market value at the commitment date, and therefore, represented a beneficial conversion feature (“BCF”). The BCF is generally recognized separately at issuance by allocating a portion of the debt proceeds equal to the intrinsic value of the BCF to additional paid-in capital. The resulting convertible debt discount is recognized as interest expense using the effective yield method. However, the conversion feature associated with the 2018 Notes was not exercisable until the consummation of an initial public offering by the Company of its common stock, and therefore, was not required to be recognized in earnings until the IPO related contingency was resolved, which occurred on the IPO Closing Date. The commitment date is the IPO Closing Date and the commitment date stock price was \$11.00 per share. The intrinsic value of the BCF on the IPO Closing Date, which was limited to the net proceeds allocated to the debt on a relative fair value basis, was approximately \$7,067,000, and is reflected as additional interest expense in the statement of operations for the year ended December 31, 2019.

Liquidity and Capital Resources

General

Cash and cash equivalents totaled \$7.9 million and \$8.4 million at December 31, 2020 and 2019, respectively.

To date, our principal sources of capital used to fund our operations have been the net proceeds we received from sales of equity securities, including our IPO, and proceeds received from the issuance of convertible debt (2018 and prior), as described elsewhere herein. Our management believes that our cash balances will be sufficient to meet our cash requirements through at least March 2022. We may, however, encounter unforeseen difficulties that may deplete our capital resources more rapidly than anticipated, including those set forth under the heading “Risk Factors” included in Part I, Item 1A of this Report.

We are focused on expanding our service offerings and revenue growth opportunities through internal development, collaborations, and through one or more strategic acquisitions. We continue to evaluate potential strategic acquisitions. To finance such strategic acquisitions, we may find it necessary to raise additional equity capital, incur additional debt, or both. Any efforts to seek additional funding could be made through issuances of equity or debt, or other external financing. However, additional funding may not be available on favorable terms, or at all. The capital and credit markets have experienced extreme volatility and disruption periodically and such volatility and disruption may occur in the future. If we fail to obtain additional financing when needed, we may not be able to execute our business plans which, in turn, would have a material adverse impact on our financial condition, our ability to meet our obligations, and our ability to pursue our business strategies.

Recent Activities

As described above, on March 9, 2021, we entered into the MC Merger Agreement by and among Mobcrush, Super League Gaming, Inc., and Merger Co. The MC Merger Agreement provides for the acquisition of Mobcrush by us pursuant to the merger of Merger Co with and into Mobcrush, with Mobcrush as the surviving corporation. Upon completion of the Merger, Mobcrush will be a wholly-owned subsidiary of Super League Gaming, Inc. In accordance with the terms and subject to the conditions of the MC Merger Agreement, each outstanding share of Mobcrush Stock will be canceled and converted into the right to receive 0.528 shares of Super League’s common stock, as determined in the MC Merger Agreement. Subject to certain adjustments and other terms and conditions more specifically set forth in the MC Merger Agreement, we will be issuing 12,582,204 shares of our common stock as the merger consideration. The obligations of Super League and Mobcrush to consummate the Merger are subject to certain closing conditions, including, but not limited to the approval of Mobcrush’s and our shareholders,

In February 2021, we entered into securities purchase agreements with institutional investors for the registered direct offering of an aggregate of 2,926,830 shares of the Company’s common stock, par value \$0.001 per share, at a purchase price of \$4.10 per share. The offering closed on February 11, 2021, and resulted in gross proceeds to the Company of \$12.0 million. The shares were offered pursuant to an effective shelf registration statement on Form S-3, which was originally filed with the SEC on April 10, 2020 (File No. 333-237626).

In January 2021, we entered into securities purchase agreements with institutional investors for the registered direct offering of an aggregate of 3,076,924 shares of our common stock at a purchase price of \$2.60 per share. The offering closed on January 13, 2021, and resulted in gross proceeds to the Company of \$8.0 million. The offering was conducted pursuant to an effective shelf registration statement on Form S-3, which was originally filed with the SEC on April 10, 2020 (File No. 333-237626).

Cash Flows for Fiscal Years 2020 and 2019

The following table summarizes the change in cash balances for the periods presented:

	Fiscal Year	
	2020	2019
Net cash used in operating activities	\$ (14,876,000)	\$ (13,646,000)
Net cash used in investing activities	(1,190,000)	(3,164,000)
Net cash provided by financing activities	15,566,000	22,478,000
(Decrease) increase in cash	(500,000)	5,668,000
Cash and cash equivalents, at beginning of period	8,442,000	2,774,000
Cash and cash equivalents, at end of period	\$ 7,942,000	\$ 8,442,000

Cash Flows from Operating Activities. Net cash used in operating activities during fiscal year 2020 was \$14,876,000, which primarily reflected our net GAAP loss for fiscal year 2020 of \$18,732,000, net of adjustments to reconcile net GAAP loss to net cash used in operating activities of \$3,856,000, which included \$2,004,000 of noncash stock compensation charges and depreciation and amortization of \$1,368,000. Changes in working capital primarily reflected the impact of the settlement of receivables and payables in the ordinary course. Net cash used in operating activities during fiscal year 2019 was \$13,646,000, which primarily reflected our net GAAP loss of \$30,679,000, net of adjustments to reconcile net GAAP loss to net cash used in operating activities of \$17,033,000, which included \$6,217,000 of noncash stock compensation charges, \$2,871,000 of noncash accrued interest and accretion of debt discount, \$7,067,000 of noncash interest expense related to the recognition of the beneficial conversion feature upon the automatic conversion of the 2018 Notes upon close of the IPO, and depreciation and amortization of \$862,000. Changes in working capital primarily reflected the impact of the prepayment of increased directors and officer's insurance premiums in connection with the consummation of our IPO and the settlement of payables in the ordinary course.

Cash Flows from Investing Activities. Cash flows from investing activities were comprised of the following for the periods presented:

	Fiscal Year	
	2020	2019
Cash paid for acquisition of Framerate, net	\$ -	\$ (1,506,000)
Purchase of property and equipment	(9,000)	(73,000)
Capitalization of software development costs	(1,035,000)	(1,079,000)
Acquisition of other intangible and other assets	(146,000)	(506,000)
Net cash used in investing activities	\$ (1,190,000)	\$ (3,164,000)

Acquisition of Framerate, Inc. On June 3, 2019, Super League Gaming, Inc. and SLG Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Merger Sub"), entered into an agreement and plan of merger (the "Merger Agreement") with Framerate, Inc., a Delaware corporation ("Framerate"), pursuant to which Framerate merged with and into Merger Sub, with Merger Sub continuing as the surviving corporation (the "Acquisition"). The Acquisition was consummated on June 6, 2019 when the certificate of merger of Merger Sub and Framerate was filed with the Secretary of State of the State of Delaware (the "Effective Date"). As consideration for the Acquisition, the Company ratably paid and/or issued to the former shareholders of Framerate an aggregate of (i) \$1.5 million paid in cash and (ii) \$1.0 million paid by the issuance of a total of 134,422 shares of the Company's common stock, at a price per share of \$7.4395 (the "Closing Shares"). The Merger Sub was dissolved subsequent to the consummation of the Acquisition.

In addition to the issuance of the Closing Shares, the Merger Agreement provided for the issuance of up to an additional \$980,000 worth of shares of the Company's common stock at the same price per share as the Closing Shares (the "Earn-Out Shares") in the event Framerate achieves certain performance-based milestones during the two-year period following the closing of the Acquisition, or June 6, 2021 (the "Earn-Out"). One-half of the Earn-Out Shares are issuable on the one-year anniversary of the Effective Date, and the remaining one-half are issuable on the second anniversary of the Effective Date. In June 2020, we issued an additional 32,936 shares of our common stock to the former shareholders of Framerate in connection with the achievement of certain components of the year-one earn-out related performance milestones.

Expanded Agreement with Third Party. In September 2019, the Company and a third party entered into an expanded commercial partnership agreement (the "Expanded Agreement") pursuant to which Super League became the primary consumer-facing brand within the third party's B2B gaming center software platform. In consideration for the rights granted by the third party to Super League, Super League paid an upfront fee of \$340,000. The upfront fee was included as "Licenses" in intangible assets and other assets, net, in the accompanying balance sheet (2019 only) and was being amortized over the initial term of the Expanded Agreement of five years, commencing October 1, 2019.

In April 2020, we amended our arrangement with the third party terminating certain rights and licenses from the prior agreement, as amended, focused on in-person play in gaming centers, and securing other rights and licenses from the third party, focused on online play at home. As a result of the termination of the rights and licenses related to the prior arrangement, the Company accelerated the amortization of the remaining balance related to the prior rights and licenses included in "Licenses" above, totaling \$306,000, and certain capitalized internal use software development costs totaling \$107,000, which are included in technology platform and infrastructure expense in the accompanying statement of operations for the year ended December 31, 2020.

Capitalized Internal Use Software Costs. Software development costs incurred to develop internal-use software during the application development stage are capitalized and amortized on a straight-line basis over the software's estimated useful life, which is generally three years. Software development costs incurred during the preliminary stages of development are charged to expense as incurred. Maintenance and training costs are charged to expense as incurred. Upgrades or enhancements to existing internal-use software that result in additional functionality are capitalized and amortized on a straight-line basis over the applicable estimated useful life.

Cash Flows from Financing Activities. Cash flows from financing activities were comprised of the following for the periods presented:

	Fiscal Year	
	2020	2019
Proceeds from issuance of common stock, net of issuance costs	\$ 14,356,000	\$ 22,458,000
Proceeds from notes payable	1,200,000	-
Proceeds from common stock options and purchase warrant exercises	10,000	20,000
Net cash provided by financing activities	\$ 15,566,000	\$ 22,478,000

Equity Financings

In August 2020, the Company issued 4,540,541 shares of common stock at a price of \$1.85 per share, raising aggregate net proceeds of approximately \$7.6 million, after deducting placement agent fees of \$588,000 and other offering expenses totaling \$180,000. The offering was conducted pursuant to the Company's effective Registration Statements on Form S-1 (File No. 333-248248), and a related registration statement filed pursuant to Rule 462(b) under the Securities Act. In addition, pursuant to the terms of the related underwriting agreement, the Company granted to the underwriter a 30-day over-allotment option to purchase up to an additional 681,081 Shares at the same public offering price per share, less discounts and commissions, which was partially exercised in September 2020, resulting in the issuance of 448,440 shares and net proceeds of \$771,000, after deducting placement agent fees of \$58,000. The net proceeds from this offering were for working capital and other general corporate purposes, including sales and marketing activities, product development and capital expenditures. Net proceeds from this offering were also available for use in connection with the acquisition of, or investment in, technologies, solutions or businesses that may complement our business and or accelerate our growth.

In May 2020, the Company issued 1,825,000 shares of common stock at a price of \$3.50 per share, raising aggregate net proceeds of approximately \$6.0 million, after deducting placement agent fees of \$319,000 and other offering expenses totaling \$116,000, pursuant to a registered direct offering. The net proceeds are for working capital and other general corporate purposes, including sales and marketing activities, product development and capital expenditures. Net proceeds from this offering were also available for use in connection with the acquisition of, or investment in, technologies, solutions or businesses that may complement our business and or accelerate our growth.

On February 27, 2019, we completed our IPO, pursuant to which we issued and sold an aggregate of 2,272,727 shares of our common stock at a public offering price of \$11.00 per share pursuant to a registration statement on Form S-1, declared effective by the SEC on February 25, 2019 (File No. 333-229144). We raised net proceeds of approximately \$22,458,000 after underwriting discounts, commissions and other offering costs of \$2,542,000.

Concurrent with the closing of the IPO on February 27, 2019, in accordance with the underlying agreements, all outstanding principal and interest for the 9.00% convertible notes outstanding, totaling \$13,793,000, was automatically converted into 1,475,164 shares of the Company's common stock at a conversion price of \$9.35.

CARES Act

As noted above, on May 4, 2020, we entered into the potentially forgivable PPP Loan from the SBA, pursuant to the PPP program enacted under the CARES Act, resulting in net proceeds of approximately \$1.2 million. To facilitate the PPP Loan, we entered into the PPP Loan Agreement with a third-party lender.

The PPP Loan matures on May 4, 2022. However, under the CARES Act and the PPP Loan Agreement, all payments of both principal and interest will be deferred until at least December 4, 2020. The PPP Loan accrues interest at a rate of 1.00% per annum, and interest will continue to accrue throughout the period the PPP Loan is outstanding, or until it is forgiven. We are eligible to apply for forgiveness of all loan proceeds used to pay payroll costs and other qualifying expenses during the 24-week period following receipt of the loan, provided that the Company maintains its employment and compensation within certain parameters during such period. Any amounts forgiven will not be included in the Company's taxable income. As specifically intended under the program, the PPP Loan, together with our cost savings initiatives, helped us to continue operations without salary reductions, layoffs or furloughs, during this challenging and uncertain economic environment created by the COVID-19 pandemic.

The PPP Loan is accounted for as a financial liability in accordance with FASB ASC 470, "*Debt*" and interest is accrued in accordance with the interest method. Additional interest is not imputed at a market rate pursuant to a scope exception for interest rates prescribed by governmental agencies under the applicable guidance.

The proceeds from the PPP Loan are recorded as a long-term liability on the balance sheet until either (1) the loan is, in part or wholly, forgiven and the company has been "legally released" or (2) the Company pays off the loan to the creditor. Once the loan is, in part or wholly, forgiven, and legal release is received, the Company will reduce the liability by the amount forgiven and record a gain on extinguishment in the statement of operations in the period of extinguishment.

Contractual Obligations

As of December 31, 2020, except as described below, we had no significant commitments for capital expenditures, nor do we have any committed lines of credit, noncancelable operating leases obligations, other committed funding or long-term debt, and no guarantees.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any off-balance sheet financial guarantees or other off-balance sheet commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as stockholder's equity or that are not reflected in our financial statements included elsewhere herein. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Contingencies

Certain conditions may exist as of the date the 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's management, in consultation with its legal counsel as appropriate, 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, in consultation with legal counsel, 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 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 financial statements. If the assessment indicates a potentially material loss contingency is not probable, but is reasonably possible, or is probable, but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the guarantees would be disclosed.

Recent Accounting Pronouncements

Refer to Note 2 to the financial statements included elsewhere herein.

Relaxed Ongoing Reporting Requirements

Upon the completion of our IPO, we elected to report as an “emerging growth company” (as defined in the JOBS Act) under the reporting rules set forth under the Exchange Act. For so long as we remain an “emerging growth company,” we may take advantage of certain exemptions from various reporting requirements that are applicable to other Exchange Act reporting companies that are not “emerging growth companies,” including but not limited to:

- not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act;
- taking advantage of extensions of time to comply with certain new or revised financial accounting standards;
- being permitted to comply with reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements; and
- being exempt from the requirement to hold a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved.

We are subject to ongoing public reporting requirements that are less rigorous than Exchange Act rules for companies that are not “emerging growth companies,” and our stockholders could receive less information than they might expect to receive from more mature public companies.

We expect to take advantage of these reporting exemptions until we are no longer an emerging growth company. We will remain an “emerging growth company” for up to five years, although if the market value of our Common Stock that is held by non-affiliates exceeds \$700 million as of any June 30 before that time, we would cease to be an “emerging growth company” as of the following December 31.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the ordinary course of our business, we are not currently exposed to market risk of the sort that may arise from changes in interest rates or foreign currency exchange rates, or that may otherwise arise from transactions in derivatives.

The preparation of financial statements in conformity with GAAP requires our management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company’s significant estimates and assumptions include the fair value of the Company’s common stock, stock-based compensation, the recoverability and useful lives of long-lived assets, and the valuation allowance relating to the Company’s deferred tax assets.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and related financial information required to be filed hereunder are indexed under Item 15 of this report and are incorporated herein by reference.

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

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2020. Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of December 31, 2020.

Limitations on Effectiveness of Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance of achieving the desired control objectives. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. The design of a control system must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Management's Report on Internal Control over Financial Reporting

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is 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. This process includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

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

Management's Assessment of the Effectiveness of our Internal Control Over Financial Reporting

Management has evaluated the effectiveness of our internal control over financial reporting as of December 31, 2020. In conducting its evaluation, management used the framework set forth in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under such framework, our management has concluded that our internal control over financial reporting was effective as of December 31, 2020.

Report of Independent Registered Public Accounting Firm

We are an "emerging growth company," as defined in Rule 405 of the Securities Act and, accordingly, we are not required to provide the attestation report of our independent registered public accounting firm on our internal control over financial reporting required by Item 308(b) of Regulation S-K.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Except as provided below, in accordance with General Instruction G(3) to Form 10-K, certain information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of stockholders to be filed with the SEC no later than April 30, 2021.

ITEM 11. EXECUTIVE COMPENSATION.

Except as provided below, in accordance with General Instruction G(3) to Form 10-K, certain information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of stockholders to be filed with the SEC no later than April 30, 2021.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Except as provided below, in accordance with General Instruction G(3) to Form 10-K, certain information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of stockholders to be filed with the SEC no later than April 30, 2021.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Except as provided below, in accordance with General Instruction G(3) to Form 10-K, certain information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of stockholders to be filed with the SEC no later than April 30, 2021.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Except as provided below, in accordance with General Instruction G(3) to Form 10-K, certain information required by this Item is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of stockholders to be filed with the SEC no later than April 30, 2021.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Exhibit No.	Name	Incorporation by Reference
2.1	Agreement and Plan of Merger Agreement and Plan of Merger by and among Super League Gaming, Inc., SLG Merger Sub, Inc. and Framerate, Inc.	Exhibit 2.1 to the Current Report on Form 8-K, filed on June 7, 2019.
3.1	Second Amended and Restated Certificate of Incorporation of Super League Gaming, Inc., dated November 19, 2018.	Exhibit 3.1 to the Registration Statement, filed on January 4, 2019
3.2	Second Amended and Restated Bylaws of Super League Gaming, Inc.	Exhibit 3.2 to the Registration Statement, filed on January 4, 2019
3.3	Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Super League Gaming, Inc., dated February 8, 2019.	Exhibit 3.3 to the Amendment No. 2 to the Registration Statement , filed on February 12, 2019
4.1	Form of Common Stock Certificate.	Exhibit 4.1 to the Amendment No. 2 to the Registration Statement , filed on February 12, 2019
4.2	Form of Registration Rights Agreement, among Super League Gaming, Inc. and certain accredited investors.	Exhibit 4.2 to the Registration Statement on Form S-1 , filed on January 4, 2019
4.3	Common Stock Purchase Warrant dated June 16, 2017 issued to Ann Hand.	Exhibit 4.3 to the Registration Statement on Form S-1, filed on January 4, 2019
4.4	Form of 9.00% Secured Convertible Promissory Note.	Exhibit 4.4 to the Registration Statement on Form S-1, filed on January 4, 2019
4.5	Form of Callable Common Stock Purchase Warrant, issued to certain accredited investors.	Exhibit 4.5 to the Registration Statement on Form S-1, filed on January 4, 2019
4.6	Form of Representative's Warrant.	Exhibit 4.6 to the Amendment No. 2 to the Registration Statement on Form S-1, filed on February 12, 2019
10.1†	Super League Gaming, Inc. Amended and Restated 2014 Stock Option and Incentive Plan.	Exhibit 10.1 to the Registration Statement , filed on January 4, 2019
10.2†	Form of Stock Option Agreement under 2014 Stock Option and Incentive Plan.	Exhibit 10.2 to the Registration Statement , filed on January 4, 2019
10.3	Subscription Agreement, among Nth Games, Inc. and certain accredited investors.	Exhibit 10.3 to the Registration Statement , filed on January 4, 2019
10.4	Subscription Agreement, among Super League Gaming, Inc. and certain accredited investors.	Exhibit 10.4 to the Registration Statement, filed on January 4, 2019
10.5	Form of Theater Agreement, filed herewith.	Exhibit 10.5 to the Registration Statement , filed on January 4, 2019
10.6	Lease between Super League Gaming, Inc. and Roberts Business Park Santa Monica LLC, dated June 1, 2016.	Exhibit 10.6 to the Registration Statement, filed on January 4, 2019
10.7+	License Agreement between Super League Gaming, Inc. and Riot Games, Inc., dated June 22, 2016.	Exhibit 10.7 to the Registration Statement , filed on January 4, 2019
10.8+	Amended and Restated License Agreement between Super League Gaming, Inc. and Mojang AB, dated August 1, 2016.	Exhibit 10.8 to the Registration Statement , filed on January 4, 2019
10.9+	Master Agreement between Super League Gaming, Inc. and Viacom Media Networks, dated June 9, 2017.	Exhibit 10.9 to the Registration Statement, filed on January 4, 2019
10.10	Form of Common Stock Purchase Agreement, among Super League Gaming, Inc. and certain accredited investors.	Exhibit 10.10 to the Registration Statement , filed on January 4, 2019
10.11	Form of Investors' Rights Agreement, among Super League Gaming, Inc. and certain accredited investors.	Exhibit 10.11 to the Registration Statement, filed on January 4, 2019
10.12†	Employment Agreement, between Super League Gaming, Inc. and Ann Hand, dated June 16, 2017.	Exhibit 10.12 to the Registration Statement , filed on January 4, 2019
10.13†	Employment Agreement, between Super League Gaming, Inc. and David Steigelfest, dated October 31, 2017.	Exhibit 10.13 to the Registration Statement, filed on January 4, 2019
10.14	Riot Games, Inc. Extension Letter, dated November 21, 2017.	Exhibit 10.14 to the Registration Statement, filed on January 4, 2019
10.15	Form of Note Purchase Agreement, among Super League Gaming, Inc. and certain accredited investors.	Exhibit 10.15 to the Registration Statement , filed on January 4, 2019
10.16	Form of Security Agreement, between Super League Gaming, Inc. and certain accredited investors.	Exhibit 10.16 to the Registration Statement, filed on January 4, 2019
10.17	Form of Intercreditor and Collateral Agent Agreement, among Super League Gaming, Inc. and certain accredited investors.	Exhibit 10.17 to the Registration Statement , filed on January 4, 2019

10.18	Form of Investors' Rights Agreement (9% Secured Convertible Promissory Notes), among Super League Gaming, Inc. and certain accredited investors.	Exhibit 10.18 to the Registration Statement , filed on January 4, 2019
10.19	Master Service Agreement and Initial Statement of Work between Super League Gaming, Inc. and Logitech Inc., dated March 1, 2018.	Exhibit 10.19 to the Registration Statement , filed on January 4, 2019
10.20	Asset Purchase Agreement, between Super League Gaming, Inc. and Minehut, dated June 22, 2018.	Exhibit 10.20 to the Registration Statement , filed on January 4, 2019
10.21†	Amended and Restated Employment Agreement, between Super League Gaming, Inc. and Ann Hand, dated November 15, 2018.	Exhibit 10.21 to the Registration Statement , filed on January 4, 2019
10.22†	Amended and Restated Employment Agreement, between Super League Gaming, Inc. and David Steigelfest, dated November 1, 2018.	Exhibit 10.22 to the Registration Statement , filed on January 4, 2019
10.23†	Employment Agreement, between Super League Gaming, Inc. and Matt Edelman, dated November 1, 2018.	Exhibit 10.23 to the Registration Statement , filed on January 4, 2019
10.24†	Employment Agreement, between Super League Gaming, Inc. and Clayton Haynes, dated November 1, 2018.	Exhibit 10.24 to the Registration Statement , filed on January 4, 2019
10.25++	Commercial Partnership Agreement between Super League Gaming, Inc., and ggCircuit, LLC, dated September 23, 2019.	Exhibit 10.1 to the Quarterly Report on Form 10-Q for the period ended September 30, 2019, filed November 14, 2019.
14.1	Super League Gaming, Inc. Code of Business Conduct and Ethics.	Exhibit 14.1 to the Registration Statement , filed on January 4, 2019
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.	
31.2*	Certification of Principal Financial and Accounting Officer Pursuant to Section 302 of the Sarbanes-Oxley Act.	
32*	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act.	

101.INS XBRL Instance Document.

101.SCHXBRL Taxonomy Extension Schema Document.

101.CALXBRL Taxonomy Calculation Linkbase Document.

101.DEF XBRL Taxonomy Extension Definition Document.

101.LABXBRL Taxonomy Label Linkbase Document.

101.PRE XBRL Taxonomy Presentation Linkbase Document.

* Filed herewith.

† Identifies exhibits that consist of a management contract or compensatory plan or arrangement.

+ Confidential treatment has been requested for certain confidential portions of this exhibit pursuant to Rule 406 under the Securities Act of 1933, as amended, and Rule 24b-2 under the Securities Exchange Act of 1934, as amended (together, the "Rules"). In accordance with the Rules, these confidential portions have been omitted from this exhibit and filed separately with the Securities and Exchange Commission.

++ Certain portions of this exhibit (indicated by "[****]") have been omitted as the Company has determined (i) the omitted information is not material and (ii) the omitted information would likely cause harm to the Company if publicly disclosed.

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SUPER LEAGUE GAMING, INC.**

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Super League Gaming, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of Super League Gaming, Inc. (the Company) as of December 31, 2020 and 2019, the related statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements (collectively, 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, 2020 and 2019, 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 U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the 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/ Baker Tilly US, LLP

We have served as the Company's auditor since 2016.

Irvine, California
March 19, 2021

SUPER LEAGUE GAMING, INC.
BALANCE SHEETS
DECEMBER 31, 2020 and 2019

	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 7,942,000	\$ 8,442,000
Accounts receivable	588,000	293,000
Prepaid expenses and other current assets	837,000	924,000
Total current assets	9,367,000	9,659,000
Property and Equipment, net	138,000	239,000
Intangible and Other Assets, net	1,907,000	1,984,000
Goodwill	2,565,000	2,565,000
Total assets	\$ 13,977,000	\$ 14,447,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	\$ 1,829,000	\$ 853,000
Deferred revenue	-	151,000
Total current liabilities	1,829,000	1,004,000
Long-term note payable	1,208,000	-
Total liabilities	3,037,000	1,004,000
Commitments and Contingencies (Note 10)		
Stockholders' Equity		
Preferred stock, par value \$0.001 per share; 10,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, par value \$0.001 per share; 100,000,000 shares authorized; 15,483,010 and 8,573,922 shares issued and outstanding as of December 31, 2020 and 2019, respectively.	25,000	18,000
Additional paid-in capital	115,459,000	99,237,000
Accumulated deficit	(104,544,000)	(85,812,000)
Total stockholders' equity	10,940,000	13,443,000
Total liabilities and stockholders' equity	\$ 13,977,000	\$ 14,447,000

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

SUPER LEAGUE GAMING, INC.
STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
REVENUES	\$ 2,064,000	\$ 1,084,000
COST OF REVENUES	<u>856,000</u>	<u>513,000</u>
GROSS PROFIT	1,208,000	571,000
OPERATING EXPENSES		
Selling, marketing and advertising	5,403,000	4,488,000
Technology platform and infrastructure	6,647,000	4,915,000
General and administrative	7,901,000	11,938,000
Total operating expenses	<u>19,951,000</u>	<u>21,341,000</u>
NET OPERATING LOSS	<u>(18,743,000)</u>	<u>(20,770,000)</u>
OTHER INCOME (EXPENSE)		
Interest expense	(8,000)	(9,938,000)
Other	19,000	29,000
Total other income (expense)	<u>11,000</u>	<u>(9,909,000)</u>
NET LOSS	<u>\$ (18,732,000)</u>	<u>\$ (30,679,000)</u>
Net loss attributable to common stockholders - basic and diluted		
Basic and diluted loss per common share	<u>\$ (1.64)</u>	<u>\$ (3.89)</u>
Weighted-average number of shares outstanding, basic and diluted	<u>11,430,057</u>	<u>7,894,326</u>

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

SUPER LEAGUE GAMING, INC.
STATEMENTS OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	2020	2019
Common stock (Shares):		
Balance, beginning of period	8,573,922	4,610,109
Initial public offering of common stock	-	2,272,727
Issuance of common stock at \$3.50 per share	1,825,000	-
Issuance of common stock at \$1.85 per share	4,988,981	-
Automatic conversion of convertible debt to common stock	-	1,475,164
Common stock issued for Framerate Acquisition (Note 5)	32,936	134,422
Stock-based compensation	62,171	14,833
Warrant exercises	-	66,667
Balance, end of period	<u>15,483,010</u>	<u>8,573,922</u>
Common stock (Amount):		
Balance, beginning of period	\$ 18,000	\$ 14,000
Initial public offering of common stock, net of issuance costs (Note 7)	-	2,000
Issuance of common stock at \$3.50 per share, net of issuance costs (Note 7)	2,000	-
Issuance of common stock at \$1.85 per share, net of issuance costs (Note 7)	5,000	-
Automatic conversion of convertible debt to common stock	-	2,000
Balance, end of period	<u>\$ 25,000</u>	<u>\$ 18,000</u>
Additional paid-in-capital:		
Balance, beginning of period	\$ 99,237,000	\$ 48,325,000
Initial public offering of common stock, net of issuance costs (Note 7)	-	22,456,000
Issuance of common stock at \$3.50 per share, net of issuance costs (Note 7)	5,951,000	-
Issuance of common stock at \$1.85 per share, net of issuance costs (Note 7)	8,398,000	-
Automatic conversion of convertible debt to common stock	-	13,791,000
Beneficial conversion feature	-	7,067,000
Common stock issued for Framerate Acquisition (Note 5)	-	1,000,000
Framerate Earn-Out (Note 5)	-	454,000
Stock-based compensation	1,863,000	6,124,000
Stock option and warrant exercises	10,000	20,000
Balance, end of period	<u>\$115,459,000</u>	<u>\$ 99,237,000</u>
Accumulated Deficit:		
Balance, beginning of period	\$ (85,812,000)	\$ (55,133,000)
Net Loss	(18,732,000)	(30,679,000)
Balance, end of period	<u>(104,544,000)</u>	<u>(85,812,000)</u>
Total stockholders' equity	<u>\$ 10,940,000</u>	<u>\$ 13,443,000</u>

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

SUPER LEAGUE GAMING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (18,732,000)	\$ (30,679,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,368,000	862,000
Stock-based compensation	2,004,000	6,217,000
Amortization of discount on convertible notes (Note 6)	-	2,684,000
Beneficial conversion feature (Note 6)	-	7,067,000
In-kind contribution of services	-	-
Changes in assets and liabilities:		
Accounts receivable	(295,000)	199,000
Prepaid expenses and other current assets	(55,000)	(329,000)
Accounts payable and accrued expenses	977,000	40,000
Deferred revenue	(151,000)	106,000
Accrued interest on notes payable	8,000	187,000
Net cash used in operating activities	<u>(14,876,000)</u>	<u>(13,646,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Framerate acquisition	-	(1,506,000)
Purchase of property and equipment	(9,000)	(73,000)
Capitalization of software development costs	(1,035,000)	(1,079,000)
Acquisition of other intangible and other assets	(146,000)	(506,000)
Net cash used in investing activities	<u>(1,190,000)</u>	<u>(3,164,000)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of common stock, net of issuance costs	14,356,000	22,458,000
Proceeds from note payable (Note 6)	1,200,000	-
Proceeds from stock option and warrant exercises	10,000	20,000
Net cash provided by financing activities	<u>15,566,000</u>	<u>22,478,000</u>
(DECREASE)INCREASE IN CASH AND CASH EQUIVALENTS	<u>(500,000)</u>	<u>5,668,000</u>
CASH AND CASH EQUIVALENTS – beginning of year	<u>8,442,000</u>	<u>2,774,000</u>
CASH AND CASH EQUIVALENTS – end of year	<u>\$ 7,942,000</u>	<u>\$ 8,442,000</u>
SUPPLEMENTAL NONCASH FINANCING ACTIVITIES		
Automatic conversion of convertible debt to common stock (Note 6)	\$ -	\$ 13,793,000
Issuance of common stock for Framerate Acquisition (Note 5)	\$ 245,000	\$ 1,000,000

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

SUPER LEAGUE GAMING, INC.
NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Super League Gaming, Inc. (“Super League,” the “Company,” “we” or “our”) is a leading gaming community and content platform that gives everyday gamers and creators multiple ways to connect and engage with others while enjoying the video games they love. Powered by patented, proprietary technology systems, Super League offers players the ability to create gameplay-driven experiences they can share with friends, the opportunity to watch live streaming broadcasts and gameplay highlights across digital and social channels, and the chance to compete in events and challenges designed to celebrate victories and achievements across multiple skill levels. With gameplay and content offerings featuring more than a dozen of the top video game titles in the world, Super League is building a broadly inclusive, global brand at the intersection of gaming, experiences and entertainment. Whether to access its expanding direct audience of young gamers, creators and esports players, or to leverage the company’s remote video production division, Virtualis Studios, third parties ranging from consumer brands, video game publishers, professional esports teams, traditional sports organizations, video content producers, and more, are turning to Super League to provide integrated solutions that drive business growth.

Super League was incorporated on October 1, 2014 as Nth Games, Inc. under the laws of the State of Delaware and changed its name to Super League Gaming, Inc. on June 15, 2015. We are an “emerging growth company” as defined by the Jumpstart Our Business Startups Act of 2012, as amended.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Use of Estimates

The preparation of 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The Company believes that, of the significant accounting policies described herein, the accounting policies associated with revenue recognition, impairment of goodwill and intangibles, capitalized internal-use-software costs, the valuation of convertible notes and related common stock purchase warrants (hereinafter, “warrants”), stock-based compensation expense, accounting for business combinations, and accounting for income taxes and valuation allowances against net deferred tax assets, require its most difficult, subjective or complex judgments.

Reclassifications

Certain reclassifications to operating expense line items have been made to prior year amounts for consistency and comparability with the current year’s financial statements presentation. These reclassifications had no effect on the reported total operating expenses for the periods presented.

Revenue Recognition

Revenue is recognized when the Company transfers promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. In this regard, revenue is recognized when: (i) the parties to the contract have approved the contract (in writing, orally, or in accordance with other customary business practices) and are committed to perform their respective obligations; (ii) the entity can identify each party's rights regarding the goods or services to be transferred; (iii) the entity can identify the payment terms for the goods or services to be transferred; (iv) the contract has commercial substance (that is, the risk, timing, or amount of the entity's future cash flows is expected to change as a result of the contract); and (v) it is probable that the entity will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Transaction prices are based on the amount of consideration to which we expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, if any. We consider the explicit terms of the revenue contract, which are typically written and executed by the parties, our customary business practices, the nature, timing, and the amount of consideration promised by a customer in connection with determining the transaction price for our revenue arrangements. Refunds and sales returns historically have not been material.

Super League generates revenues from (i) advertising, serving as a marketing channel for brands and advertisers to reach their target audiences of gamers across our network, (ii) content, curating and distributing esports and entertainment content for our own network of digital channels and media and entertainment partner channels and (iii) direct to consumer offers including digital subscriptions, digital goods, gameplay access fees and merchandise sales.

Revenue billed or collected in advance is recorded as deferred revenue until the event occurs or until applicable performance obligations are satisfied.

Advertising and Sponsorships:

Advertising revenue primarily consists of direct sales activity along with sales of programmatic display and video advertising units to third-party advertisers and exchanges. Advertising arrangements typically include contract terms for time periods ranging from several days to several weeks in length.

For advertising arrangements that include performance obligations satisfied over time, customers typically simultaneously receive and consume the benefits under the arrangement as we satisfy our performance obligations, over the applicable contract term. As such, revenue is recognized over the contract term based upon estimates of progress toward complete satisfaction of the contract performance obligations (typically utilizing a time, effort or delivery-based method of estimation). Revenue from shorter term advertising arrangements that provide for a contractual delivery or performance date is recognized when performance is substantially complete and or delivery occurs. Payments are typically due from customers during the term of the arrangement for longer-term campaigns, and once delivery is complete for shorter-term campaigns.

Sponsorship revenue arrangements may include: exclusive or non-exclusive title sponsorships, marketing benefits, official product status exclusivity, product visibly and additional infrastructure placement, social media rights, rights to on-screen activations and promotions, display material rights, media rights, hospitality and tickets and merchandising rights. Sponsorship revenues also include revenues pursuant to arrangements with brand and media partners, retail venues, game publishers and broadcasters that allow our partners to run amateur esports experiences, and or capture specifically curated gameplay content that is customized for our partners' distribution channels. Sponsorship arrangements typically include contract terms for time periods ranging from several weeks or months to terms of twelve months in length.

For sponsorship arrangements that include performance obligations satisfied over time, customers typically simultaneously receive and consume the benefits under the agreement as we satisfy our performance obligations, over the applicable contract term. As such, revenue is recognized over the contract term based upon estimates of progress toward complete satisfaction of the contract performance obligations (typically utilizing a time, effort or delivery-based method of estimation). Payments are typically due from customers during the term of the arrangement.

Revenue from sponsorship arrangements for one-off branded experiences and/or the development of content tailored specifically for our partners' distribution channels that provide for a contractual delivery or performance date, is recognized at a point in time, when performance is substantially complete and or delivery occurs.

Content

Content sales revenue is generated in connection with our curation and distribution of esports and entertainment content for our own network of digital channels and media and entertainment partner channels. We distribute three primary types of content for syndication and licensing, including: (1) our own original programming content, (2) user generated content ("UGC"), including online gameplay and gameplay highlights, and (3) the creation of content for third parties utilizing our remote production and broadcast technology.

For content arrangements that include performance obligations satisfied over time, customers typically simultaneously receive and consume the benefits under the arrangement as we satisfy our performance obligations, over the applicable contract term. As such, revenue is recognized over the contract term based upon estimates of progress toward complete satisfaction of the contract performance obligations (typically utilizing a time, effort or delivery-based method of estimation). Revenue from shorter term content sales arrangements that provide for a contractual delivery or performance date is recognized when performance is substantially complete and or delivery occurs. Payments are typically due from customers during the term of the arrangement for longer-term campaigns, and once delivery is complete for shorter-term campaigns.

Payments are typically due from customers during the term of the arrangement for longer-term campaigns, and once delivery is complete for shorter-term campaigns.

Direct to Consumer:

Direct to consumer revenues primarily consist of primarily monthly digital subscription fees, and sales of digital goods and merchandise. Subscription revenue is recognized in the period the services are rendered. Payments are typically due from customers at the point of sale.

Revenue was comprised of the following for the periods presented:

	Fiscal Year	
	2020	2019
Advertising and sponsorships	\$ 1,170,000	\$ 1,019,000
Content sales	735,000	32,000
Direct to consumer	159,000	33,000
	<u>\$ 2,064,000</u>	<u>\$ 1,084,000</u>

For the years ended December 31, 2020 and 2019, 55% and 33% of revenues were recognized at a single point in time, and 45% and 67% of revenues were recognized over time, respectively.

Cost of Revenues

Cost of revenues includes direct costs incurred in connection with the satisfaction of performance obligations under our revenue arrangements including direct labor, creative and broadcast related contract services, talent and influencers, content capture and production services, direct marketing, prizing, platform costs and venue fees.

Advertising

Gaming experience and brand related advertising costs include the cost of ad production, social media, marketing, promotions, and merchandising. The Company expenses advertising costs as incurred. Advertising expenses for the years ended December 31, 2020 and 2019 were \$187,000 and \$409,000, respectively, and are included in selling, marketing and advertising expenses in the accompanying statements of operations.

Technology Platform and Infrastructure Costs

Technology platform and infrastructure costs include (i) allocated personnel costs, including salaries, noncash stock compensation, taxes and benefits related to our internal software developers and engineers, employed by Super League, engaged in the operation, maintenance, management, administration, testing and enhancement of our proprietary gaming and content technology platform, (ii) third-party contract software development and engineering resources engaged in developing and enhancing our proprietary gaming and content technology platform (iii) the amortization of capitalized internal use software costs, and (iv) technology platform related cloud services, broadband and other technology platform costs.

Cash and Cash Equivalents

The Company considers all highly liquid, short-term investments with original maturities of three months or less when purchased to be cash equivalents. The Company's cash equivalents consisted of investments in AAA rated money market funds for the periods presented.

Accounts Receivable

Accounts receivable are recorded at the original invoice amount, less an estimate made for doubtful accounts, if any. The Company provides an allowance for doubtful accounts for potential credit losses based on its evaluation of the collectability and the customers' creditworthiness. Accounts receivable are written off when they are determined to be uncollectible. As of December 31, 2020 and 2019, no allowance for doubtful accounts was considered necessary.

Fair Value Measurements

Fair value is defined as the exchange price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company measures financial assets and liabilities at fair value at each reporting period using a fair value hierarchy which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Three levels of inputs may be used to measure fair value:

Level 1. Quoted prices in active markets for identical assets or liabilities.

Level 2. Quoted prices for similar assets and liabilities in active markets or inputs other than quoted prices which are observable for the assets or liabilities, either directly or indirectly through market corroboration, for substantially the full term of the financial instruments.

Level 3. Unobservable inputs which are supported by little or no market activity and which are significant to the fair value of the assets or liabilities.

The Company does not have any instruments that are measured at fair value on a recurring basis. However, the Company measured certain acquired intangible assets and the Earn-Out using Level 3 inputs on a nonrecurring basis.

Concentration of Credit Risks

The Company maintains its cash on deposit with a bank that is insured by the Federal Deposit Insurance Corporation. At various times, the Company maintained balances in excess of insured amounts. The Company has not experienced any significant losses on its cash held in banks.

Equity Financing Costs

Specific incremental costs directly attributable to a proposed or actual offering of securities or debt are deferred and charged against the gross proceeds of the financing. In the event that the proposed or actual financing is not completed, or is deemed not likely to be completed, such costs are expensed in the period that such determination is made. Deferred financing costs, if any, are included in other current assets in the accompanying balance sheet. For the years ended December 31, 2020 and 2019, financing costs charged against gross proceeds in connection with equity financings totaled \$176,000 and \$517,000, respectively.

Property and Equipment

Property and equipment are recorded at cost. Major additions and improvements that materially extend useful lives of property and equipment are capitalized. Maintenance and repairs are charged against the results of operations as incurred. When these assets are sold or otherwise disposed of, the asset and related depreciation are relieved, and any gain or loss is included in the statements of operations for the period of sale or disposal. Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets, typically over a three to five-year period.

Intangible Assets

Intangible assets primarily consist of (i) internal-use software development costs, (ii) domain name, copyright and patent registration costs, (iii) commercial licenses and branding rights and (iv) other intangible assets, which are recorded at cost and amortized using the straight-line method over the estimated useful lives of the assets, ranging from three to 10 years.

Software development costs incurred to develop internal-use software during the application development stage are capitalized and amortized on a straight-line basis over the software's estimated useful life, which is generally three years. Software development costs incurred during the preliminary stages of development are charged to expense as incurred. Maintenance and training costs are charged to expense as incurred. Upgrades or enhancements to existing internal-use software that result in additional functionality are capitalized and amortized on a straight-line basis over the applicable estimated useful life.

Goodwill

Goodwill represents the excess of the purchase price of the acquired business over the acquisition date fair value of the net assets acquired. Goodwill is tested for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis (December 31) and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company considers its market capitalization and the carrying value of its assets and liabilities, including goodwill, when performing its goodwill impairment test. When conducting its annual goodwill impairment assessment, the Company initially performs a qualitative evaluation of whether it is more likely than not that goodwill is impaired. If it is determined by a qualitative evaluation that it is more likely than not that goodwill is impaired, the Company then applies a two-step impairment test. The two-step impairment test first compares the fair value of the Company's reporting unit to its carrying or book value. If the fair value of the reporting unit exceeds its carrying value, goodwill is not impaired, and the Company is not required to perform further testing. If the carrying value of the reporting unit exceeds its fair value, the Company determines the implied fair value of the reporting unit's goodwill and if the carrying value of the reporting unit's goodwill exceeds its implied fair value, then an impairment loss equal to the difference is recorded in the statement of operations. The Company operates in one reporting segment.

Impairment of Long-Lived Assets

The Company assesses the recoverability of long-lived assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the cost basis of a long-lived asset is greater than the projected future undiscounted net cash flows from such asset, an impairment loss is recognized. Impairment losses are calculated as the difference between the cost basis of an asset and its estimated fair value. Management believes that there was no impairment of long-lived assets for the periods presented herein. There can be no assurance, however, that market conditions or demand for the Company's products or services will not change, which could result in long-lived asset impairment charges in the future.

Stock-Based Compensation

Compensation expense for stock-based awards is measured at the grant date, based on the estimated fair value of the award, and is recognized as an expense, typically on a straight-line basis over the employee's requisite service period (generally the vesting period of the equity award) which is generally two to four years. Compensation expense for awards with performance conditions that affect vesting is recorded only for those awards expected to vest or when the performance criteria are met. The fair value of restricted stock and restricted stock unit awards is determined by the product of the number of shares or units granted and the grant date market price of the underlying common stock. The fair value of stock option and common stock purchase warrant awards is estimated on the date of grant utilizing the Black-Scholes-Merton option pricing model. The Company utilizes the simplified method for estimating the expected term for options granted to employees due to the lack of available or sufficient historical exercise data for the Company for the applicable options terms. The Company accounts for forfeitures of awards as they occur.

Grants of equity-based awards (including warrants) to non-employees in exchange for consulting or other services are accounted for using the grant date fair value of the equity instruments issued.

Risks and Uncertainties

Concentrations. The Company had certain customers whose revenue individually represented 10% or more of the Company's total revenue, or whose accounts receivable balances individually represented 10% or more of the Company's total accounts receivable, and vendors whose accounts payable balances individually represented 10% or more of the Company's total accounts payable, as follows:

For the years ended December 31, 2020 and 2019, four customers accounted for 49% and five customers accounted for 69% of revenue, respectively. At December 31, 2020, two customers accounted for 39% of accounts receivable. At December 31, 2019, one customer accounted for 70% of accounts receivable. At December 31, 2020, three vendors accounted for 52% of accounts payable. At December 31, 2019, one vendor accounted for 21% of accounts payable.

Segment Information

The Company operates in one segment.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed by dividing the income or loss by the weighted-average number of outstanding shares of common stock for the applicable period. Diluted earnings per share is computed by dividing the income or loss by the weighted-average number of outstanding shares of common stock for the applicable period, including the dilutive effect of common stock equivalents. Potentially dilutive common stock equivalents primarily consist of employee stock options, warrants issued to employees and non-employees in exchange for services and warrants issued in connection with financings. All outstanding stock options, restricted stock units and warrants, totaling 4,470,000 and 4,117,000 at December 31, 2020 and 2019, respectively, have been excluded from the computation of diluted loss per share because the effect of inclusion would have been anti-dilutive.

Income Taxes

Income taxes are accounted for using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or income tax returns. A valuation allowance is established to reduce deferred tax assets if all, or some portion, of such assets will more than likely not be realized, or if it is determined that there is uncertainty regarding future realization of such assets.

Under U.S. GAAP, a tax position is a position in a previously filed tax return, or a position expected to be taken in a future tax filing that is reflected in measuring current or deferred income tax assets and liabilities. Tax positions are recognized only when it is more likely than not, based on technical merits, that the position will be sustained upon examination. Tax positions that meet the more likely than not thresholds are measured using a probability weighted approach as the largest amount of tax benefit being realized upon settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments, and which may not accurately forecast actual outcomes. Management believes the Company has no uncertain tax positions for the years ended December 31, 2020 and 2019.

The Company has elected to include interest and penalties related to its tax contingences as a component of income tax expense. There were no accruals for interest and penalties related to uncertain tax positions for the periods presented. Income tax returns remain open for examination by applicable authorities, generally three years from filing for federal and four years for state. The Company is not currently under examination by any taxing authority nor has it been notified of an impending examination.

Recent Accounting Guidance

Recent Accounting Pronouncements – Not Yet Adopted.

In February 2016, the FASB issued an ASU that requires lessees to present right-of-use assets and lease liabilities on the balance sheet. The new guidance is to be applied using a modified retrospective approach at the beginning of the earliest comparative periods in the financial statements and is effective for fiscal years beginning after December 15, 2021 and early adoption is permitted. The Company is evaluating the impact that this guidance will have on its financial position, results of operations and financial statement disclosures.

In June 2016, the FASB issued guidance on the measurement and recognition of credit losses on most financial assets. For trade receivables, loans, and held-to-maturity debt securities, the current probable loss recognition methodology is being replaced by an expected credit loss model. For available-for-sale debt securities, the recognition model on credit losses is generally unchanged, except the losses will be presented as an adjustable allowance. The guidance will be applied retrospectively with the cumulative effect recognized as of the date of adoption. The guidance will become effective at the beginning of the Company's first quarter of the fiscal year ending December 31, 2021 but can be adopted as early as the beginning of the first quarter of fiscal year ending December 31, 2020. The Company is currently assessing the impact that adopting this new accounting guidance will have on its financial statements and footnote disclosures.

3. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Computer hardware	\$ 3,143,000	\$ 3,141,000
Furniture and fixtures	342,000	334,000
	<u>3,485,000</u>	<u>3,475,000</u>
Less: accumulated depreciation and amortization	<u>(3,347,000)</u>	<u>(3,236,000)</u>
	<u>\$ 138,000</u>	<u>\$ 239,000</u>

Depreciation and amortization expense for property and equipment was \$110,000 and \$861,000 for the years ended December 31, 2020 and 2019, respectively.

4. INTANGIBLE AND OTHER ASSETS

Intangible and other assets consisted of the following at December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Capitalized software development costs	\$ 3,291,000	\$ 2,363,000
Licenses	-	340,000
Tradename (Note 5)	189,000	189,000
Domain	68,000	68,000
Copyrights and other	<u>435,000</u>	<u>289,000</u>
	3,983,000	3,249,000
Less: accumulated amortization	<u>(2,076,000)</u>	<u>(1,265,000)</u>
	<u>\$ 1,907,000</u>	<u>\$ 1,984,000</u>

Amortization expense totaled \$1,258,000 and \$245,000 for the years ended December 31, 2020 and 2019, respectively.

Future amortization expense of intangible and other assets is expected to be as follows:

For the years ending December 31:

2021	\$ 899,000
2022	584,000
2023	271,000
2024	80,000
2025	38,000
Thereafter	<u>35,000</u>
	<u>\$ 1,907,000</u>

In September 2019, the Company and a third party entered into an expanded commercial partnership agreement (the "Expanded Agreement") pursuant to which Super League became the primary consumer-facing brand within the third party's B2B gaming center software platform. In consideration for the rights granted by the third party to Super League, Super League paid an upfront fee of \$340,000 and paid quarterly fees over the term of the Agreement, commencing with the first quarter of 2020, based on predetermined contractual revenue levels. The upfront fee was included as "Licenses" in intangible assets and other assets, net, in the accompanying balance sheet (2019 only) and was being amortized over the initial term of the Expanded Agreement of five years, commencing October 1, 2019.

In April 2020, we amended our arrangement with the third party terminating certain rights and licenses from the prior agreement, as amended, focused on in-person play in gaming centers, and securing other rights and licenses from the third party, focused on online play at home. As a result of the termination of the rights and licenses related to the prior arrangement, the Company accelerated the amortization of the remaining balance related to the prior rights and licenses included in "Licenses" above, totaling \$306,000, and certain capitalized internal use software development costs totaling \$107,000, which are included in technology platform and infrastructure expense in the accompanying statement of operations for the year ended December 31, 2020.

5. BUSINESS COMBINATION

On June 3, 2019, Super League and SLG Merger Sub, Inc., a Delaware corporation and wholly-owned subsidiary of the Company (“Merger Sub”), entered into an agreement and plan of merger (the “Merger Agreement”) with Framerate, Inc., a Delaware corporation (“Framerate”), pursuant to which Framerate merged with and into Merger Sub, with Merger Sub continuing as the surviving corporation (the “Acquisition”). The Acquisition was consummated on June 6, 2019 when the certificate of merger of Merger Sub and Framerate was filed with the Secretary of State of the State of Delaware (the “Effective Date”). As consideration for the Acquisition, the Company ratably paid and/or issued to the former shareholders of Framerate an aggregate of (i) \$1.5 million paid in cash and (ii) \$1.0 million paid by the issuance of a total of 134,422 shares of the Company’s common stock, at a price per share of \$7.4395 (the “Closing Shares”). The Merger Sub was dissolved subsequent to the consummation of the Acquisition.

The Acquisition was approved by the board of directors of each of the Company and Framerate, and was approved by the stockholders of Framerate. Transaction costs incurred relating to this acquisition were not material. The acquisition of Framerate expands the Company’s digital programming footprint and enhances the Company’s ability to provide value to its gaming and spectator communities through multiple forms of engagement.

In addition to the issuance of the Closing Shares, the Merger Agreement provides for the issuance of up to an additional \$980,000 worth of shares of the Company’s common stock at the same price per share as the Closing Shares (the “Earn-Out Shares”) in the event Framerate achieves certain performance-based milestones during the two-year period following the closing of the Acquisition, or June 6, 2021 (the “Earn-Out”). One-half of the Earn-Out Shares are issuable on the one-year anniversary of the Effective Date, and the remaining one-half are issuable on the second anniversary of the Effective Date. The fair value of the Earn-Out on the Effective Date was estimated to be \$454,000. In June 2020, we issued an additional 32,936 shares of our common stock to the former shareholders of Framerate in connection with the achievement of certain components of the year-one earn-out related performance milestones.

The Company determined that the Acquisition constitutes a business acquisition as defined by Accounting Standards Codification (“ASC”) 805, *Business Combinations*. Accordingly, the assets acquired and liabilities assumed in the transaction were recorded at their estimated acquisition date fair values, while transaction costs associated with the acquisition were expensed as incurred pursuant to the purchase method of accounting in accordance with ASC 805. Super League’s preliminary purchase price allocation was based on an evaluation of the appropriate fair values and represents management’s best estimate based on available data. Fair values are determined based on the requirements of ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”).

The Company hired the former Chief Executive of Framerate (“Framerate Executive”), who was also a selling shareholder of Framerate. Pursuant to the provisions of the Earn-Out included in the Merger Agreement, in the event that the Framerate Executive is terminated for cause or resigns from his employment with the Company at any time on or before the second anniversary of the Effective Date, and any such resignation is without “Good Reason” as such term is defined in his employment agreement, then the maximum amount of any portion of the Earn-Out that has not yet been earned as of the date of resignation shall be reduced by 44.0164%. Under ASC 805, a contingent consideration arrangement in which the payments are automatically forfeited if employment terminates is considered to be compensation for post-combination services, and not acquisition consideration. As such approximately 44% of the estimated fair value of the Earn-Out, or \$200,000 was accounted for as deferred compensation expense and being amortized in the statement of operations over the two-year period ending on the second anniversary of the Effective date. The remaining deferred compensation balance, totaling \$90,000, was expensed in July 2020 due to the cessation of services.

The Earn-Out arrangement does not meet the liability classification criteria outlined in ASC 480, “Distinguishing Liabilities from Equity,” and is both (i) indexed to the Company’s own shares and (ii) classified in shareholders’ equity in the accompanying balance sheet. Equity-classified contingent consideration is measured initially at fair value on the acquisition date and is not remeasured subsequent to initial recognition. As such, the initial value recognized for the Earn-Out on the acquisition date is not adjusted for changes in the fair value of the Earn-Out as of any future settlement date. Subsequent differences between the estimated fair value of the Earn-Out recorded at the acquisition date and the actual amount of Earn-Out paid based on actual performance will be reflected as a charge or credit, as applicable, in the statement of operations.

The following table summarizes the fair value of purchase price consideration paid to acquire Framerate:

	<u>Amount</u>
Cash consideration at closing	\$ 1,515,000
Equity consideration at closing	1,000,000
Fair value of Earn-Out shares	254,000
Total	<u>\$ 2,769,000</u>

The preliminary purchase price allocation was based upon an estimate of the fair value of the assets acquired and the liabilities assumed by the Company in connection with the acquisition of Framerate, as follows:

	<u>Amount</u>
Accounts receivable	\$ 15,000
Intangible assets - trade name	189,000
Goodwill	2,565,000
Total purchase price	<u>\$ 2,769,000</u>

The identifiable intangible asset acquired, totaling \$189,000, was comprised of Framerate’s trade name with an estimated useful life of approximately five years, and is included in intangible and other assets, net in the accompanying balance sheet. The trade name intangible asset is being amortized over the estimated useful life on a straight-line basis. Goodwill recognized primarily reflects anticipated cost and growth synergies associated with the combined operations.

Management is responsible for determining the fair value of the identifiable intangible assets acquired as of the Effective Date. Management considered a number of factors, including reference to an analysis under ASC 805 solely for the purpose of allocating the purchase price to the assets acquired. The fair values of the acquired intangible asset, as described above, was determined using the following methods:

Description	Valuation Method	Valuation Method Description	Assumptions
Trade Name	Relief-from-Royalty method under the income approach	Under the Relief-from-Royalty method, the royalty savings is calculated by estimating a reasonable royalty rate that a third party would negotiate in a licensing agreement. Such royalties are most commonly expressed as a percentage of total revenue involving a trade name.	Useful life: 5 years; Royalty Rate: 05%; Discount Rate: 50%
Earn-Out	Scenario Based Model	The payoff structure was determined to be linear and the Earn-Out is payable within two years. Revenue scenarios were estimated and a probability for each scenario based on the likelihood of achieving the forecasted revenues was estimated. The estimated payments from the scenarios were then discounted based on the Company’s credit risk and the related risk-free rate. The value per share was then adjusted for the time period through the payout date. The option methodology employed was the Black-Scholes Option Model.	Volatility: 75% - 100%; Term 1 -2 years; Risk Free Rate 2.21% - 1.95%;

The Acquisition was treated for tax purposes as a nontaxable transaction and as such, the historical tax bases of the acquired assets, net operating losses, and other tax attributes of Framerate will carryover. As a result, no new goodwill for tax purposes was created in connection with the Acquisition as there is no step-up to fair value of the underlying tax bases of the acquired net assets.

The historical balance sheets and statements of operations of Framerate were not material to the Company.

6. NOTES PAYABLE

Long-Term Note Payable

On May 4, 2020, the Company entered into a potentially forgivable loan from the U.S. Small Business Administration (“SBA”) resulting in net proceeds of \$1,200,047 pursuant to the Paycheck Protection Program (“PPP”) enacted by Congress under the CARES Act administered by the SBA (the “PPP Loan”). To facilitate the PPP Loan, the Company entered into a Note Payable Agreement with a bank (the “Lender”) (the “PPP Loan Agreement”).

The PPP Loan will mature on May 4, 2022. However, under the CARES Act and the PPP Loan Agreement, all payments of both principal and interest will be deferred until at least December 4, 2020. The PPP Loan accrues interest at a rate of 1.00% per annum, and interest will continue to accrue throughout the period the PPP Loan is outstanding, or until it is forgiven. The Company will be eligible to apply for forgiveness of all loan proceeds used to pay payroll costs and other qualifying expenses during the 24-week period following receipt of the loan, provided that the Company maintained its employment and compensation within certain parameters during such period. Any amounts forgiven will not be included in the Company’s taxable income. As specifically intended under the program, the PPP Loan, together with our cost savings initiatives, helped us to continue operations without salary reductions, layoffs or furloughs, during the challenging and uncertain economic environment created by the COVID-19 pandemic.

The PPP Loan is accounted for as a financial liability in accordance with FASB ASC 470, “Debt” and interest is accrued in accordance with the interest method. Additional interest is not imputed at a market rate pursuant to a scope exception for interest rates prescribed by governmental agencies under the applicable guidance.

The proceeds from the PPP Loan are recorded as a long-term liability on the balance sheet until either (1) the loan is, in part or wholly, forgiven and the company has been “legally released” or (2) the Company pays off the loan to the Lender. Once the loan is, in part or wholly, forgiven, and legal release is received, the Company will reduce the liability by the amount forgiven and record a gain on extinguishment in the statement of operations in the period of extinguishment.

Under the CARES Act, for federal tax purposes, the amount of PPP Loan forgiven is excluded from gross income. In December 2020, the Consolidated Appropriations Act was signed into law, which reversed then existing U.S. Internal Revenue Service guidance provided in prior notices, allowing taxpayers to fully deduct any business expenses, regardless of whether the expense was paid for using forgiven PPP Loan proceeds. In September 2020, California passed tax legislation which conforms to the federal rules for PPP Loan forgiveness, allowing an exclusion from gross income for the amount of PPP Loans that are forgiven, while disallowing the deductions for amounts paid or incurred using the forgiven PPP Loan funds.

Convertible Notes Payable

In February through April 2018, the Company issued 9.00% secured convertible promissory notes with a collective face value of \$3,000,000 (the “Initial 2018 Notes”). The Initial 2018 Notes (i) accrued simple interest at the rate of 9.00% per annum, (ii) matured on the earlier of December 31, 2018 or the close of a \$15,000,000 equity financing (“Qualifying Equity Financing”) by the Company, and (iii) all outstanding principal and accrued interest was automatically convertible into equity or equity-linked securities sold in a Qualifying Equity Financing based upon a conversion rate equal to (x) a 10% discount to the price per share of a Qualifying Equity Financing, with (y) a floor of \$10.80 per share. In addition, the holders of the Initial 2018 Notes were collectively issued warrants to purchase approximately 55,559 shares of common stock, at an exercise price of \$10.80 per share and a term of five years (the “Initial 2018 Warrants”).

In May through August 2018, the Company issued additional 9.00% secured convertible promissory notes with a collective face value of \$10,000,000 (the “Additional 2018 Notes”). In May 2018, all of the Initial 2018 Notes and related accrued interest, totaling \$3,056,000, were converted into the Additional 2018 Notes, resulting in an aggregate principal amount of \$13,056,000 (hereinafter collectively, the “2018 Notes”). The holders of the converted Initial 2018 Notes retained their respective Initial 2018 Warrants.

The 2018 Notes (i) accrued simple interest at the rate of 9.00% per annum, (ii) matured on the earlier of the closing of an initial public offering of the Company’s common stock on a national securities exchange or April 30, 2019, and (iii) all outstanding principal and accrued interest was automatically convertible into shares of common stock upon the closing of an IPO at the lesser of (x) \$10.80 per share or (y) a 15% discount to the price per share of the IPO. In addition, the holders of the 2018 Notes were collectively issued 1,396,420 warrants to purchase common stock equal to 100% of the aggregate principal amount of the 2018 Notes divided by \$9.35 per share (the “2018 Warrants”). The 2018 Warrants are exercisable for a term of five years, commencing on the close of an IPO, at an exercise price of \$9.35 and are callable at the election of the Company at any time following the closing of an IPO. The 2018 Notes were secured by a security interest in all of the assets, tangible and intangible, of the Company.

The proceeds from the sale of the 2018 Notes, the 2018 Warrants and the Initial 2018 Warrants, were allocated to the instruments based on the relative fair values of the convertible debt instrument without the warrants and of the warrants themselves at the time of issuance. The portion of the proceeds, totaling \$5,933,000 allocated to the 2018 Warrants, was accounted for as a discount to the debt, with the offsetting credit to additional paid-in capital. The remainder of the proceeds were allocated to the convertible debt instrument portion of the transaction. The resulting debt discount is amortized over the period from issuance to April 30, 2019, the stated maturity date of the debt.

Debt issuance costs were comprised of \$389,000 of cash commissions and warrants with a fair value of \$223,000, paid and issued, respectively, to third-parties in connection with the debt financing, and are reflected as a discount to the debt instrument, net of accumulated amortization, in the December 31, 2018 balance sheet. Debt issuance costs are amortized over the term of the debt as interest expense in the statement of operations.

Concurrent with the closing of the IPO on February 27, 2019, all outstanding principal and accrued interest outstanding under the 2018 Notes totaling \$13,793,000 was automatically converted into 1,475,164 shares of the Company’s common stock at a conversion price per share of \$9.35. As a result of the automatic conversion of the 2018 Notes and the application of conversion accounting, the Company recorded an immediate charge to interest expense of \$1,384,000 for the year ended December 31, 2019, representing the write-off of the unamortized balance of debt discounts associated with the 2018 Warrants and cash commissions and warrants issued to third parties. Unamortized debt discounts at December 31, 2019 and 2018 totaled \$0 and \$2,684,000, respectively.

The non-detachable conversion feature embedded in the 2018 Notes provides for a conversion rate that is below market value at the commitment date, and therefore, represents a beneficial conversion feature (“BCF”). The BCF is generally recognized separately at issuance by allocating a portion of the debt proceeds equal to the intrinsic value of the BCF to additional paid-in capital. The resulting convertible debt discount is recognized as interest expense using the effective yield method. The BCF is measured using the commitment date stock price. However, the conversion feature associated with the 2018 Notes was not exercisable until the consummation of an initial public offering by the Company of its common stock, and therefore, was not required to be recognized in earnings until the IPO related contingency was resolved, which occurred on the IPO Closing Date. The commitment date is the IPO Closing Date and the commitment date stock price was \$11.00 per share. The intrinsic value of the BCF on the IPO Closing Date, which was limited to the net proceeds allocated to the debt on a relative fair value basis, was approximately \$7,067,000, and is reflected as additional interest expense in the statement of operations for the year ended December 31, 2019.

The weighted-average grant date fair value of 2018 Warrants issued during the year ended December 31, 2018 was \$7.98. The aggregate fair value of 2018 Warrants that vested during the year ended December 31, 2018 was \$10,296,926. The weighted-average exercise price and weighted-average remaining contractual term for the 2018 Warrants was \$9.41 and 4.5 years. At December 31, 2019 the aggregate intrinsic value of the 2018 Warrants totaled \$(10,230,000).

The fair value of Debt Warrants issued was estimated on their respective issue dates using the Black Scholes-Merton option pricing model and the following weighted-average assumptions:

Volatility	96%
Risk-free interest rate	2.75
Dividend yield	-%
Expected life of options (in years)	5
Weighted-average fair value of common stock	\$ 9.41

7. STOCKHOLDERS' EQUITY

Preferred Stock

The Company's initial certificate of incorporation authorized 5,000,000 shares of preferred stock, par value \$0.001 per share. No preferred stock had been issued and outstanding since inception of the Company. In October 2016, the Company's Board of Directors (the "Board of Directors") and a majority of the holders of the Company's common stock approved an amendment and restatement of the certificate of incorporation which, in part, eliminated the authorized preferred stock. In August 2018, the Board of Directors approved a second amendment and restatement of the Company's amended and restated certificate of incorporation (the "Amended and Restated Charter") to, in part, increase the Company's authorized capital to a total of 110.0 million shares, including 10.0 million shares of newly created preferred stock, par value \$0.001 per share ("Preferred Stock"), authorize the Board of Directors to fix the designation and number of each series of Preferred Stock, and to determine or change the designation, relative rights, preferences, and limitations of any series of Preferred Stock. The Amended and Restated Charter was approved by a majority of the Company's stockholders in September 2018, and was filed with the State of Delaware in November 2018. All references in the accompanying financial statements to Preferred Stock have been restated to reflect the Amended and Restated Charter.

Common Stock

The Amended and Restated Charter also increased the Company's authorized capital to include 100.0 million shares of common stock, par value \$0.001, and removed the deemed liquidation provision, as such term is defined in the Amended and Restated Charter. Each holder of common stock is entitled to one vote for each share of common stock held at all meetings of stockholders.

Reverse Stock Split

On February 8, 2019, the Company filed an amendment to the Company's amended and restated certificate of incorporation to effect a reverse split of shares of the Company's common stock on a one-for-three basis (the "Reverse Stock Split"). All references to common stock, warrants to purchase common stock, options to purchase common stock, early exercised options, restricted stock, share data, per share data and related information contained in the financial statements have been retrospectively adjusted to reflect the effect of the Reverse Stock Split for all periods presented. No fractional shares were issued in connection with the Reverse Stock Split. Any fractional shares resulting from the Reverse Stock Split will be rounded down to a whole share, and any affected stockholders will receive a cash payment equal to the value of such fractional shares.

Equity Financings

In August 2020, the Company issued 4,540,541 shares of common stock at a price of \$1.85 per share, raising aggregate net proceeds of approximately \$7.6 million, after deducting placement agent fees of \$588,000 and other offering expenses totaling \$180,000. The offering was conducted pursuant to the Company's effective Registration Statements on Form S-1 (File No. 333-248248), and a related registration statement filed pursuant to Rule 462(b) under the Securities Act. In addition, pursuant to the terms of the related underwriting agreement, the Company granted to the underwriter a 30-day over-allotment option to purchase up to an additional 681,081 Shares at the same public offering price per share, less discounts and commissions, which was partially exercised in September 2020, resulting in the issuance of 448,440 shares of common stock and net proceeds of \$771,000, after deducting placement agent fees of \$58,000.

In May 2020, the Company issued 1,825,000 shares of common stock at a price of \$3.50 per share, raising aggregate net proceeds of approximately \$6.0 million, after deducting placement agent fees of \$319,000 and other offering expenses totaling \$116,000. The offering was made pursuant to an effective shelf registration statement on Form S-3 previously filed with the U.S. Securities and Exchange Commission. The net proceeds from these offerings are intended to be used for working capital and other general corporate purposes, including sales and marketing activities, product development and capital expenditures. The Company may also use a portion of the net proceeds for the acquisition of, or investment in, technologies, solutions or businesses.

On February 27, 2019, Super League completed its IPO of its common stock, pursuant to which the Company issued and sold an aggregate of 2,272,727 shares of common stock at \$11.00 per share, raising aggregate net proceeds of \$22,458,000 after deducting underwriting discounts, commissions and offering costs of \$2,542,000. Concurrent with the closing of the IPO on February 27, 2019 (the "IPO Closing Date"), in accordance with the related agreements, all outstanding principal and interest for the 9.00% convertible notes outstanding, totaling \$13,793,000, was automatically converted into 1,475,164 shares of the Company's common stock at a conversion price of \$9.35.

The principal purposes of the IPO were to obtain additional capital to support our operations, to create a public market for our common stock and to facilitate our future access to the public equity markets. The net proceeds received from the IPO were used for working capital and general corporate purposes, including sales and marketing activities, product development and capital expenditures. A portion of the net proceeds were also available for any strategic acquisition of, or investment in, technologies, solutions or businesses that may have complemented our business and or accelerated our growth. The amounts and timing of our actual expenditures, including expenditure related to sales and marketing and product development depended on numerous factors, including the status of our product development efforts, our sales and marketing activities, expansion internationally, the amount of cash generated or used by our operations, competitive pressures and other factors.

Upon closing of the IPO, 83,333 options and 125,000 warrants previously granted to the CEO (with an average grant date fair value of \$8.50) became fully vested. As a result, the Company recorded an additional \$1,770,000 of stock-based compensation during the year ended December 31, 2019.

Pursuant to the related underwriting agreement, in connection with the completion of the IPO, for the purchase price of \$50.00, the Company issued a warrant to purchase shares of our common stock equal to 3.0% of the shares sold in the IPO, or 68,182 shares, at an exercise price of \$11.00 per share (the "Underwriters' Warrants"). The Underwriters' Warrants are exercisable during the period commencing from the date of the close of the IPO and ending five years from the closing date of the IPO. The Underwriters' Warrants represent additional noncash offering costs, with an estimated grant date fair value of \$547,000, which was reflected in additional-paid-in capital when issued and as a corresponding offering cost in the statement of shareholders equity for the year ended December 31, 2019. The fair value of the Underwriters' Warrant was estimated on February 27, 2019, the grant date, using the Black Scholes-Merton option pricing model and the following weighted-average assumptions: (i) volatility of 95%, (ii) risk-free interest rate of 2.5%, and (iii) expected term of five years.

8. STOCK-BASED INCENTIVE PLANS

The Super League 2014 Stock Option and Incentive Plan (the “Plan”) was approved by the Board of Directors and the stockholders of Super League in October 2014. The Plan was subsequently amended in May 2015, May 2016, July 2017 and October 2018. The Plan allows grants of stock options, stock awards and performance shares with respect to common stock of the Company to eligible individuals, which generally includes directors, officers, employees, advisors and consultants. The Plan provides for both the direct award and sale of shares of common stock and for the grant of options to purchase shares of common stock. Options granted under the Plan include non-statutory options as well as incentive options intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended.

The Board of Directors administers the Plan and determines which eligible individuals are to receive option grants or stock issuances under the Plan, the times when the grants or issuances are to be made, the number of shares of common stock subject to each grant or issuance, the status of any granted option as either an incentive stock option or a non-statutory stock option under the federal tax laws, the vesting schedule to be in effect for the option grant or stock issuance and the maximum term for which any granted option is to remain outstanding. The exercise price of options is generally equal to the fair market value of common stock of the Company on the date of grant. Options generally begin to be exercisable six months to one year after grant and typically expire 10 years after grant. Stock options and restricted shares generally vest over two to four years (generally representing the requisite service period). The Plan terminates automatically on July 1, 2027. The Plan provides for the following programs:

Option Grants

Under the discretionary option grant program, the Company’s compensation committee of the Board of Directors may grant (1) non-statutory options to purchase shares of common stock to eligible individuals in the employ or service of Super League or its affiliates (including employees, non-employee members of the Board of Directors and consultants) at an exercise price not less than 85% of the fair market value of such shares on the grant date, and (2) incentive stock options to purchase shares of common stock to eligible employees at an exercise price not less than 100% of the fair market value of such shares on the grant date (not less than 110% of fair market value if such employee actually or constructively owns more than 10% of Super League’s voting stock or the voting stock of any of its subsidiaries).

Stock Awards or Sales

Under the stock award or sales program, eligible individuals may be issued shares of common stock of the Company directly, upon the attainment of performance milestones or the completion of a specified period of service or as a bonus for past services. Under this program, the purchase price for the shares will not be less than 100% of the fair market value of the shares on the date of issuance, and payment may be in the form of cash or past services rendered. Eligible individuals will have no stockholder rights with respect to any unvested restricted shares or restricted stock units issued to them under the stock award or sales program; however, eligible individuals will have the right to receive any regular cash dividends paid on such shares.

The initial reserve under the Plan was 583,334 shares of common stock, which reserve was subsequently increased to 1,000,000 shares upon stockholders' approval in May 2016. In July 2017, the Company amended and restated the Plan to increase the number of shares of common stock reserved thereunder from 1,000,000 shares to 1,500,000 shares. In October 2018, the Company amended and restated the Plan to increase the number of shares of common stock reserved thereunder from 1,500,000 shares to 1,833,334 shares. In July 2020, the Company's shareholders approved an amendment to the Plan to increase the number of shares authorized for issuance from 1,833,334 to 2,583,334. As of December 31, 2020, 588,423 shares remained available for issuance under the Plan.

Super League issues new shares of common stock upon the exercise of stock options, the grant of restricted stock, or the delivery of shares pursuant to vested restricted stock units. The compensation committee of the Board of Directors may amend or modify the Plan at any time, subject to any required approval by the stockholders of the Company, pursuant to the terms therein.

Stock Options

The fair value of stock options granted was estimated on their respective grant dates using the Black-Scholes-Merton option pricing model and the following weighted-average assumptions for the years ended December 31, 2020 and 2019:

	2020	2019
Volatility	95%	95%
Risk-free interest rate	.47%	1.99%
Dividend yield	-%	-%
Expected life of options (in years)	6.02	6.08
Weighted-average fair value of common stock	\$ 2.23	\$ 7.45

A summary of stock option activity for the year ended December 31, 2020 is as follows:

	Options (#)	Weighted-Average		Aggregate Intrinsic Value (\$)
		Exercise Price Per Share (\$)	Remaining Contractual Term (Years)	
Outstanding at December 31, 2019	1,551,000	\$ 8.86	7.51	\$ 309,000
Granted	815,000	\$ 2.93		
Exercised	(33,000)	\$ 0.30		
Canceled / forfeited	(695,000)	\$ 9.42		
Outstanding at December 31, 2020	<u>1,638,000</u>	<u>\$ 5.59</u>	<u>7.71</u>	<u>\$ 308,000</u>
Vested and exercisable at December 31, 2020	<u>812,000</u>	<u>\$ 7.47</u>	<u>6.09</u>	<u>\$ 296,000</u>

The weighted-average grant date fair value of stock options granted during the years ended December 31, 2020 and 2019 was \$2.23 and \$5.76, respectively. The aggregate fair value of stock options that vested during the years ended December 31, 2020 and 2019 was \$620,000 and \$3,989,000, respectively. As of December 31, 2020, the total unrecognized compensation expense related to non-vested stock option awards was \$1,864,000, which is expected to be recognized over a weighted-average term of approximately 3.14 years.

In February 2020, the Board of Directors approved the cancellation of 540,000 stock options in exchange for 243,000 RSUs (the "Stock Swap") for seven employees. The stock options canceled had a weighted average exercise price of \$10.16 and a weighted average grant date fair value of \$8.33. The RSUs issued had weighted average grant date fair value of \$2.60 and vest over two years. Cancellation of an existing equity-classified award along with a concurrent grant of a replacement award is accounted for as a modification under ASC 718, "Stock-based Compensation." Total compensation cost to be recognized is equal to the original grant date fair value plus any incremental fair value calculated as the excess of the fair value of the replacement RSUs over the fair value of the original stock option awards on the cancellation date. Any incremental compensation cost is recognized prospectively over the remaining service period, in addition to the remaining unrecognized grant date fair value. There was no incremental compensation cost in connection with the Stock Swap. Total remaining unrecognized grant date fair value for the Stock Swap was \$1,775,000, which is expected to be recognized over a weighted-average term of approximately two years. The net impact of the Stock Swap was to return 297,000 shares to the share reserve under the Plan for the Company's future employee related incentive and retention activities.

Restricted Stock Units

The following table summarizes non-vested restricted stock unit activity for the year ended December 31, 2020:

	Restricted Stock Units (#)	Weighted Average Grant Date Fair Value (\$)
Non-vested restricted stock units at December 31, 2019	29,000	\$ 10.40
Granted	382,000	\$ 4.68
Vested	(29,000)	\$ 10.40
Canceled	—	—
Non-vested restricted stock units at December 31, 2020	<u>382,000</u>	<u>\$ 4.68</u>

As of December 31, 2020, the total unrecognized compensation expenses related to non-vested restricted stock units was \$1,003,000 which will be recognized over a weighted-average term of approximately 1.0 years.

Warrants Issued to Employees and Nonemployees for Services

A summary of employee and nonemployee warrant activity for the year ended December 31, 2020 is as follows:

	Warrants (#)	Weighted-Average Exercise Price Per Share (\$)	Remaining Contractual Term (Years)	Aggregate Intrinsic Value (\$)
Outstanding at December 31, 2019	1,031,000	\$ 9.92		
Expired	(67,000)	\$ 9.00		\$ -
Outstanding at December 31, 2020	<u>964,000</u>	<u>\$ 10.02</u>	<u>4.56</u>	<u>\$ -</u>
Vested and exercisable as of December 31, 2020	<u>964,000</u>	<u>\$ 10.02</u>	<u>4.56</u>	<u>\$ -</u>

Compensation expense related to common stock purchase warrants was \$282,000 and \$2,182,000 for the years ended December 31, 2020 and 2019, respectively. No warrants were granted to employees or non-employees in exchange for services performed during the periods presented herein. The aggregate fair value of warrants that vested during the years ended December 31, 2020 and 2019 was \$206,000 and \$2,092,000, respectively. As of December 31, 2020, the total unrecognized compensation expense related to warrants was \$0.

Noncash Stock Compensation Expense

Noncash stock-based compensation expense for the periods presented was comprised of the following:

	Fiscal Year	
	2020	2019
Stock options	\$ 745,000	\$ 3,573,000
Warrants	282,000	2,182,000
Restricted stock units	836,000	370,000
Earn-out compensation expense (Note 5)	141,000	58,000
Other	-	34,000
Total noncash stock compensation expense	<u>\$ 2,004,000</u>	<u>\$ 6,217,000</u>

Noncash stock-based compensation expense for the periods presented was included in the following financial statement line items:

	Fiscal Year	
	2020	2019
Sales, marketing and advertising	\$ 849,000	\$ 635,000
Technology platform and infrastructure	254,000	129,000
General and administrative	901,000	5,453,000
Total noncash stock compensation expense	<u>\$ 2,004,000</u>	<u>\$ 6,217,000</u>

Noncash stock-based compensation expense for the year ended December 31, 2019 included compensation expense resulting from the vesting of certain performance-based options and warrants previously granted to certain executives, which vested upon the achievement of certain performance-based milestones, pursuant to vesting conditions in the underlying equity grant agreements. Performance targets included the completion of our IPO in February 2019 and other operational performance-based milestones. During fiscal year 2019, 325,000 of performance-based stock options and warrants vested with grant date fair values ranging from \$8.28 to \$8.50, resulting in noncash stock compensation expense of \$2,766,000 during fiscal year 2019. The fair value of these equity awards was estimated on October 31, 2018, their original grant date, using the Black Scholes-Merton option pricing model and the following weighted-average assumptions: (i) volatility of 93%, (ii) risk-free interest rate of 3.0%, and (iii) expected term of 6.5 years.

9. INCOME TAXES

Super League's provision for income taxes consisted of the following for the years ended December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Current:		
Federal taxes	\$ -	\$ -
State taxes	-	-
Total current	\$ -	\$ -
Deferred:		
Federal taxes	\$ 2,919,000	\$ 4,098,000
State taxes	886,000	1,374,000
Subtotal	<u>3,805,000</u>	<u>5,472,000</u>
Change in valuation allowance	<u>(3,805,000)</u>	<u>(5,472,000)</u>
Total deferred	<u>-</u>	<u>-</u>
Provision for income taxes	<u>\$ -</u>	<u>\$ -</u>

The tax effects of temporary differences and carryforwards that give rise to significant portions of deferred tax assets and liabilities consist of the following as of December 31, 2020 and 2019.

	<u>2020</u>	<u>2019</u>
Deferred tax assets (liabilities):		
Net operating loss and credits	\$ 20,799,000	\$ 14,456,000
Stock compensation	3,155,000	3,992,000
Accrued liabilities	65,000	-
Accrued interest expense	-	1,541,000
Fixed assets and intangibles	(106,000)	118,000
Total deferred tax assets	<u>23,913,000</u>	<u>20,107,000</u>
Valuation allowance	<u>(23,913,000)</u>	<u>(20,107,000)</u>
Total deferred tax assets, net of valuation allowance	<u>\$ -</u>	<u>\$ -</u>

A reconciliation of the federal statutory income tax rate and the effective income tax rate is as follows:

	<u>2020</u>	<u>2019</u>
Statutory federal tax rate - (benefit) expense	21%	21%
State tax, net	-	-
Non-deductible permanent items	(1)	(6)
Change in tax rate	-	-
Valuation allowance	<u>(20)</u>	<u>(15)</u>
	<u>-9%</u>	<u>-9%</u>

For the years ended December 31, 2020 and 2019, the Company recorded full valuation allowances against its net deferred tax assets due to uncertainty regarding future realizability pursuant to guidance set forth in the FASB's Accounting Standards Codification Topic No. 740, *Income Taxes*. In future periods, if the Company determines it will more likely than not be able to realize these amounts, the applicable portion of the benefit from the release of the valuation allowance will generally be recognized in the statements of operations in the period the determination is made.

At December 31, 2020, the Company had U.S. federal and state income tax net operating loss carryforwards of approximating \$74,592,000 and \$73,520,000, respectively, expiring through 2040. Utilization of the net operating loss carryforwards may be subject to a substantial annual limitation due to ownership change limitations that may have occurred or that could occur in the future, as required by Section 382 of the Internal Revenue Code of 1986, as amended, as well as similar state provisions. The Company has not completed a study to assess whether an ownership change has occurred or whether there have been multiple ownership changes since the Company's formation due to the complexity and cost associated with such a study, and the fact that there may be additional such ownership changes in the future.

10. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leased office space under an operating lease agreement which expired on May 31, 2017 and was amended to a month-to-month lease. In June 2020, we terminated the lease for the majority of our corporate headquarters (approximately 4,965 square feet). As of December 31, 2020 we maintain approximately 1650 square feet of office space on a month-to-month basis.

Rent expense for the years ended December 31, 2020 and 2019 was approximately \$200,000 and \$349,000, respectively, and is included in general and administrative expenses in the accompanying statements of operations. Rental payments are expensed in the statements of operations in the period to which they relate. Scheduled rent increases, if any, are amortized on a straight-line basis over the lease term.

Related Party Transactions

In May 2018, the Company entered into a consulting agreement with a member of the Board of Directors, pursuant to which the board member provides the Company with strategic advice and planning services for which he receives a cash payment of \$7,500 per month from the Company. The consulting agreement had an initial term ending December 31, 2019, and could be extended upon mutual agreement of the board member and the Company. The consulting agreement was extended throughout fiscal year 2020, and continues to be active during fiscal year 2021.

11. SUBSEQUENT EVENTS

The Company evaluated subsequent events for their potential impact on the financial statements and disclosures through the date the annual audited financial statements were available to be issued and determined that no subsequent events occurred that were reasonably expected to impact the financial statements presented herein.

Equity Financings

In January 2021, we entered into securities purchase agreements with institutional investors for the registered direct offering of an aggregate of 3,076,924 shares of our common stock at a purchase price of \$2.60 per share. The offering closed on January 13, 2021, and resulted in gross proceeds to the Company of \$8.0 million. The offering was conducted pursuant to an effective shelf registration statement on Form S-3, which was originally filed with the Securities and Exchange Commission on April 10, 2020 (File No. 333-237626).

In February 2021, we entered into securities purchase agreements with institutional investors for the registered direct offering of an aggregate of 2,926,830 shares of the Company's common stock, par value \$0.001 per share, at a purchase price of \$4.10 per share. The offering closed on February 11, 2021, and resulted in gross proceeds to the Company of \$12.0 million. The shares were offered pursuant to an effective shelf registration statement on Form S-3, which was originally filed with the Securities and Exchange Commission on April 10, 2020 (File No. 333-237626).

Proposed Acquisition of Mobcrush Streaming, Inc.

On March 9, 2021, Super League Gaming, Inc. entered into an Agreement and Plan of Merger (the "MC Merger Agreement") by and among Mobcrush Streaming, Inc. ("Mobcrush"), the Company, and SLG Merger Sub II, Inc., a wholly-owned subsidiary of the Company ("Merger Co"). The MC Merger Agreement provides for the acquisition of Mobcrush by Super League pursuant to the merger of Merger Co with and into Mobcrush, with Mobcrush as the surviving corporation (the "Merger"). Upon completion of the Merger, Mobcrush will be a wholly-owned subsidiary of the Super League, Inc.

In accordance with the terms and subject to the conditions of the MC Merger Agreement: (A) each outstanding share of Mobcrush common stock ("Moberush Common Stock") and Moberush preferred stock ("Moberush Preferred Stock", and with the Moberush Common Stock, the "Moberush Stock") (other than dissenting shares) will be canceled and converted into the right to receive (i) 0.528 shares of the Company's common stock ("Company Common Stock"), as determined in the MC Merger Agreement (the "Share Conversion Ratio"), and (ii) any cash in lieu of fractional shares of Common Stock otherwise issuable under the Merger Agreement (the "Merger Consideration"); (B) vested options of Mobcrush will be assumed by Moberush and converted into comparable options that are exercisable for shares of Company Common Stock, with a value determined in accordance with the Share Conversion Ratio; and (C) unvested options of Moberush will either be (i) assumed by the Company and converted into comparable options that are exercisable for shares of Company Common Stock, with a value as determined by the Company and Moberush prior to the closing of the Merger, or (ii) terminated and re-issued as options that are exercisable for shares of Company Common Stock with a value as determined by the Company and Moberush prior to the closing of the Merger. Subject to certain adjustments and other terms and conditions more specifically set forth in the MC Merger Agreement, the Company will be issuing 12,582,204 shares of the Company's Common Stock as the Merger Consideration. The Merger Agreement contains representations, warranties and covenants of each of the parties thereto that are customary for transactions of this type.

The obligations of the Company and Moberush to consummate the Merger are subject to certain closing conditions, including, but not limited to the approval of Moberush's and the Company's shareholders.

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.

SUPER LEAGUE GAMING, INC.

Date: March 19, 2021

By: /s/ Ann Hand
Ann Hand
President and Chief Executive Officer
(Principal Executive Officer)

SUPER LEAGUE GAMING, INC.

Date: March 19, 2021

By: /s/ Clayton Haynes
Clayton Haynes
Chief Financial Officer
(Principal Financial and Accounting Officer)

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

Signature	Title	Date
<u>/s/ Ann Hand</u> Ann Hand	Chief Executive Officer, President, Chair of the Board (Principal Executive Officer)	March 19, 2021
<u>/s/ Clayton Haynes</u> Clayton Haynes	Chief Financial Officer (Principal Financial and Accounting Officer)	March 19, 2021
<u>/s/ David Steigelfest</u> David Steigelfest	Director	March 19, 2021
<u>/s/ Jeff Gehl</u> Jeff Gehl	Director	March 19, 2021
<u>/s/ Kristin Patrick</u> Kristin Patrick	Director	March 19, 2021
<u>/s/ Mark Jung</u> Mark Jung	Director	March 19, 2021
<u>/s/ Michael Keller</u> Michael Keller	Director	March 19, 2021

**CERTIFICATION PURSUANT TO RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Ann Hand, President and Chief Executive Officer of Super League Gaming, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Super League Gaming, 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 19, 2021

/s/ Ann Hand
Ann Hand
President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Clayton Haynes, Chief Financial Officer of Super League Gaming, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Super League Gaming, 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 19, 2021

/s/ Clayton Haynes
Clayton Haynes
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION 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 of Super League Gaming, Inc. (the “*Company*”) on Form 10-K for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “*Report*”), I, Ann Hand, President and Chief Executive Officer of the Company, and Clayton Haynes, Chief Financial Officer of the Company, each certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (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 19, 2021

/s/ Ann Hand

Ann Hand

President and Chief Executive Officer

(Principal Executive Officer)

/s/ Clayton Haynes

Clayton Haynes

Chief Financial Officer

(Principal Financial and Accounting Officer)
